ANNUAL REPORT 2019/20

CECONOMY

CECONOMY IN FIGURES[1,2]

Sales and earnings

€ million	2018/19	2019/20
Sales	21,455	20,831
Sales development adjusted for currency effects and portfolio changes	0.8%	−1.8%
Like-for-like sales development	0.4%	−1.4%
Gross margin	19.3%	18.1%
EBIT	224	−80
Adjusted EBIT	403[3]	236
Adjusted EBIT margin	1.9%	1.1%
Net financial result	12	−45
Tax rate	32.7%	−74.0%
Profit or loss for the period attributable to non-controlling interests	37	19
Net result	121	−237
Earnings per share (€)	0.34	−0.66

Other operating key figures

€ million	2018/19	2019/20
Online sales	2,935	4,203
Services & Solutions sales	1,229	1,129
Investments as per segment report	195	562

Cash flow

€ million	2018/19	2019/20
Cash flow from operating activities	65[4]	1,166
Cash flow from investing activities	118	−248
Cash flow from financing activities	−178	−589
Change in net working capital[5]	−392[4]	297
Free cash flow	−128[4]	983

Statement of financial position

€ million	30/09/2019[4]	30/09/2020
Net working capital	−1,023	−1,256
Net liquidity (+)/Net debt (−)	882	−854

Other operating key figures (as of 30/09)

	30/09/2019	30/09/2020
Number of stores	1,042	1,023
Total selling space (thousand m²)	2,746	2,661
Workforce by full-time equivalents[6]	50,451	46,186

[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] Prior-year adjustment of earnings effects from companies accounted for using the equity method and portfolio changes.
[4] Adjustment due to revised disclosure and/or a change in definition. Information on this is provided under "Notes to the Group accounting principles and methods".
[5] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items.
[6] Senior executives have now been included, and there were minor adjustments regarding trainees. The previous year's figures have been adjusted accordingly.

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TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Ladies and Gentlemen,

The past year was out of the ordinary for you as well as for us.

The COVID-19 pandemic turned our lives upside down overnight and confronted us with unprecedented personal, professional and societal challenges. Large parts of the economy quickly began to suffer.

The good news first: Although it was not easy, we overcame these challenges very well as a Group thanks among other things to strong online activity. We have used the experience we gained to create crucial impetus for the transformation of our company.

But first things first.

When the Supervisory Board appointed me as CEO in October last year, the company was in a crucial phase of the transformation, which was just beginning. Coming out of the crisis and with the first measures implemented, my most pressing concern was to implement this long-awaited transformation to centralised business processes in a sustainable manner, to strategically enhance the business model of the CECONOMY Group and to align it much more rigorously to the needs of the customers. This remains at the heart of our work – and we already achieved the first results towards this goal at the start of the financial year.

The first five months of the financial year got off to a bright start. The 2019 Black Friday period, for example, was a great success across all sales channels. We also made good operating progress in important initiatives. We made a decent start in the first three months of the financial year with a good increase in the Group's income. We followed seamlessly on from this positive trend in January and February 2020. Our business continued to develop well, and the results were in line with original expectations. We also grew strongly in the Online and Services & Solutions segments. Overall, we were on track to achieve our full-year targets.

Then came coronavirus.

Accelerated growth in online business driven by COVID-19
The weeks of lockdown and the initial social distancing rules not only left our customers in a state of uncertainty, but also affected us as a company. In March of this year, we found ourselves in an unprecedented situation in our company's history; up to 90 per cent of our stores were ordered to close temporarily by the authorities. It was not at all clear when and how they would reopen. This hit us hard, but we responded very quickly.

We successfully confronted the pandemic very early with targeted measures. For example, our internal coronavirus task force was assembled in February already. At the end of March, we requested approval for a revolving syndicated loan of over a billion euros from a consortium of CECONOMY's partner banks with the involvement of the state-owned bank KfW. This credit facility serves as insurance in case the pandemic worsens. To date, we have not utilised it at any time. In August, we also paid back the other credit facilities from banks almost in full.

A key factor for us during this unpredictable time was the resilience of our omnichannel business model. In fact, we very successfully and quickly redirected our resources and activities from the stationary business to online retail. As a result, we nearly doubled our online-only sales in March. In April, online-only sales actually increased by 300 per cent year on year.

Thanks to the business recovery, figures in the second half of the financial year exceeded our expectations
Our action in the COVID-19 pandemic is reflected in our figures. Our business recovered gratifyingly quickly after the lockdown phase – so quickly that we grew considerably in the second half of our financial year compared with the previous year. In addition, we are seeing persistently strong demand in various product categories, such as home office equipment and home entertainment. We therefore built on the good development that we saw in the first five months of this financial year before coronavirus, and ultimately closed the financial year better than expected.

I owe personal thanks for the commitment and dedication of each of our employees, no matter what country they are in, or if they are in the stores, in their offices, or working from home. Without them, the swift adjustment to the altered consumer situation and the new hygiene standards simply would not have been possible. We have their work to thank for the fact that our customers have stuck by us in this difficult situation, that they continue to visit our stores and make ever greater use of our online services.

Learning from exceptional circumstances: Operating Model makes us more customer-oriented and agile
In handling the COVID-19 pandemic, we have demonstrated that we can react quickly to radically altered conditions. The agile deployment of the online teams and the task force with central management functions and close country links proved extremely effective and successful. We now want to incorporate this approach throughout the Group in the form of a standardised organisational structure ("Operating Model") in order to accelerate the transformation of the company.

Our Operating Model focuses on harmonised management structures and standardised, efficient processes and procedures across all countries. This applies to the administrative functions in the country organisations as well as to the organisation of our stores. The latter remain an important pillar of our omnichannel strategy. We want customers to have a positive experience in our stores thanks to personal contact. This was confirmed when customers returned to our stores when they reopened.

We will also continue to invest intensively in our online offerings and services, such as our customer app. Customer acceptance of our online sales channels remained high even after the lockdown phase. We would like to build on this with additional value-adding measures such as our online market place, and sustainably exploit potential.

The crisis also brings opportunities
We do not know how long and in what form COVID-19 will continue to influence our day-to-day lives. But what is clear is that we always want to be customers' first choice for consumer electronics, whether for purchase, advice or any other services that we offer. The continual expansion of our services is high on our list of priorities.

The COVID-19 pandemic has shown us that we are on the right track. We are in the middle of a transformation and will implement it consistently. In these uncertain times, our approach remains to keep acting quickly where required and to take our opportunities where possible. I am therefore optimistic about 2021.

Thank you for your trust in us.

Kind regards,

B. Düttmann

DR BERNHARD DÜTTMANN
Chief Executive Officer and Labour Director

THE MANAGEMENT BOARD

DR BERNHARD DÜTTMANN

Chief Executive Officer and Labour Director

Responsible for

Audit & Consulting; Communications, Public Policy & Sustainability; Corporate Office; Group Competition & Antitrust, Group Compliance, Data Protection; Group Projects & PMO; Human Resources; M&A; Strategy, Value Creation, Innovation/Digital & Business Development

Profile

Dr Bernhard Düttmann has been Chief Executive Officer and Labour Director of CECONOMY AG since 17 October 2019. The Supervisory Board appointed the 61-year-old for another term in office until 16 October 2021, having already been an interim member of the Management Board of CECONOMY AG from January to March 2019 and from October 2019 to October 2020. He was previously a member of the Supervisory Board of CECONOMY AG. Dr Bernhard Düttmann began his professional career in 1989 at Beiersdorf AG, where he held the position of Chief Financial Officer between 2006 and 2011. He joined the Management Board of Lanxess AG in 2011. In this time, and in connection with the spin-off of Tesa into a stock corporation, of which he became CFO in 2001, Dr Bernhard Düttmann acquired extensive experience in corporate transformation.

KARIN SONNENMOSER

Chief Financial Officer

Responsible for

Accounting; Corporate Controlling & Risk Management; Group Corporate Legal; Investor Relations; IT Management & Services; Pensions & Payroll; Tax; Treasury & Insurance

Profile

Karin Sonnenmoser has been Chief Financial Officer of CECONOMY AG since 1 March 2019 and has been appointed until 28 February 2022. Previously, the 51-year-old was responsible for finance, M&A and purchasing as CFO of the publicly traded Austrian lighting manufacturer Zumtobel Group AG. During this time, she successfully restructured several production locations. Karin Sonnenmoser began her career at Volkswagen AG, where among other things she was responsible for coordinating the Group's strategy process as the CEO's general secretary. Thereafter, she became Managing Director of Autovision GmbH (now Volkswagen Group Services GmbH), and then Managing Director Finance and Controlling at Volkswagen Sachsen GmbH, including the Gläserne Manufaktur in Dresden.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

We have had an extraordinary third quarter in every respect, with enormously challenging conditions, which CECONOMY closed with a robust business performance in spite of everything.

The satisfactory earnings and the fact that the forecast specified on 16 July 2020 was exceeded do not in itself provide complete verification of the very great efforts that the company had to undertake in the turbulent course of the past financial year or the extraordinary performance of all employees achieved together.

At the beginning of financial year 2019/20, the Supervisory Board resolved changes in the Group's management and entrusted Dr Bernhard Düttmann as CEO and successor to Mr Jörn Werner with the continuation of the strategy and transformation process. Until mid-March 2020, the company was making good progress. In the first five months, sales and earnings were in line with the original expectations. However, the positive development and the almost completed strategy process came to an abrupt halt when the COVID-19 pandemic reached the countries in Europe where CECONOMY operates.

From mid-March 2020, governments in nearly all countries in which CECONOMY operates ordered temporary store closures and selling restrictions in order to fight the pandemic and protect against infection. The coronavirus measures had a palpable negative effect on CECONOMY's business throughout the Group.

In response to the COVID-19-driven sales decline and the negative margin trend, the company promptly and systematically introduced countermeasures, especially on the cost side, to secure liquidity and earnings. In case of further temporary closures in the future, in April 2020 the company also secured a revolving syndicated loan from a consortium of CECONOMY's partner banks with the involvement of the state-owned bank KfW. The credit line will run until December 2021 with a one-year extension option at the discretion of KfW. One condition of the syndicated loan is that CECONOMY suspends dividend payments for the duration of the credit line for as long as KfW is involved. In addition, the Management Board voluntarily waived its own performance-based remuneration for financial year 2019/20.

During this phase, the company showed its resilience through the success of the online business, where it even consolidated its position further with six million new customers registered in the past financial year.

After the incremental easing of governments' coronavirus measures from the end of April 2020, the company quickly re-established itself. Thanks to noticeable catch-up effects as well as the continuing momentum of the online business, sales even exceeded the previous year's level from May 2020.

In order to be able to react more quickly to the structural changes in the retail environment and to make the company fit for the future in the long term, the Management Board and the management of Media-Saturn-Holding GmbH resumed the strategy process in summer 2020 and implemented the first lessons learned from the pandemic that emerged thereafter. Among other things, they introduced a more agile and leaner organisational structure. This will also make a significant contribution to a stronger customer focus and create the necessary conditions for accelerating the further transformation of the company. With the presentation of the strategy update on 15 December 2020, the implementation of the strategy process has now begun.

The COVID-19 pandemic is a force majeure event. It meant that CECONOMY was no longer able to achieve the original outlook for the key figures in financial year 2019/20. In light of developments in connection with COVID-19 and the expected impact on sales and earnings, the Management Board initially withdrew the original guidance on 18 March 2020. When the half-year financial report Q2/H1 2019/20 was published on 14 May 2020, the guidance was then revised and, based on the preliminary business development of the first nine months of 2019/20 and the state of knowledge at the time, specified on 16 July 2020. The target was achieved with a slight decrease of 1.8 per cent in total sales adjusted for currency and portfolio change effects. With adjusted Group EBIT of €236 million, not taking into account the earnings effects from companies accounted for using the equity method, CECONOMY actually exceeded the target.

The Supervisory Board's work in financial year 2019/20

In financial year 2019/20, the Supervisory Board of CECONOMY AG performed all the duties required of it by law and the company's articles of association in full. Besides the requirements of the law and the articles of association, the Supervisory Board also followed the recommendations of the Commission of the GCGC as well as the rules laid down in its own bylaws and guidelines.

The Supervisory Board advised and supervised the Management Board of CECONOMY AG in the management of the company. In the context of their cooperation, the Supervisory Board and Management Board were in regular dialogue even outside of the meetings of the Supervisory Board and its committees. The Management Board fulfilled its information duties at all times by informing the Supervisory Board verbally and in writing of all material developments in detail, without delay and in accordance with legal requirements. In particular, the Management Board informed the Supervisory Board about the course of business, the position of the company and the Group (including the risk situation, risk management and compliance), and the company's strategy and planning. The Management Board retrospectively explained individual deviations between business performance and planning. The CEOs in financial year 2019/20, Mr Jörn Werner and Dr Bernhard Düttmann, were in continuous dialogue with me as Chairman of the Supervisory Board regarding important issues and upcoming decisions.

The Supervisory Board was involved in all decisions of material significance for the company. The Management Board presented for the Supervisory Board's approval all measures and transactions that require said approval in accordance with the law, the company's articles of association or rules stipulated by the Supervisory Board itself. In each case, the Supervisory Board comprehensively reviewed these matters and discussed their utility, potential risks and other implications in detail with the Management Board. Other measures and transactions of material significance for the company not requiring special approval were discussed jointly in connection with the reports and information provided by the Management Board. On the basis of the Management Board's reports, the full Supervisory Board and the committees discussed all transactions of significance for the company in detail.

The Supervisory Board did not exercise the inspection and audit right defined in Sec. 111 para. 2 sent. 1 and 2 of the German Stock Corporation Act (AktG) in financial year 2019/20.

No members of the Management Board or Supervisory Board were involved in conflicts of interest in financial year 2019/20.

Number of meetings and resolutions and meeting attendance

In financial year 2019/20, there were seventeen Supervisory Board meetings, seven meetings of the Presidential Committee, four meetings of the Audit Committee and two meetings of the Nomination Committee.

The following table shows the individual Supervisory Board members' attendance at the meetings:

Overview of CECONOMY AG Supervisory Board members' individual meeting attendance in financial year 2019/20

	Attendance/number of meetings[1]				
Member of the Supervisory Board	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Mediation Committee
Baur, Wolfgang	17/17	–	–	–	–
Breuer, Kirsten Joachim	17/17	–	–	–	–
Dohm, Karin	16/17	–	4/4	–	–
Düttmann, Dr Bernhard	1/1	–	–	0/0	0/0
Eckardt, Daniela	16/17	–	–	–	–
Fitschen, Jürgen	17/17	7/7	–	1/1	0/0
Funck, Dr Florian	17/17	–	4/4	–	–
Glosser, Ludwig	16/17	–	4/4	–	0/0
Goldin, Julia	13/17	–	–	–	–
Harlow, Jo	15/17	–	–	–	–

Overview of CECONOMY AG Supervisory Board members' individual meeting attendance in financial year 2019/20

	Attendance/number of meetings[1]				
Member of the Supervisory Board	**Supervisory Board**	**Presidential Committee**	**Audit Committee**	**Nomination Committee**	**Mediation Committee**
Kuschewski, Rainer	17/17	–	4/4	–	–
Nutzenberger, Stefanie	16/17	–	–	–	–
Plath, Claudia	17/17	–	4/4	1/1	0/0
Ploog, Jens	16/17	5/7	–	–	–
Popp, Birgit	17/17	–	–	–	–
Raas, Dr Fredy	16/17	–	–	–	–
Schulz, Jürgen	17/17	4/4	–	–	0/0
Stachelhaus, Regine	17/17	6/7	–	1/1	–
Vilanek, Christoph	13/17	–	–	–	–
Woelke, Sylvia	17/17	3/3	4/4	–	0/0

[1] In the case of members who joined or departed the Supervisory Board and the committees during the year or whose membership was temporarily suspended, the table shows only the number of meetings that were held in the period of the financial year in which the person in question was appointed as a member of the Supervisory Board or committee.

No member of the Supervisory Board who belonged to the Supervisory Board and any committees over the entire financial year attended only half or less than half of the meetings of the Supervisory Board and/or the committees of which he or she was a member. When in the past financial year members of the Supervisory Board did not attend individual meetings of the full Supervisory Board or the committees of which they were members in person or by telephone, they participated in the resolutions carried out at the meetings by voting in absentia.

Outside the meetings of the Supervisory Board, four Supervisory Board resolutions were passed on individual matters, which, along with the material content of the Supervisory Board meetings, are explained in more detail below.

Material content of the Supervisory Board meetings and the Supervisory Board resolutions passed outside of meetings

The Supervisory Board's work in financial year 2019/20 and thus the content of the meetings were dominated by the change of Chief Executive Officer initiated by the Supervisory Board at the beginning of the financial year, discussing the strategy with the Management Board and the Management Board information about current effects of the COVID-19 pandemic and the company's countermeasures.

As mentioned above, in a non-scheduled meeting of the Supervisory Board in **October 2019** the Supervisory Board resolved to part ways with the former Chief Executive Officer, Mr Jörn Werner, by mutual agreement with immediate effect. In the same meeting, the Supervisory Board passed the resolution on the termination agreement with Mr Jörn Werner, appointed the Supervisory Board member Dr Bernhard Düttmann as Chief Executive Officer on an interim basis for the period from 17 October 2019 to 16 October 2020 and approved the service agreement between him and CECONOMY AG.

At its meeting in **November 2019**, the Supervisory Board passed resolutions on the adjustment of the weighting of the performance targets of the Management Board's short-term variable remuneration, on the definition of the performance targets for the 2019/20 tranche of the long-term variable remuneration, on the addition to the declaration of conformity and on the succession of Dr Bernhard Düttmann's memberships in the committees of the Supervisory Board. The Supervisory Board also discussed the results of the interview-based review of the efficiency of the Supervisory Board's activity carried out externally in financial year 2018/19 and the recommended action. In addition, the Management Board provided the Supervisory Board with an update on the transformation and strategy. In a non-scheduled meeting by telephone conference, the Management Board informed the Supervisory Board about the planned construction of a central warehouse in Göttingen.

In **December 2019,** outside of a meeting of the Supervisory Board, the Supervisory Board passed a resolution on the adjustment of Ms Karin Sonnenmoser's service agreement and the definition of the performance targets (KPI thresholds) of the short-term variable remuneration for the financial year 2019/20. At its scheduled meeting, the Supervisory Board then adopted the company's annual financial statements and approved the company's consolidated financial statements, both for financial year 2018/19, after the Management Board had presented the Supervisory

Board with the annual and consolidated financial statements and the combined management report. The auditor attended this meeting and reported on the material findings of the audits carried out. In addition, the Supervisory Board approved the separate non-financial group report for financial year 2018/19 and drafted the proposed resolutions and nominations for the General Meeting 2020. Subject to the General Meeting's election of the auditor proposed by the Supervisory Board, the Supervisory Board also resolve to engage the auditor for the audit of the annual and consolidated financial statements and combined management report for CECONOMY AG for financial year 2019/20 and for the review of the condensed consolidated interim financial statements and the interim group management report of CECONOMY AG for the first half of financial year 2019/20. Finally, the Supervisory Board resolved on the adjustment of the profile of skills and expertise and the objections to the overall fulfilment of the statutory minimum quota of women and men in the Supervisory Board. Furthermore, the Management Board informed the Supervisory Board of the status of the transformation and strategy.

In February 2020, the Supervisory Board passed a resolution outside a meeting on the definition of the lists of tasks and criteria for the individual targets of the members of the Management Board for financial year 2019/20. At the meeting in **February 2020** immediately before the Annual General Meeting of CECONOMY AG on 12 February 2020, the Supervisory Board resolved, as a precaution against any actions for a declaration of invalidity against the annual financial statements or any actions for rescission and/or annulment against the resolutions of the General Meeting, to grant a law firm power of attorney to represent the company in the corresponding legal disputes. On the following day, the Supervisory Board met again in a non-scheduled meeting and was further informed by the Management Board about the status of the transformation and strategy.

In a non-scheduled meeting in **early March 2020**, the Supervisory Board continued to discuss CECONOMY AG's transformation and strategy with the members of the Management Board.

Due to the COVID-19 pandemic, the Management Board informed the Supervisory Board in **March** and **April 2020** in a total of six non-scheduled meetings by telephone conference about the current situation of the operating business, especially about the effects of the temporary closures of the brick-and-mortar stores of the MediaMarktSaturn Retail Group in various countries, about the liquidity of Media-Saturn-Holding GmbH and the MediaMarktSaturn Retail Group and about short-time work in the Group. Between mid-March and early May 2020, the Management Board also spoke to the Chairman of the Supervisory Board, Mr Fitschen, and the Chairwoman of the Audit Committee, Ms Dohm, on a daily basis about CECONOMY's position and the effects of the measures regarding the liquidity situation. In a non-scheduled meeting by telephone conference on 26 March 2020, the Supervisory Board approved a temporary shareholder loan in the form of a revolving credit line via CECONOMY AG to bridge the liquidity bottlenecks in the MediaMarktSaturn Retail Group caused by the COVID-19 pandemic. In another non-scheduled meeting of the Supervisory Board by telephone conference at the end of **April 2020**, the Supervisory Board, after detailed discussion and consideration of the various alternatives as well as external and independent legal advice, approved the take-up of a syndicated revolving credit line. The revolving credit line amounts to €1.7 billion and is provided with the involvement of KfW and a banking syndicate. This serves to increase financial flexibility, especially in light of the risk of a second wave of infections and further temporary store closures.

With a resolution passed outside of a meeting in **May 2020**, the Supervisory Board approved the conclusion and execution of the agreement amending the existing syndicated loan agreement. In a meeting of the Supervisory Board, the Management Board informed the Supervisory Board about the current situation and CECONOMY AG's 2020/21 budget process.

The meeting in **July 2020** concentrated on the status of the strategy after COVID-19 and on Management Board and Supervisory Board matters. In addition, the Supervisory Board resolved outside of a meeting to engage KPMG AG Wirtschaftsprüfungsgesellschaft to support the audit of CECONOMY AG's separate non-financial group report for the reporting period from 1 October 2019 to 30 September 2020.

At its meeting in **August 2020**, the Supervisory Board passed a resolution approving a program to harmonise structures in the various countries and introduce a standardised organisation, which is intended to provide the organisational basis for the acceleration of the transformation process.

In **September 2020**, the Supervisory Board discussed in detail the adjustment of the Management Board remuneration system in accordance with the requirements of the new German Corporate Governance Code 2020 and the German Act on the Transposition of the Second Shareholder Rights Directive and the consistent adjustments of the template service agreement for Management Board members, and then resolved to introduce a clawback clause, to set the maximum remuneration (instead of a remuneration cap), to extend the performance period for long-term variable remuneration from three to four years, to revise the share ownership obligations, to delete the change-of-control clause without substitution and to define topic areas for non-financial performance criteria in connection with long-term variable remuneration. The Supervisory Board then resolved further adjustments outside of the reporting period in October 2020. In September 2020, the Supervisory Board also passed a resolution on the revision of the insider guidelines for the Supervisory Board. In addition, the Supervisory Board dealt with the succession planning for the Management Board and for the Supervisory Board, and resolved the continued appointment of CEO Dr Bernhard Düttmann for a term in office from 17 October 2020 until 16 October 2021.

When this appointment took effect on 17 October 2020, Dr Düttmann's mandate as a member of the Supervisory Board of CECONOMY AG, which had been suspended until that point, was finally terminated. The resulting vacancy on the Supervisory Board was filled by the court appointment of Ms Sabine Eckhardt on 26 October 2020. After Ms Sabine Eckhardt's appointment, the distribution of skills and expertise according to the profile of skills and expertise resolved by the Supervisory Board is as follows:

Distribution of skills in CECONOMY AG's Supervisory Board[1]

Retail
- W. Baur
- D. Eckardt
- L. Glosser
- R. Kuschewski
- S. Nutzenberger
- J. Ploog
- F. Raas
- J. Schulz
- C. Vilanek
- S. Woelke

Services
- D. Eckardt
- L. Glosser
- J. Schulz
- C. Vilanek

Digitalisation/technology
- S. Eckhardt
- L. Glosser
- J. Goldin
- J. Harlow
- R. Stachelhaus
- C. Vilanek

International experience
- K. Dohm
- S. Eckhardt
- J. Fitschen
- J. Goldin
- J. Harlow
- R. Stachelhaus
- C. Vilanek

Corporate management
- S. Eckhardt
- J. Fitschen
- F. Funck
- C. Plath
- F. Raas
- R. Stachelhaus
- C. Vilanek

Marketing
- S. Eckhardt
- J. Goldin
- J. Harlow

Human resources
- W. Bauer
- K. J. Breuer
- L. Glosser
- R. Kuschewski
- S. Nutzenberger
- J. Ploog
- B. Popp
- J. Schulz
- R. Stachelhaus
- S. Woelke

Mergers and acquisitions (M&A)
- K. Dohm
- J. Fitschen
- F. Funck
- F. Raas
- C. Vilanek

Compliance
- K. Dohm
- J. Fitschen
- R. Stachelhaus
- S. Woelke

Internal control procedures
- K. Dohm
- C. Plath
- S. Woelke

Accounting, audit
- K. Dohm
- J. Fitschen
- F. Funck
- C. Plath
- F. Raas
- C. Vilanek
- S. Woelke

Sustainability management
- S. Eckhardt
- J. Goldin
- J. Harlow
- R. Kuschewski
- S. Nutzenberger

[1] Maximum five skills per member

The Management Board informed the Supervisory Board about current business development at all scheduled meetings of the Supervisory Board in the past financial year. At meetings of the full Supervisory Board, the Chairpersons of the Supervisory Board's committees informed the Supervisory Board about the content and results of the preceding committee meetings. In the past financial year, the Supervisory Board regularly dealt with the Management Board matters without the attendance of individual Management Board members and also met without the attendance of the Management Board as a whole when necessary.

Committees of the Supervisory Board

As of 1 December 2020, the Supervisory Board has formed four committees, which are made up as follows:

Presidential Committee
Jürgen Fitschen (Chairman)
Jürgen Schulz (until 12 February 2020)
Sylvia Woelke (since 12 February 2020)
Jens Ploog
Regine Stachelhaus

Audit Committee
Karin Dohm (Chairwoman)
Sylvia Woelke (Vice Chairwoman)
Dr Bernhard Düttmann (until 17 October 2019)
Dr Florian Funck
Ludwig Glosser
Rainer Kuschewski
Claudia Plath (since 1 December 2019)

Mr Jürgen Fitschen attends the meetings of the Audit Committee as a permanent guest. Mr Jürgen Schulz also attended the meetings of the Audit Committee as a guest until the end of his term in office as Vice Chairman of the Supervisory Board (after the end of the General Meeting on 12 February 2020).

Nomination Committee
Jürgen Fitschen (Chairman)
Dr Bernhard Düttmann (until 17 October 2019)
Claudia Plath
Regine Stachelhaus

Conciliation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act
Jürgen Fitschen (Chairman)
Jürgen Schulz (until 12 February 2020)
Sylvia Woelke (since 12 February 2020)
Dr Bernhard Düttmann (until 17 October 2019)
Ludwig Glosser
Claudia Plath (since 1 December 2019)

The committees prepare the discussions and the resolutions of the full Supervisory Board regarding the tasks assigned to them by the law or the rules of procedure. Within the legally prescribed framework, the Supervisory Board has also conferred decision-making powers on the committees. Within these powers, the committees act directly in the Supervisory Board’s stead.

↗ The tasks assigned to the committees of the Supervisory Board are listed on the website www.ceconomy.de/en/ under Company – Supervisory Board.

The work of the committees in financial year 2019/20

In financial year 2019/20, the committees of the Supervisory Board dealt with the following questions:

Presidential Committee
A total of seven Presidential Committee meetings were held in financial year 2019/20. One Presidential Committee resolution was passed outside of a meeting.

Like for the Supervisory Board, the Management Board matters and associated questions constituted the main topics for the Presidential Committee’s work in financial year 2019/20. The Presidential Committee prepared the Supervisory Board’s resolutions and submitted recommended resolutions to the Supervisory Board.

Material topics that the Presidential Committee also dealt with were the corporate governance of CECONOMY AG, especially the discussion and preparation of resolutions on the revision of the Management Board remuneration system and the definition of the performance targets of the Management Board's short-term and long-term variable remuneration. In addition, the Presidential Committee resolved to approve a sideline activity of Ms Karin Sonnenmoser as a member of the Board of Directors of a company not affiliated with CECONOMY.

If necessary, the Presidential Committee met without the members of the Management Board or only with the CEO.

Audit Committee
A total of four Audit Committee meetings were held in financial year 2019/20. The Audit Committee passed four resolutions outside of its meetings.

At its scheduled meetings, the Audit Committee discussed a range of topics with the Management Board in a regular and standardised manner. These included in particular:

- the draft quarterly statements and half-year financial report presented to the Audit Committee by the Management Board before their publication.

- the discussion of the findings of the review of the quarterly statements and the half-year financial report with the auditor.

- information on the governance systems, the risk management system, the internal control system, their effectiveness and their ongoing development.

- a quarterly report by Internal Audit on completed and ongoing audits and the planning for the subsequent period.

- the discussion of the capital market viewpoint together with the Management Board.

In addition to these agenda items, the following topics were discussed in more depth at the meetings of financial year 2019/20:

The main topic of the meeting of the Audit Committee in **December 2019** was the discussion and audit of the annual and consolidated financial statements and combined management report of CECONOMY AG prepared by the Management Board for financial year 2018/19. The Audit Committee discussed the audit reports and the findings of the audits with the auditor. In this context, the Audit Committee heard a report from the auditor about its independence during the performance of the audit. On the basis of its audits and the discussion of the auditor's audits, the Audit Committee recommended that the Supervisory Board resolve to approve the annual and consolidated financial statements for financial year 2018/19. The Audit Committee then gave the Supervisory Board a recommendation for the Supervisory Board's proposal to the General Meeting 2020 regarding the election of the auditor and Group auditor for financial year 2019/20 and the auditor for the review of the condensed consolidated interim financial statements and interim group management report for the first half of financial year 2019/20 and prepared the issuing of corresponding audit assignments and the conclusion of the fee agreement – subject to the election of the auditor by the General Meeting 2020 in accordance with the Supervisory Board's nomination.

At the meeting in **February 2020**, the Audit Committee discussed in particular the results of the first quarter of financial year 2019/20, including Black Friday week and the Christmas business, with the Management Board. There was also a focus on looking ahead to a Capital Markets Day, which at the time was scheduled for the second quarter. Possible dividend scenarios for future financial years were also discussed. In addition, the Management Board reported on Group tax planning and donations in financial year 2018/19 as well as a revision of recipients.

In a resolution outside of a meeting, the Audit Committee approved the engagement of KPMG AG Wirtschaftsprüfungsgesellschaft with regard to the performance of an independent business review of the Media-Saturn Group in **April 2020**. This review related to the utilisation of the KfW loan. The results of this review were then explained to the Audit Committee at the next meeting in **May 2020**.

At the meeting in **May 2020**, the Management Board also reported to the Audit Committee about the current situation with the COVID-19 pandemic and outlined various simulations of the carrying amounts of the investments in affiliated companies according to various scenarios, including the alternatives to mitigate potential impairment risks. In addition, the Management Board gave the Audit Committee an update on the positioning and on the changes in the compliance organisation of CECONOMY AG. The Management Board also gave the Audit Committee an update on the implementation of the General Data Protection Regulation and reported on the developments in the individual governance systems in the first half of financial year 2019/20. The Audit Committee also dealt with the audit planning of the elected auditor and the priorities of the audits as well as with the adjustment of the planning process for financial year 2020/21 as a result of the COVID-19 pandemic.

In a resolution outside of a meeting in **July 2020**, the Audit Committee approved the engagement of KPMG AG Wirtschaftsprüfungsgesellschaft to perform the audit of the annual financial statements at Media-Saturn IT Services GmbH.

At the meeting in **August 2020**, the Audit Committee discussed the quarterly figures and, in particular, various scenarios and their effects on the Group's equity situation. Moreover, the Audit Committee received updated tax planning from the Management Board as well as information about the process of preparing the separate non-financial group report.

In a resolution outside of a meeting in **September 2020**, the Audit Committee approved the engagements of KPMG AG Wirtschaftsprüfungsgesellschaft to perform audits of financial statements as of 30 September 2020 at Media-Saturn-Holding GmbH and Media-Saturn Deutschland GmbH.

When necessary during the year, further information was provided to the Audit Committee outside of meetings electronically.

The meetings of the Audit Committee were attended by the Management Board and the auditor.

Nomination Committee
In financial year 2019/20, the Nomination Committee met once.

At the meeting in **December 2019**, the committee dealt with its recommended resolution for the Supervisory Board regarding its nomination for the General Meeting 2020. The Nomination Committee recommended the election of Supervisory Board member Mr Christoph Vilanek, who has already been court-appointed as a member of the Supervisory Board since May 2019 until the end of the Annual General Meeting in 2020. In its deliberations, the Nomination Committee discussed in detail the suitability of Christoph Vilanek in light of the targets adopted by the Supervisory Board for the composition of the Supervisory Board, the profile of skills and expertise and the diversity concept pursuant to Sec. 289f para. 2 no. 6 HGB, taking into account the legal requirements, the company's articles of association and the recommendations of the GCGC for the composition of the Supervisory Board.

The Nomination Committee met without the members of the Management Board.

Mediation Committee
No meetings of the Mediation Committee were necessary in financial year 2019/20.

↗ A detailed description of the workings of the committees is included in the annual declaration on corporate governance, which is available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

Corporate governance

The Management Board and Supervisory Board report on the corporate governance of CECONOMY AG for financial year 2019/20 in the 2020 declaration on corporate governance.

↗ The declaration on corporate governance is published on the website www.ceconomy.de/en/ under Company – Corporate Governance.

The Management Board and Supervisory Board of CECONOMY AG submitted their declaration of conformity pursuant to Sec. 161 AktG with the recommendations of the Commission of the GCGC in November 2020.

↗ This declaration has been made permanently available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance. The current declaration is also reproduced in full in the 2020 declaration on corporate governance.

Annual and consolidated financial statements

As auditor, KPMG AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements for financial year 2019/20 prepared by the Management Board on the basis of the International Financial Reporting Standards (IFRS) and issued an unqualified audit certificate. This also applies to the 2019/20 annual financial statements of CECONOMY AG prepared in accordance with HGB rules and the combined management report for CECONOMY AG. The auditor reported on the findings of the audit in writing.

The annual financial statement and Group documentation and the audit reports were discussed and reviewed in detail in the presence of the auditor at the Audit Committee's meetings and at the Supervisory Board's meeting in December 2020. The necessary documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings, so there was ample opportunity for a review. At both meetings, the auditor reported on the material findings of its audit and was also available for questions and further information in the Management Board's absence. In the auditor's assessment, there were no material weaknesses in the accounting-related internal control and early warning system.

KPMG AG Wirtschaftsprüfungsgesellschaft informed the Supervisory Board about the services that were provided in addition to those in connection with the audit of financial statements. There were no circumstances resulting in concerns about the auditor's independence. After its own review of the annual financial statements, the consolidated financial statements and the combined management report for financial year 2019/20, the Supervisory Board had no objections and approved the auditor's audit findings in a plenary session. The Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements of CECONOMY AG were thus adopted.

Review of the content of the separate non-financial group report

The Supervisory Board discussed in detail and audited the content of the reporting on the issues designated in the Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports (CSR Directive Implementation Act) of 11 April 2017 within the framework of the separate non-financial group report of CECONOMY AG for the reporting period from 1 October 2019 to 30 September 2020. At its meeting on 11 December 2020, the Supervisory Board passed a resolution to approve CECONOMY AG's separate non-financial group report for the reporting period from 1 October 2019 to 30 September 2020. The Supervisory Board reviewed the content of the non-financial report with external support by way of an audit to obtain limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft, which the Supervisory Board engaged via its resolution of 22 July 2020 to provide appropriate support separate from the audit of the annual financial statements and the consolidated financial statements. In its audit, nothing came to KPMG AG Wirtschaftsprüfungsgesellschaft's attention that would cause KPMG AG Wirtschaftsprüfungsgesellschaft to believe that the separate non-financial group report was not prepared, in all material respects, in accordance with Sec. 315b, 315c in conjunction with 289c to 289e HGB. At the Supervisory Board meeting in December 2020, KPMG AG Wirtschaftsprüfungsgesellschaft reported on the material findings of the audit and was available for questions and further information.

Personnel changes

No members of the Supervisory Board left the Supervisory Board in financial year 2019/20.

After his court appointment of May 2019 had ended at the end of the CECONOMY AG General Meeting on 12 February 2020, the term of Mr Christoph Vilanek as shareholder representative was extended by his appointment following his first election at this General Meeting. The Supervisory Board member Dr Bernhard Düttmann's Supervisory Board mandate was suspended for the duration of his re-appointment as Management Board member from 17 October 2019 to 16 October 2020. Due to his further appointment as Management Board member, CEO and Labour Director with effect from 17 October 2020 to 16 October 2021, Dr Bernhard Düttmann left the Supervisory Board of CECONOMY AG on 17 October 2020. The resulting vacancy on the Supervisory Board was filled by the court appointment of Ms Sabine Eckhardt.

I congratulate Mr Christoph Vilanek on his selection and Ms Sabine Eckhardt on her appointment and thank all Supervisory Board members for their valuable contributions. I look forward to the continued cooperation on our board.

I thank Dr Bernhard Düttmann for his work as Chief Executive Officer and Labour Director and his continued willingness to take on the roles of Chief Executive Officer and Labour Director for another year.

On behalf of the Supervisory Board, I would like to thank the Management Board and all employees of CECONOMY for their work and commitment in a challenging environment.

For the Supervisory Board

JÜRGEN FITSCHEN
Chairman

JÜRGEN FITSCHEN
Chairman of the Supervisory Board

Profile: Jürgen Fitschen has been a member of the Supervisory Board of CECONOMY AG (previously: METRO AG) since 2008 and its Chairman since 2017.

Jürgen Fitschen was born in Harsefeld in 1948. After studying economics at the University of Hamburg and graduating with a degree in business administration, he held various senior management positions at Deutsche Bank and, prior to this, at Citibank. Jürgen Fitschen was co-CEO of Deutsche Bank AG until May 2016 and has since worked as a senior advisor for Deutsche Bank. Thanks to his professional career and additional positions on the supervisory boards of major German companies, Jürgen Fitschen brings exceptional expertise in leading and supervising listed, international companies to the Supervisory Board. He is extremely well-informed on all banking and financial issues and is familiar with particular matters relating to growth markets thanks to many years working in Asia.

↗ Further information on Mr Jürgen Fitschen and the other members of the Supervisory Board are available on the website www.ceconomy.de/en/ under Company – Supervisory Board.

CECONOMY AT THE CAPITAL MARKET

Performance of the CECONOMY AG shares

After a share price decline at the start of the financial year, the share price recovered again, especially after the presentation of the figures for financial year 2018/19 on 17 December 2019, and reached its high on 8 January 2020 at a closing price of €5.67. In the subsequent months, the development of the share price was primarily influenced by the effects of the COVID-19 pandemic on the stock markets. As a result of the temporary store closures imposed in many countries, the share prices of many retail companies came under pressure from mid-February 2020. When the lockdown phase began in Germany, the CECONOMY share price reached its low, closing at €1.73 on 23 March 2020.

As stores gradually reopened from mid-May, the CECONOMY share recovered significantly again despite ongoing uncertainty over the macroeconomic environment and the development of the retail industry and reached a closing price of €3.56 on 5 June 2020. Subsequently, the price tended sideways. However, the price climbed again after the announcement of a new Group-wide organisational structure and the publication of the good results for the third quarter of financial year 2019/20 on 13 August 2020, reaching a closing price of €4.21 on 30 September 2020. This corresponds to a share price increase of 144 per cent against the low on 23 March 2020. The average trading volume in the reporting period was nearly one million shares per day.

In the period from the closing price on 30 September 2019 to 30 September 2020, the CECONOMY share had a negative total return of around 15 per cent. The CECONOMY share therefore developed more poorly than the Stoxx 600 Retail and SDAX benchmark indices. The Stoxx 600 Retail Index posted a total return of around 13 per cent in the same period. The total return of the SDAX likewise amounted to around 13 per cent.

Total return

Share/index	Ticker	Total return 30/09/2019 to 30/09/2020 (closing prices)
CECONOMY ordinary share	CEC	−15.2%
Stoxx 600 Retail Index	SXRP	12.5%
SDAX Index	SDYP	13.3%

Data based on Xetra closing prices
Source: Bloomberg

Information about the CECONOMY shares

	Ordinary shares	Preference shares
Code number	725 750	725 753
ISIN code	DE 000 725 750 3	DE 000 725 753 7
Reuters code	CECG.DE	CEC1_p.DE
Bloomberg code	CEC GY	CEC1 GY

Shareholder structure of CECONOMY AG

FREE FLOAT

The free float of 47.20 per cent is split between a large number of national and international investors. As of 30 September 2020, the free float of CECONOMY AG was comprised as follows: The voting rights notifications from fund companies and other available information show that British investors are the largest group of institutional investors, followed by investors from the USA and France.

According to a voting rights notification published on 10 April 2019, the largest institutional investor is the investment company Exor Financial Investments, which announced a share of 3.14 per cent in the voting rights. According to a voting rights notification published on 13 March 2020, the investment company J O Hambro Capital Management Limited fell short of the threshold of three per cent of the voting rights with a share of 2.99 per cent.

PRINCIPAL SHAREHOLDERS

The principal shareholders of CECONOMY AG are the shareholder groups Haniel, Meridian Stiftung (formerly: Schmidt-Ruthenbeck), and Beisheim as well as the major shareholder freenet AG. Calculated on the basis of announced voting rights in accordance with the German Securities Trading Act, the largest shareholder remains Haniel, which holds 22.71 per cent of the ordinary shares. The second-largest shareholder on the basis of the published voting rights notifications is Meridian Stiftung (formerly: Schmidt-Ruthenbeck), which holds 14.33 per cent of the ordinary shares. The third-largest shareholder is freenet AG, which holds 9.15 per cent of the ordinary shares, followed by the Beisheim shareholder group with 6.62 per cent of the ordinary shares.

Dividend

The conditions of the syndicated loan concluded in May 2020 with the involvement of KfW and a syndicate of CECONOMY's partner banks include the suspension of dividend payments, with the exception of minimum distributions required by law, over the term of the credit facility, which has been set until December 2021 with a one-year extension option at the discretion of KfW.

The balance sheet loss under commercial law of CECONOMY AG of €91 million will be carried forward to new account as a loss carry-forward.

Analyst recommendations

As of the end of financial year 2019/20, twelve analysts from international banks and brokers were covering and assessing the CECONOMY share. Two analysts, or 17 per cent of the analysts, recommended the CECONOMY share as a "Buy". Nine analysts, or 75 per cent, rated the share as "Hold" or "Neutral". One sell recommendation was also made. The median target price was €3.55.

STRATEGY

CECONOMY finds itself in an increasingly challenging environment that – this year more than ever – is shaped by far-reaching market developments and customer trends. Digitalisation has now extended to nearly all areas of private and public life. The needs of the various customer groups are changing accordingly.

Digitalisation is increasingly pervading the day-to-day in numerous areas. The pace at which digital technology is advancing necessitates the right products, the right advice and associated services. This is the only way that consumers can fully exploit the potential of the digital trend.

Starting position

DIGITALISATION AND INNOVATION

As a long-term trend, one of the effects of digitalisation is that in-store business and online and mobile retail are blending into each other and customers expect a satisfactory shopping experience across all channels. Innovative options such as payment without cash registers, in-store navigation and virtual reality experiences can help ensure that these expectations are met. The products themselves are also becoming more innovative and interconnected. Consumers' need for advice and direct contact partners when comparing, purchasing and operating consumer electronics is increasingly accordingly. Consumers want the benefits offered by the products while investing as little time as possible.

CHANGES IN CUSTOMERS' EVERYDAY LIVES

The trend towards greater digitalisation in the day-to-day is also being driven by the COVID-19 pandemic. Although the potential changes to society as a result of the current pandemic are not entirely predictable, it is already amplifying certain trends that have influenced the consumer electronics market for years. For example, more and more companies are implementing flexible working. Setting up a workplace at home and working remotely has become a reality for many employees, at least since the pandemic. Digital equipment for schools and their students has also become a big issue in the public's consciousness in 2020. Home schooling has presented challenges for many parents. The way people spend their leisure time at home has changed in the past year, along with the associated use of digital devices for entertainment and support in their day-to-day lives. In a pandemic, the safest ways to stay informed, interact socially and communicate are digital. Older people in particular need help here in order to participate in the digital world.

CECONOMY's strategic approach is based on meeting these varying requirements in the form of the right products and the corresponding advice and services, regardless of channel.

Strategic approach

In a technology-driven world, CECONOMY's vision is to be the first choice – for consumers as well as business partners – as a trusted retailer with tailored solutions. This is founded on an omnichannel model focused on the customer experience.

There are three key pillars to CECONOMY's strategy:

1. CREATE AN EFFICIENT ORGANISATION & STRUCTURE

The transformation into a customer-centric, omnichannel-driven company is assisted by the creation of an efficient organisation and structure that allows Group-wide initiatives to be rolled out faster and more consistently. This is based on the new organisational structure ("Operating Model") unveiled in August 2020, which focuses on harmonised management structures and centralised processes across all countries. The new target organisation is intended to simplify the standardisation of processes, increase efficiency in the country organisations and simultaneously reduce costs. In addition, regional country clusters will be formed, with certain countries combined in terms of organisation.

The stores will be relieved of administrative tasks so that they can direct their efforts more intensively towards customers. The relocation of these activities to the headquarters of the country organisations also supports the central management of important processes, including product range management, purchasing and logistics. The company will provide employees with additional digital tools in order to further improve service quality and efficiency and to make many activities easier for them. The use of technology and data analytics also ensures fast and efficient processes.

2. BUILD A UNIQUE VALUE PROPOSITION

CECONOMY employs an omnichannel model in order to offer customers a unique value proposition and thus increase their satisfaction and loyalty. This is based primarily on three factors: Firstly, a seamless omnichannel experience, including in the form of personalised customer experiences, both online and in store. Secondly, an optimised supply chain, including centralised procurement and continuous improvements in logistics, which in turn means higher availability of goods and faster delivery times. Thirdly, the performance promise is based on optimised category management, which aligns product range more closely to consumer needs.

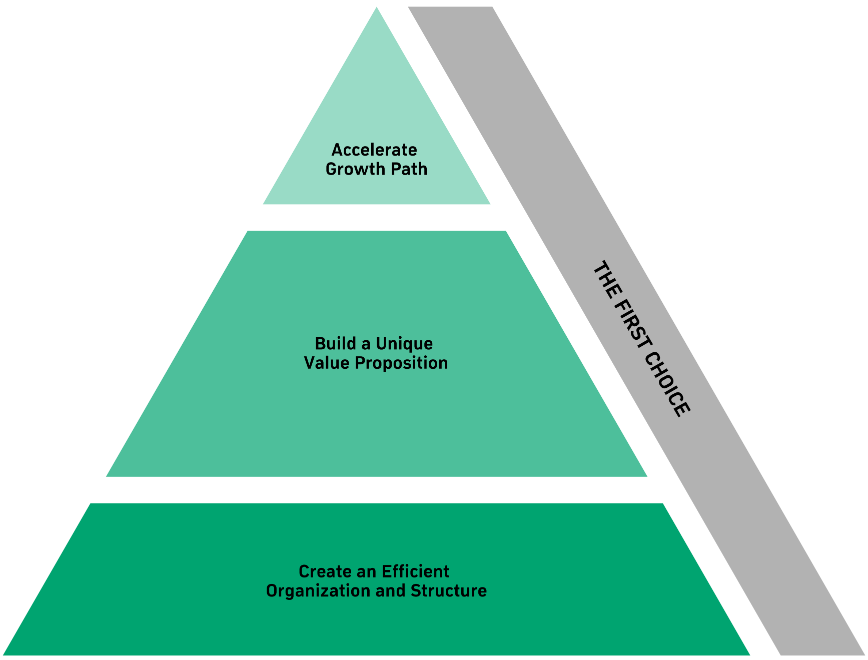
3. ACCELERATE GROWTH PATH

CECONOMY's in-store and digital platforms, combined with high customer acceptance, are also a springboard for additional growth opportunities. In addition to the expansion of product range categories to innovative new areas of technology such as health and fitness, relationships with business customers and manufacturers will thus come further to the fore in the future. Special B2B initiatives promote opportunities to sell to potentially underserved customer segments such as small and medium-sized enterprises. In addition, CECONOMY's own sales channels are being successively opened up to external providers via the marketplace model launched in Germany in July 2020.

Outlook

CECONOMY is well prepared for the challenges of the next few years; the transformation to efficient structures and optimised omnichannel opportunities is in full swing. The direction remains clear: To strengthen the high acceptance of in-store and digital retail among customers and to be consumers' and business partners' first choice – regardless of channel – as an esteemed partner for consumer electronics.

CECONOMY strategy framework



COMBINED MANAGEMENT REPORT

OVERALL STATEMENT BY THE MANAGEMENT BOARD OF CECONOMY AG ON CECONOMY'S BUSINESS PERFORMANCE AND SITUATION

In the Management Board's view, CECONOMY has coped very well with the extraordinary financial year and the challenges posed by the COVID-19 pandemic. Although most stores were closed for more than six weeks because of COVID-19, sales declined only slightly in the past financial year, thanks in particular to the outstanding strong online business and the fast recovery of brick-and-mortar sales since stores reopened. Ultimately, adjusted Group EBIT was significantly higher than the outlook updated in July 2020 as well as the market's expectations, and thus turned out better than expected at the beginning of the crisis.

In the first five months of financial year 2019/20, before the COVID-19 pandemic , sales and earnings developed solidly and in line with the initial expectations. The Black Friday campaign days in late November and early December 2019 were conducted successfully and profitably across all sales channels. CECONOMY also made important operating progress, including in the digitalisation and centralisation of processes, the expansion of new services in the Services & Solutions business and in the improvement of cost efficiency.

Finally, the pandemic has not only confronted CECONOMY with uncertainties, but also showed that the company can react quickly to changed conditions. The COVID-19 pandemic was a catalyst for the online business. Accordingly, resources and sales activities were increasingly focused on the online channel. The strength of the omnichannel model was demonstrated successfully, which is reflected on the one hand in the high growth rates in the online business and on the other hand in the recovery of stationary business after the lockdown. Overall, the stationary business remains a fundamental component of CECONOMY's business model.

Besides the fast reaction to new conditions, there was also a focus on financial security. CECONOMY launched large-scale cost and liquidity measures. In order to increase financial flexibility in uncertain times, a syndicated loan in the amount of €1.7 billion with the involvement of Kreditanstalt für Wiederaufbau (KfW) and a banking syndicate in the amount of €1.7 billion was concluded in May 2020, but has not been utilised at any time to date. One condition of the syndicated loan is that CECONOMY suspends dividend payments for the duration of the credit facility. Furthermore, the Management Board took the decision to waive its own short-term performance-based remuneration for the past financial year 2019/20. Likewise, the short-term incentive for the second management level of the company will be reduced for the past financial year.

The transformation of the company is being vigorously pursued. This is based on the introductionof a harmonised group-wide organisational structure ("Operating Model"), establishing standardised management structures and centralised processes across all countries, announced in August 2020. Overall, CECONOMY's strategy is aligned to three elements: the creation of an efficient organisational structure, the establishment of a unique value proposition and an accelerated growth path through exploration of additional offers and services. All efforts centre on a customer-focused business model for sustainable growth with the overriding, strategic goal of being the first choice.

OVERVIEW OF FINANCIAL YEAR 2019/20 AND OUTLOOK

Earnings position of continuing operations

- In financial year 2019/20, total sales of CECONOMY declined by 2.9 per cent to €20.8 billion compared to the previous year (2018/19: €21.5 billion).

- Adjusted for currency and portfolio change effects, sales were only slightly below the previous year's level with a decline of −1.8 per cent (like-for-like: −1.4 per cent).

- Group EBIT amounted to €−80 million (2018/19: €224 million). This includes non-recurring earnings effects of €−49 million (2018/19: €−200 million) and earnings effects from companies accounted for using the equity method of €−267 million (2018/19: €21 million).

- Adjusted for these effects and portfolio changes, Group EBIT declined by €167 million to €236 million (2018/19: €403 million). This includes a positive effect from the introduction of IFRS 16 of approximately €9 million.

- The net result decreased to €−237 million (2018/19: €121 million), particularly due to the non-cash impairment of the investment in Fnac Darty S.A.

- Earnings per share decreased to €−0.66 (2018/19: €0.34), particularly due to the non-cash impairment of the investment in Fnac Darty S.A.

Financial and asset position

- As at 30 September 2020, the consolidated statement of financial position records an equity of €548 million (30/09/2019: €784 million). The equity ratio is 5.2 per cent (30/09/2019: 9.7 per cent).

- Net debt amounted to €854 million as of 30 September 2020 (30/09/2019: net liquidity of €882 million). Adjusted for the recognition of lease liabilities in the statement of financial position due to the first-time application of IFRS 16, net liquidity amounted to €1,287 million (30/09/2019 adjusted: €932 million).

- Investments as per segment report totalled €562 million due to the first-time application of IFRS 16, €367 million above the previous year's figure (2018/19: €195 million).

- In the past financial year, cash flow from operating activities led to a cash inflow of €1,166 million (2018/19: €65 million), which is primarily due to the introduction of IFRS 16.

- Total assets rose by €2,351 million to €10,455 million as of 30 September 2020 (30/09/2019: €8,103 million), due in particular to the introduction of IFRS 16.

- The balance sheet net working capital increased by €235 million year-on-year to €−1,256 million (30/09/2019: €−1,023 million).

- The ratings awarded to CECONOMY AG were as follows as at 30 September 2020: Ba1/Negative (Moody's) and BBB−/Stable (Scope).

Outlook for CECONOMY

The uncertainties with regard to the further development of the COVID-19 pandemic and the global macroeconomic environment remain high in the new financial year 2020/21. The outlook is based on the assumption that the continued influence of the COVID-19 pandemic both on the macroeconomic situation and on the Group's situation will not materially deviate from the current level. In particular, the achievement of the outlook requires that during the course of the COVID-19 pandemic there will be no further prolonged widespread closures of a significant portion of the stationary business or a serious deterioration in consumer confidence, and that supply chains remain largely intact.

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.

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).

BASIC INFORMATION ON THE GROUP

The Group's business model

The companies in the CECONOMY portfolio have billions of consumer contacts each year and offer products, services and solutions that make living in the digital world as easy and enjoyable as possible.

The business model is based on a clear allocation of responsibilities. As the central management holding company, CECONOMY AG covers basic functions such as finance, accounting, controlling, legal and compliance.

The operating business comprises several Group companies, with the focus on the MediaMarktSaturn Retail Group with the MediaMarkt and Saturn brands. In addition, CECONOMY AG is the main shareholder of DTB Deutsche Technikberatung GmbH with a share of 80 per cent. The company is a partner for professional technical assistance at home. All services are also offered in all MediaMarkt and Saturn stores throughout Germany.

CECONOMY AG also holds a minority interest of around 24 per cent in Fnac Darty S.A., the leading French retailer for consumer electronics and household appliances. CECONOMY AG likewise has a 15 per cent stake in PJSC "M.video", Russia's market leader for consumer electronics, and a 25 per cent stake in PMG Retail Market Ltd., a joint venture with the Greek Olympia Group Ltd., via Media-Saturn-Holding GmbH.

CECONOMY at a glance

MediaMarkt, Germany and Europe's number one electronics retailer, was founded in 1979 and is now operated as an independent retail brand within the MediaMarktSaturn Retail Group. In Germany, the company is currently represented by 271 stores and has more than 11,000 employees. MediaMarkt has a European presence in twelve countries with more than 850 stores and around 39,000 employees. In addition to a constantly updated assortment of brand products, the successful concept also features personal advice and an extensive portfolio of services. MediaMarkt combines the advantages of in-store and online retail under the umbrella of a trusted brand, complemented by opportunities for mobile, app-based shopping.

Saturn, founded in 1961, turns technology into an experience for its customers and shows how modern technology products can enrich customers' lives. Saturn is now operated as an independent retail brand under the umbrella of the MediaMarktSaturn Retail Group. In Germany, Saturn is represented by more than 150 stores and employs around 7,000 people. As of September 2020, Saturn has a European presence in three countries with around 170 stores and around 8,000 employees. Saturn stores are characterised by their attractive locations, their diverse range of brand products at excellent value for money, spacious selling spaces, and excellent service and advice. Saturn links its in-store business in Germany closely with its online shop and mobile shopping via app.

Deutsche Technikberatung (DTB) stands for professional assistance for the installation, connection and troubleshooting of electronic devices at home – either personally on site or by remote maintenance. Moreover, the cooperation with MediaMarkt and Saturn makes living in the digital world easier for customers: DTB's consultants offer solutions for unrestricted enjoyment of technology at home. DTB thus supports the service-at-home concept in MediaMarkt and Saturn's stores.

Investments

Fnac Darty S.A. is France's leading retail company for consumer electronics and household appliances with a presence in another twelve countries. At the end of December 2019, the Group comprised an omnichannel network of 880 stores, including 726 in France and Switzerland. Online, the Fnac Darty Marketplaces alone have around 36 million active customers in 2020. Setting standards as an omnichannel retailer, Fnac Darty S.A. achieved sales of around €7.3 billion in 2019.

PJSC "M.video" is the leading Russian retailer for consumer electronics with 1,038 stores. In the 2019 financial year, the company's sales amounted to around RUB 365.2 billion (approximately €5.2 billion, exchange rate on 31 December 2019: EUR 1 = RUB 69.96; source: ECB).

PMG Retail Market Ltd. is a joint venture founded in 2019 by Media-Saturn-Holding GmbH and the Greek Olympia Group Ltd. ("Olympia") in order to cover the Greek and Cypriot market. 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.

Store network by country

	30/09/2019	Openings/additions 2019/20	Closures/disposals 2019/20	30/09/2020
Germany	431	0	–6	425
Austria	52	1	0	53
Switzerland	26	0	–1	25
Hungary	32	0	0	32
DACH	**541**	**1**	**–7**	**535**
Belgium	27	0	0	27
Greece	12	0	–12	0
Italy	117	1	–1	117
Luxembourg	2	0	0	2
Netherlands	49	1	0	50
Portugal	10	0	0	10
Spain	88	0	0	88
Western/Southern Europe	**305**	**2**	**–13**	**294**
Poland	90	0	–2	88
Turkey	78	0	0	78
Eastern Europe	**168**	**0**	**–2**	**166**
Sweden	28	0	0	28
Others	**28**	**0**	**0**	**28**
CECONOMY	**1,042**	**3**	**–22**	**1,023**

Management system

The key figures used at CECONOMY for the management of the company are presented below. Alongside a brief description of the respective key figure, a reference is provided to the section of the Annual Report in which the key figure is discussed in further detail in its overall context.

CECONOMY's most important key performance indicators – total sales growth adjusted for currency effects and portfolio changes and adjusted EBIT – are highlighted at the top of the table. CECONOMY issues a forecast for these key figures.

Following the explanation of these key figures, other key figures used for management are presented in groups according to their allocation to the income statement, cash flow statement, statement of financial position and other operating key figures.

Key figure	Description	Section
Forecast key figures		
Total sales growth adjusted for currency effects and portfolio changes	Total sales growth adjusted for currency effects shows the percentage change in total sales without the influence of currency effects. Currency-adjusted total sales growth is calculated for the financial year by translating the sales of the previous year at the average exchange rate of the current year. Currency-adjusted total sales growth in individual quarters is calculated as the difference between the respective cumulated periods. All the required cumulated periods are translated at the rate of the most recent cumulated period (example: currency-adjusted total sales growth Q4 2019/20 based on exchange rates for full year 2019/20). Adjustment is made for portfolio measures by not including the affected sales in the current period or in the previous period.	Earnings position
Adjusted EBIT	Earnings before interest and taxes (EBIT) means earnings before the net financial result and taxes. Adjustment is made for portfolio measures by not including the affected earnings contributions in the current period or in the previous period. Earnings effects from companies accounted for using the equity method are also adjusted for. Non-recurring earnings effects in connection with (1) the reorganization and efficiency program announced on 29 April 2019, (2) COVID-19 related store closures and (3) the introduction of a harmonised group-wide organisational structure ("Operating Model") are not included in adjusted EBIT. For the previous year's figures, this adjustment also relates to expenses incurred in connection with the reorganization and efficiency program as well as top management changes.	Earnings position
Other key figures of the income statement		
Total sales	Total sales are stated in euros. The sales generated in a foreign currency in a certain period are translated at the appropriate average exchange rate of the period.	Earnings position
Total sales growth	Total sales growth means the percentage change in total sales in the reporting period compared with the corresponding period of the previous year.	Earnings position
Like-for-like sales	Like-for-like sales means the sales over a comparable sales area or based on a comparable panel of stores, units or merchandising concepts such as online retail and delivery (like-for-like panel). Sales are only included from stores with a comparable history over at least one full financial year. Therefore, stores affected by openings, closures or significant business changes in the reporting period or the comparative period are excluded.	Earnings position
Like-for-like sales growth	Like-for-like sales growth means the currency-adjusted growth of like-for-like sales.	Earnings position
Online sales	Online sales comprise the sales that are generated over the internet. These include both sales from online pure players and sales generated via the MediaMarktSaturn Retail Group's online shops. Products ordered online and collected in-store are also included.	Earnings position
Online growth	Online growth means the change in online sales compared with the corresponding prior-year period.	Earnings position
Online share	The online share is the share of online sales in the total sales of the period in question. Online share = $\frac{\text{Online sales}}{\text{Total sales}}$	Earnings position
Pick-up rate	The pick-up rate is the percentage of online orders that are collected in-store.	Earnings position
Services & Solutions sales	Services & Solutions sales are those sales that are not purely product sales. Examples include extended warranties, brokering mobile phone contracts, repair services, or delivery and installation.	Earnings position
Services & Solutions growth	Services & Solutions growth means the change in Services & Solutions sales compared with the corresponding prior-year period.	Earnings position

Key figure	Description	Section
Services & Solutions share	The Services & Solutions share is the share of Services & Solutions sales in the total sales of the period in question. Services & Solutions share = $\frac{\text{Services \& Solutions-Sales}}{\text{Total sales}}$	Earnings position
Gross margin	The gross margin equals gross profit on sales divided by total sales. Gross margin = $\frac{\text{Gross profit on sales}}{\text{Total sales}}$ Gross profit on sales is defined as total sales less cost of sales.	Earnings position
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) means earnings before the net financial result, depreciation, amortisation, impairment and reversals of impairment losses on property, plant and equipment and intangible assets.	Segment report
Adjusted EBITDA	Like adjusted EBIT, EBITDA is also adjusted for portfolio measures by not including the affected earnings contributions in the current period or in the previous period. Earnings effects from companies accounted for using the equity method are also adjusted for. Non-recurring earnings effects in connection with (1) the reorganization and efficiency program announced on 29 April 2019, (2) COVID-19 related store closures and (3) the introduction of a harmonised group-wide organisational structure (“Operating Model”) are not included in adjusted EBITDA. For the previous year’s figures, this adjustment also relates to expenses incurred in connection with the reorganization and efficiency program as well as top management changes.	Segment report
EBIT	Earnings before interest and taxes (EBIT) means earnings before the net financial result and taxes.	Earnings position
(Adjusted) EBIT margin	The (adjusted) EBIT margin equals (adjusted) EBIT divided by total sales. (Adjusted) EBIT margin = $\frac{\text{(Adjusted) EBIT}}{\text{Total sales}}$	CECONOMY in figures
EBT	EBT means earnings before taxes. EBIT +/− net financial result = EBT	Earnings position
Tax rate	The tax rate equals tax expense divided by earnings before taxes (EBT). Tax rate = $\frac{\text{Tax expense}}{\text{Earnings before taxes}}$	Earnings position
Minority share in the profit or loss for the period	The minority share in the profit or loss for the period means the share in the profit or loss for the period attributable to non-controlling interests (synonym for “profit or loss for the period attributable to non-controlling interests”).	Earnings position
Net result	The net result is the figure arising after the deduction of non-controlling interests from the profit or loss for the period (synonym for “profit or loss for the period attributable to shareholders of CECONOMY AG”).	Earnings position
Earnings per share (EPS)	Earnings per share (EPS) equals the net result divided by the number of shares issued (ordinary and preference shares). EPS = $\frac{\text{Net result}}{\text{Number of shares issued}}$	Earnings position
Key figures of the cash flow statement		
Change in net working capital	As part of cash flow from operating activities, the change in the balance sheet items included in net working capital is presented here, adjusted for currency effects, which are shown separately, investments and divestments.	Financial and asset position
Income taxes paid (cash taxes)	As part of cash flow from operating activities, the actual cash outflow for income taxes in the period in question is presented here.	Cash flow statement
Cash flow from operating activities	Cash flow from operating activities means movements in the “cash and cash equivalents” items attributable to operating activities. These primarily include EBITDA, adjusted for additions to and reversals of provisions, changes in net working capital and tax payments.	Financial and asset position
Cash investments	Cash investments refers to the absolute level of cash investment in the period in question. For this purpose, “acquisition of companies”, “investments in property, plant and equipment” and “other investments” from cash flow from investing activities are grouped together.	Cash flow statement
Cash flow from investing activities	Cash flow from investing activities means movements in the “cash and cash equivalents” items attributable to investing activities. It primarily comprises cash investments, inflows from divestments and investments in and disposals of financial investments and securities.	Financial and asset position
Dividends paid	The key figure dividends paid comprises the cash outflow to shareholders included in cash flow from financing activities and includes both the dividend to the ordinary and preference shareholders and the payments to non-controlling shareholders.	Cash flow statement
Cash flow from financing activities	Cash flow from financing activities means movements in the “cash and cash equivalents” items attributable to financing activities. This primarily includes payments of dividends, proceeds from/redemption of borrowings, redemption of lease liabilities and interest payments.	Financial and asset position
Free cash flow	Free cash flow comprises cash flow from operating activities less cash investments. Cash flow from operating activities − cash investments = free cash flow	CECONOMY in figures

Key figure	Description	Section
Key figures of the statement of financial position		
Equity	Equity is a residual value resulting from the recognition of the difference between assets and liabilities.	Financial and asset position
Equity ratio	The equity ratio equals equity divided by total assets. $\text{Equity ratio} = \frac{\text{Equity}}{\text{Total assets}}$	Financial and asset position
Borrowings	Borrowings comprise current and non-current financial borrowings including lease liabilities.	Financial and asset position
Net liquidity/net debt	Net liquidity/net debt is calculated by netting borrowings with cash and cash equivalents and short-term financial investments. Borrowings – cash and cash equivalents – short-term financial investments = net liquidity/net debt	Financial and asset position
Net working capital	The balance sheet net working capital, as current assets required for operations, is defined as follows: Inventories + trade receivables and similar claims + receivables due from suppliers – trade liabilities and similar liabilities = net working capital	Financial and asset position
Other operating key figures		
Investments as per segment report	The key figure investments as per segment report comprises all additions to non-current intangible assets, property, plant and equipment (e.g. land, buildings, expenses for modernisation) and investments accounted for using the equity method. In contrast to cash investments, the present value of leases entered into is also included here. However, cash outflows for financial assets and advance payments or prepaid rent are not included.	Investments/ divestments
Total number of stores	The number of stores means the number of brick-and-mortar stores with a selling space that can be measured in square metres.	The Group's business model/Earnings position
Total new stores	The number of new stores opened in a period.	The Group's business model/Earnings position
Total closures	The number of closures in a period.	The Group's business model/Earnings position
Total selling space	Selling space means the total area of all stores in square metres.	Earnings position
Average selling space per store	The average selling space per store equals the total area of all stores in square metres divided by the number of stores on the given date. Average selling space per store $= \frac{\text{Total area of all stores in square metres}}{\text{Number of stores}}$	Earnings position
Number of employees	This key figure describes the number of full-time equivalents on the given date.	CECONOMY in figures

Based on similar economic conditions and business activities of the operations, individual countries are aggregated to form the following reportable **operating segments**:

- DACH: Germany, Austria, Switzerland, Hungary
- Western/Southern Europe: Belgium, Greece (until 29 November 2019), Italy, Luxembourg, Netherlands, Portugal, Spain
- Eastern Europe: Poland, Turkey

All non-reportable operating segments as well as business activities that do not meet the criteria to be defined as an operating segment are grouped together under “Others”. This particularly includes Sweden and smaller operating companies.

Sustainability management

CECONOMY is aware of its responsibility towards people and the environment. Throughout the business, the value chain is being brought into line with the ecological, social and legal conditions. The United Nations' Sustainable Development Goals (SDGs) are used as a guiding framework. These goals for sustainable development are a guideline for companies all over the world. CECONOMY aims to amplify its business activity's positive influence on the SDGs while systematically reducing negative effects. In dialogue and cooperation with stakeholders, forward-looking solutions are being developed to ultimately created added value for all.

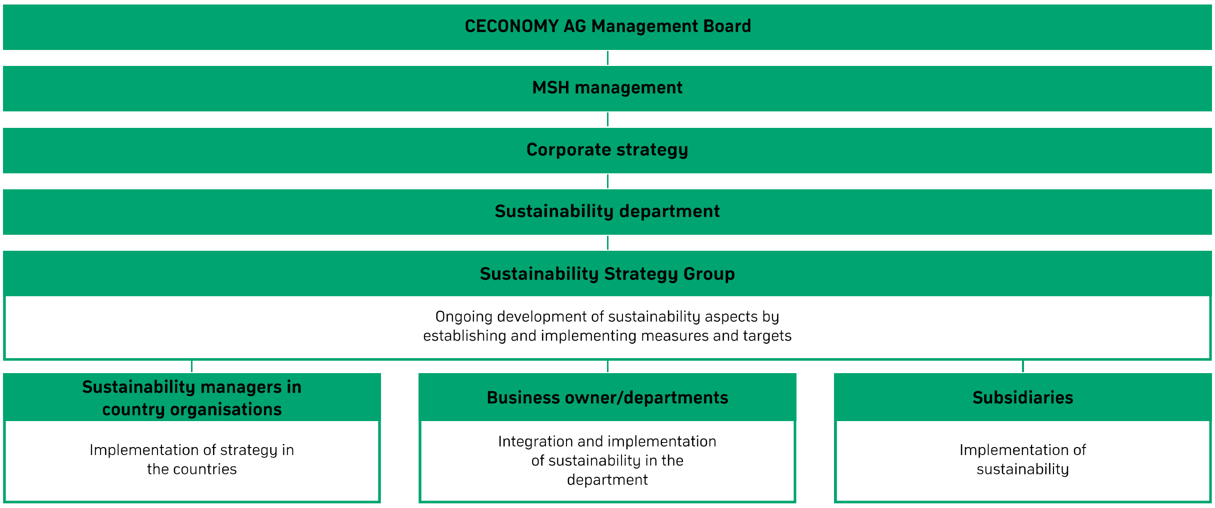
Sustainability management and organisation

The Management Board of CECONOMY AG is the senior body for dealing with the topic of sustainability and is responsible for strategic decisions and tracking targets and progress. Sustainability activities are regularly discussed with the CEO as the senior sustainability ambassador. The CECONOMY AG Management Board is therefore the highest "Sustainability Committee" in the Group.

There is a "Sustainability Strategy Group" at the level of the MediaMarktSaturn Retail Group (MMSRG). Coordinated by the Sustainability department, all the Group's relevant experts regularly meet in this group to plan the specific implementation of the sustainability strategy as part of the overall strategy and to combine it with the operating business. In the strategy group, the operating managers define the content of the sustainability projects and draw up decision papers for the management and the Management Board. All sustainability priorities are also assigned "sponsors" at the highest level of management. They are responsible for the integration of sustainability in their department.

In addition, "Sustainability Managers" are appointed in the country organisations in order to apply the sustainability issues to their countries directly.

Sustainability organisation



↗ Further information on sustainability management and the sustainability organisation can be found in the separate non-financial group report, which is also published in the Federal Gazette.

Sustainability strategy

The Group has developed its own sustainability strategy. An analysis was carried out in financial year 2019/20 to identify and re-evaluate material issues.

Together with the SDGs, these issues form the basis for the sustainability priorities. The material issues also determine the content of the separate non-financial group report, which has been issued for the third time.

↗ Further information on sustainability at CECONOMY and the associated management approaches, targets and key figures can be found in the separate non-financial group report, which is also published in the Federal Gazette.

As a member of the United Nations Global Compact, MMSRG is committed to its ten principles and undertakes to work actively on the realisation of the SDGs and to submit an annual report on its progress to the United Nations.

↗ MMSRG's UN Global Compact Communication on Progress 2018/19 is available on the website www.mediamarktsaturn.com/en/ under Company – Sustainability at MediaMarktSaturn.

Employees[1]

CECONOMY aims to support customers and to make their lives easier with tailored solutions in an increasingly digital world. The Group therefore requires committed employees who bring the strategy to life in their everyday work and create added value for customers. CECONOMY can only grow if the company nurtures its employees. CECONOMY has two priorities in its HR strategy: firstly, HR management, which comprises recruiting, retaining and developing employees, and secondly, occupational health and safety and health promotion. The aim is to acquire the best-suited employees, to promote them according to their motivation and abilities, and to retain them for the company in the long term. In this way, CECONOMY wants to be an attractive employer for existing and future employees.

↗ Further information on CECONOMY employees can be found in the separate non-financial group report.

Recruitment of employees

In the competition for the best specialists and executives, CECONOMY takes measures to improve its image among potential applicants. This includes training young retail talent, through which the company can recruit employees from its own ranks.

Training at CECONOMY

	2018/19	2019/20
Total number of trainees	2,777	2,565
thereof in Germany	(2,209)	(2,093)
thereof international	(568)	(472)
New trainees hired in Germany	868	810
Training rate (including interns and students) in Germany (in %)	8.3	8.8

The CECONOMY Group offers twelve different training options (2018/19: 12) and employed 2,565 trainees in financial year 2019/20 (2018/19: 2,777).

Because of the COVID-19 pandemic, all modules were digitised, including phases of independent learning and virtual classrooms. The digital multimedia camp in cooperation with SAMSUNG, which aims to train product knowledge of the individual product ranges, is also part of the virtual classroom.

In addition to dual vocational education, CECONOMY's companies also offer young people the opportunity to begin a dual study programme with practical components. In the reporting period 2019/20, 143 students in Germany took up this offer.

In financial year 2019/20, CECONOMY therefore further increased the number of management trainees on dual study programmes and added new subjects such as digital business & informatics in order to fill the talent pipeline with talented young people with digital skills. Training stores and training managers were defined in order to keep the quality of training for dual-education students at the highest level. The young talent programme includes a clear onboarding and further education programme. At the Ingolstadt campus, the students take on important projects in the B2B segment, develop future-oriented business models or support diversity initiatives such as the SOS Children's

[1] Senior executives have now been included, and there were minor adjustments regarding trainees. The previous year's figures have been adjusted accordingly.

Village Workshop, which took place in October 2019. They thus get close to the action, helping to shape the future of the company.

DEVELOPMENT OF YOUNG TALENT

Special finance, IT and multi-channel trainee programmes are implemented for young talent at the MediaMarktSaturn Retail Group (MMSRG). These programmes encourage graduates to take responsibility for themselves and offer individual freedoms regarding the execution and design of the programmes as well as personal development. In Germany, MediaMarkt and Saturn are continually expanding upon their dual education courses. The priority here is individual development and needs-based training of young talent. The individual stores are prepared in a targeted manner so that students in the stores are trained well. In order to promote communication and networking within the talent groups, there is an annual talent day at both MediaMarkt and Saturn. Because of the COVID-19 pandemic, all training was carried out digitally this year. Students can connect via virtual classrooms and other digital communication platforms and thus learn together.

At the Ingolstadt campus, all students discuss their current projects every month. This promotes an overview of all strategic and sales initiatives as well as mutual learning and presenting.

DEVELOPMENT OF NEW EXECUTIVES

When employees in Germany take on a new management role, the "Fit to lead" programme prepares them in a targeted manner. In three modules, which are carried out digitally, via in-person events and personal coaching sessions, the new executives are prepared for our Core Values and Leadership Principles and for their management duties.

EMPLOYER BRAND AND HR MARKETING

Recruiting young talent and specialists is particularly important for CECONOMY's companies, especially to support strategic initiatives. In the reporting period, for example, MMSRG therefore expanded its international social media presences and campaigns. Moreover, an "internal jobs portal" was created at the Ingolstadt campus in order to promote the development of our employees within the company.

In the recruitment of young talent and specialists, CECONOMY continues to focus on cooperation with universities. Representatives again attended (predominantly digital) events in financial year 2019/20 in order to raise awareness of the company among young candidates. In addition, MMSRG funds an endowed professorship for artificial intelligence at Technische Hochschule Ingolstadt.

Remuneration models and succession planning

The remuneration structures are guided by the market and business success. Through targeted succession planning, CECONOMY allows specialists and executives an attractive career within the Group.

PERFORMANCE-BASED REMUNERATION FOR EXECUTIVES

The remuneration systems include a competitive monthly fixed salary and a one-year variable salary component, the size of which depends on the profitability and economic performance of the company and in part on the performance relative to the competition. Besides other remuneration components (such as company cars and optional post-employment benefit plans), there are also models of performance-based remuneration with long-term incentive effect, the design of which is at the company's discretion.

PERFORMANCE ASSESSMENT AND SUCCESSION PLANNING

Within CECONOMY, systematic executive development is a central task for the companies' managements. In this way, it is ensured that the executives' skills and abilities are consistently aligned to the needs and strategic objectives of the company. In addition, CECONOMY can give executives targeted international career opportunities – regardless of which company they work for. The career planning processes also allow the identification and promotion of suitable candidates for key positions in the company. Whenever possible, vacant positions can thus be filled from the company's own ranks.

EMPLOYEE TURNOVER RATE

In the reporting period, the average length of service at CECONOMY was 8.62 years and thus slightly longer than in the previous year (2018/19: 7.97 years). Turnover rates vary significantly from region to region and are compared in the chart below. The turnover rate is calculated by dividing the number of departures by the average workforce (by headcount) in the reporting period.

Turnover by region

In %	2018/19	2019/20
DACH	28.1	29.6
Western/Southern Europe	33.8	31.8
Eastern Europe	32.4	30.9
Others	55.1	48.7
CECONOMY	31.3	31.0

Diversity management

Inclusion and diversity result in better business results for CECONOMY – thanks to better representation of customers within the company, access to a greater pool of talent and the greater commitment and development of employees. Beyond gender diversity, this approach puts all employees and their diversity at the centre and thus creates conditions in which they can perform best. CECONOMY therefore has to create an inclusive working environment and an open working culture in which individual differences are respected, appreciated and supported and a diverse workforce is established in which every individual can fully develop and use their personal potential and strengths.

	30/09/2019	30/09/2020
Average age of workforce (years)	36.9	37.4
Proportion of employees aged 50 or over in the total German workforce (in %)	19.8	20.4
Proportion of employees aged 50 or over in the total international workforce (in %)	6.9	7.8
Employees with a recognised severe disability or equivalent in Germany	607	546
Employees with a recognised severe disability or equivalent internationally	457	450

CECONOMY relies partly on international cooperation for the successful implementation of the growth strategy. Employees from a total of 128 nations work together at CECONOMY.

In November 2017, CECONOMY AG also signed the "Diversity Charter". This charter is implemented within the organisation with the aim of creating a working environment free of prejudice. All employees are to be appreciated – so CECONOMY AG creates a climate of acceptance and mutual trust.

Development of employee numbers

In the reporting period, CECONOMY employed an average of 47,727 (2018/19: 51,923) full-time equivalents. Most of the employees are employed outside the German domestic market. An average of 47,654 full-time equivalents worked for MMSRG in the reporting period. Around 53.5 per cent of them worked in the DACH region; 44.3 per cent of the full-time equivalents worked in Germany.

Most of the changes in employee numbers compared with the previous year are due to the reorganization and efficiency program, the implementation of which began at the end of financial year 2018/19. There were also other fluctuations caused mainly by natural employee turnover.

Most of the effects resulting from the introduction of a harmonised group-wide organisational structure ("Operating Model") will not be reflected at employee level until financial year 2020/21.

Development of personnel expenses

Personnel expenses amounted to €2.0 billion in financial year 2019/20 (2018/19: €2.4 billion), of which €1.6 billion (2018/19: €2.0 billion) was attributable to wages and salaries. The rest was attributable to social security contributions and post-employment and other employee benefit costs. The state support in response to COVID-19, especially short-time working allowance, and other measures to reduce personnel expenses, resulted in a reduction in personnel expenses of €185 million.

We encourage employees to set up a private pension, including voluntary benefits from CECONOMY. 4,556 employees in Germany took up this offer in the reporting period (2018/19: 4,661 employees). This equates to a ratio of 19.1 per cent (2018/19: 19.1 per cent).

↗ Further information on personnel expenses can be found in the notes – note 17 Personnel expenses.

Development of employee numbers by country and segment as of 30 September

	Full-time equivalents[1]		By headcount	
	2019	2020	2019	2020
Germany	22,252	20,009	25,052	22,469
Austria	2,302	2,294	2,743	2,748
Switzerland	858	766	1,014	923
Hungary	1,470	1,427	1,495	1,451
DACH	**26,882**	**24,497**	**30,304**	**27,591**
Belgium	1,397	1,329	1,460	1,389
Greece	718	0[2]	768	0[2]
Italy	4,432	4,303	5,109	4,974
Luxembourg	132	116	134	117
Netherlands	3,139	2,685	4,833	4,057
Portugal	494	467	544	509
Spain	5,544	5,406	6,689	6,449
Western/Southern Europe	**15,855**	**14,306**	**19,537**	**17,495**
Poland	4,065	3,680	4,127	3,740
Turkey	2,433	2,564	2,433	2,564
Eastern Europe	**6,498**	**6,244**	**6,560**	**6,304**
Sweden	943	918	1,339	1,289
Miscellaneous	273	222	323	245
Others	**1,216**	**1,140**	**1,662**	**1,534**
CECONOMY	**50,451**	**46,186**	**58,063**	**52,924**

[1] Rounding differences may occur
[2] Due to the disposal of the MediaMarkt Greece business

Features of the accounting-related internal control system

The accounting-related internal control system aims to use instruments and measures to identify, assess, manage and monitor risks that could affect proper accounting. It includes preventive, monitoring and detective controls that are enshrined in the accounting and reporting process in order to ensure a proper process for preparing financial statements.

Overall responsibility for all processes for preparing the consolidated and annual financial statements and the combined management report of CECONOMY AG lies with the CFO. The actual preparation of the financial statements and the combined management report is legally the task of the full Management Board of CECONOMY AG. The Supervisory Board of CECONOMY AG is responsible for the approval and thus the adoption of the consolidated and annual financial statements and the combined management report.

Based on the internationally recognised “Internal Control – Integrated Framework” of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Group-wide minimum standards for the design of the accounting-related internal control system are defined and continuously updated by CECONOMY AG’s Accounting department.

These standards encompass risk control matrices that include the control design, control execution, responsibilities and the review of the effectiveness of the controls.

- Control design: for material financial and accounting-related processes, risks of significant errors in financial reporting were identified using a top-down approach, and binding, Group-wide control targets were specified that the material Group companies have to cover with company-specific control activities.

- Control execution: the Group companies have to document the execution of these controls.

- Effectiveness of the controls: the material Group companies are obliged to evaluate the effectiveness of the controls at the end of each financial year (self-assessment). A standard Group method is specified for this purpose. Measures must be defined to rectify any control flaws.

The results of the self-assessment are to be reported in a standardised report format, in which the Group companies are obliged to confirm that the self-assessments were performed in accordance with the specified method. In addition to the control activities, the reporting also encompasses statements on the other four components of the COSO framework: control environment, risk assessment, information and communication, and monitoring.

The companies' individual reports are validated centrally and combined into an overall report on CECONOMY's accounting-related internal control system. This is reported to the Governance, Risk and Compliance (GRC) Committee as well as the Management Board of CECONOMY AG.

The Supervisory Board of CECONOMY AG monitors the effectiveness of the internal control system. An appropriate and functional internal control system is intended to prevent material misstatements in accounting.

The material accounting-related processes are described in more detail below.

CECONOMY AG's half-year financial report and consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. A Group-wide IFRS accounting policy, application of which is mandatory for all companies included in the consolidated financial statements, ensures that CECONOMY's accounting is standardised and in line with IFRS. At every instance of reporting, the management of each material Group company is obliged to confirm in a letter of representation that the IFRS accounting policy was complied with. The policy is continuously updated to reflect amendments to IFRS, of which all companies included in the consolidated financial statements are notified.

Central procedural instructions and deadlines for global milestones are specified and communicated for every reporting instance. CECONOMY AG's Accounting department monitors compliance with the global financial statement calendar. The local schedule for specific financial statement procedures and controlling the necessary milestones and activities in connection with the local preparation of financial statements are the responsibility of the management of the respective individual company.

Companies included in accordance with IFRS for consolidation purposes generally prepare financial statements locally in SAP-based accounting systems. There is a separation of functions that guarantees control processes such as the dual control principle.

The local accounting-related business data are combined by a central consolidation system (CCH Tagetik) into which all consolidated Group companies of CECONOMY are integrated. This system contains a standardised chart of accounts to be applied by all consolidated companies in accordance with the IFRS accounting policy.

Once the local data have been transferred to the consolidation system, automated plausibility checks are carried out in light of accounting-specific correlations and dependencies. If the system generates error or alert messages in connection with these validations, they must be processed accordingly by the person responsible for financial statements before the data are forwarded to the consolidation department. In addition, all material Group companies in the consolidation system have to comment on notable deviations against the prior period for the material items of the statement of financial position and the income statement.

The reporting and validation of local data is followed by the process of the preparation of the consolidated financial statements, for which material milestones, activities and deadlines are likewise defined. The typical activities for the preparation of the consolidated financial statements constitute specific milestones to be worked at. For example, these milestones include the completeness check of the consolidation group, the review of on-time, complete and correct data delivery, the typical consolidation steps – such as capital consolidation and the consolidation of expenses and income – and finally the completion of the annual report. The responsibilities for the above milestones in terms of personnel are documented along with a substitution arrangement.

Support activities in the process of preparing the consolidated financial statements are carried out by external service companies. These services primarily relate to the measurement of pension obligations and share-based remuneration and to consulting on the introduction of new IFRS.

The consolidation steps to be performed to prepare the consolidated financial statements are subjected to various systematised and manual controls. The consolidation measures are subject to the same automated plausibility checks (validations) as the local data. Further control mechanisms at Group level are plan/actual comparisons and analyses of the content of and changes in the individual items of the statement of financial position and the income statement.

In order to guarantee the security of the information technology (IT), access rules are defined in the accounting-related IT systems. Every company included in the consolidated financial statements is subject to the IT security rules, which are collated in a corresponding guideline. This ensures that the users of the systems have access only to the information and systems that they require to perform their tasks.

To guarantee compliance with IT security rules, access rules are also enacted in the consolidation system (write and read permissions). Authorisations to use the consolidation system are managed centrally at CECONOMY AG.

In addition to the self-assessment of effectiveness, the effectiveness of CECONOMY AG's accounting-related internal control system is subject to regular reviews by Internal Audit. This independent monitoring process is intended to guarantee that potential control flaws are detected and rectified and assists the continuous optimisation of the system.

ECONOMIC REPORT

Macroeconomic and sector-specific parameters[1]

The following remarks on the macroeconomic and sector-specific parameters comprise descriptions relevant for CECONOMY's activities in financial year 2019/20.

Global economy
Global economic performance in financial year 2019/20 was significantly weaker than the previous year. The USA's protectionist trade policies continue to dampen economic development. Since the beginning of 2020, there have been positive movements in the trade agreement negotiations, especially with China, but these have been repeatedly put to the test over the last few months. The Chinese economy was supported by fiscal measures and was thus able to limit the impact of various measures in the 2019 trade conflict. The conditions of Brexit also remain unclear, which is hampering the European economy. The effects of the global measures to combat the COVID-19 pandemic were decisive for financial year 2019/20. Lockdown measures have been implemented since the start of 2020, first in China and then in many other parts of the world. Despite an incipient recovery in the second half of financial year 2019/20, global economic output is expected to decline by 4.0 per cent in 2020 as a whole, with industrialised nations (–5.2 per cent) facing much more severe effects than developing countries (–3.2 per cent). Europe has been hit hard by the effects of the lockdown measures with a decline in economic output of 6.5 per cent overall, but country-specific differences can be seen.

DACH
The German economy was heavily affected by the COVID-19 pandemic in the past financial year 2019/20. Despite positive signs of recovery supported by fiscal measures, a decline in economic output of 6.0 per cent is expected for 2020 as a whole. The other nations of the DACH region are also affected by the measures to combat the COVID-19 pandemic. Austria is posting negative economic growth of 6.9 per cent, driven by the decline in private consumption and investing activities. After positive developments in recent years, Hungary is also seeing a pandemic-induced decline in economic output, although the intensity of the decline is slightly lower than in Germany and Austria. Economic growth in Switzerland has likewise turned negative as a result of the lockdown situation due to the COVID-19 pandemic.

Western/Southern Europe
Overall, the Western and Southern European economy contracted more than that of the DACH region in financial year 2019/20. The Italian economy, with structural problems already existing before lockdown, reported a decline of 8.9 per cent in financial year 2019/20. Spain is the European country that has been hit the worst by the COVID-19 pandemic and the lockdown measures and saw a decline in economic output of 12.1 per cent in financial year 2019/20. In the Netherlands, the economy declined by 4.6 per cent as a result of the effects of the COVID-19 pandemic. The effects of the downturn are spread between nearly all economic sectors of the respective countries.

Eastern Europe
In Eastern Europe economic output also declined in financial year 2019/20 due to the COVID-19 pandemic. A drop of 2.6 per cent was seen in Turkey in financial year 2019/20. The depreciation of the Turkish lira, a significant drop in private consumption and declining exports contributed to this negative development. In financial year 2019/20, Poland reported a decline in economic development of the same magnitude.

[1] The GDP growth figures stated in this section relate to the calendar years 2019 and 2020. Accordingly, the 2020 values are forecasts. In contrast, the qualitative statements in the text refer to the reporting period, unless otherwise stated. The sources for the information in this text were recent publications by Feri (World Industry Report) and the market research institute GfK.

Development of gross domestic product

Percentage change year-on-year	2019[1]	2020[2]
World	3.0	–4.0
DACH[3]	1.0	–5.9
Western/Southern Europe[4]	1.4	–8.9
Eastern Europe[5]	2.3	–3.8

Source: Feri
[1] Previous year's figures may differ from the annual report 2018/19, as final figures were not yet available when it was completed.
[2] Forecast
[3] Calculation for Germany, Austria, Switzerland and Hungary based on the Feri database (incl. purchasing power parities)
[4] Western Europe excluding Germany, Austria and Switzerland based on the Feri database (incl. purchasing power parities)
[5] Eastern Europe excluding Hungary including Turkey based on the Feri database (incl. purchasing power parities)

Development in the consumer electronics retail market

The lockdown in connection with the COVID-19 pandemic in the spring posed major challenges for all market participants. Due to the pandemic, a significant shift was seen towards online sales as well as persistently strong demand in the equipment supporting working from home and household appliances product categories in combination with an increase in consumer spending.

DACH
Sales in the German consumer electronics retail market developed in a positive fashion in the past financial year 2019/20. The IT and small appliances categories, among others, have established themselves as growth drivers with high momentum during and after the lockdown in response to COVID-19. Large appliances, household appliances and televisions also generated positive growth. The consumer electronics retail market also developed positively in Austria. In Switzerland, the consumer electronics retail market likewise saw significant positive growth. The Hungarian consumer electronics retail market likewise continued its positive growth trajectory.

Western/Southern Europe
The consumer electronics retail market in the Netherlands posted dynamic growth. In contrast, Belgian reported only a slightly positive development. Contrary, the Spanish consumer electronics retail market developed negatively in the same period. Portugal continued on its positive growth trajectory. The consumer electronics retail market in Italy, a country likewise hit very hard by the COVID-19 pandemic, declined in financial year 2019/20.

Eastern Europe
The consumer electronics retail market in Turkey saw positive growth in national currency in financial year 2019/20. Also in Poland, the consumer electronics retail market achieved positive growth in the same period despite lockdown measures due to the COVID-19 pandemic.

Earnings, financial and asset position

Comparison of outlook with actual business developments

In light of the developments in connection with COVID-19 and the expected impact on sales and earnings, the initial guidance for financial year 2019/20 was initially withdrawn on 18 March 2020 and revised with the publication of the half-year financial report Q2/H1 2019/20 on 14 May 2020. Based on the preliminary business development of the first nine months of 2019/20 and the state of knowledge at the time, the Management Board of CECONOMY specified the most relevant key figures for financial year 2019/20 on 16 July 2020. The updated outlook was compiled assuming that there would be no more restrictions as a result of the COVID-19 pandemic in the remaining months of financial year 2019/20 that would impact the business again.

The outlook was adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019, COVID-19 related store closures as well as the introduction of a harmonised group-wide organisational structure ("Operating Model") were not included.

SALES

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

When the half-year financial report Q2/H1 2019/20 was published on 14 May 2020, CECONOMY had instead expected a decline in total sales adjusted for exchange rate effects. This was specified further when the preliminary figures for the third quarter of 2019/20 were announced on 16 July 2020. Based on the recovery over the course of the third quarter of 2019/20, CECONOMY now expected a slight year-on-year decline in total sales adjusted for exchange rate effects in financial year 2019/20.

The target was achieved with a slight decrease of 1.8 per cent in total sales adjusted for currency and portfolio change effects.

EARNINGS

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

When the half-year financial report Q2/H1 2019/20 was published on 14 May 2020, CECONOMY had instead expected EBIT to decline significantly, not taking into account the earnings effects from companies accounted for using the equity method. On 16 July 2020, CECONOMY specified that the Group expected adjusted EBIT between €165 million and €185 million for financial year 2019/20, not taking into account the earnings effects from companies accounted for using the equity method. This was expected to include a positive effect between €5 million and €15 million from the introduction of IFRS 16.

On 12 October 2020, CECONOMY announced that on the basis of preliminary figures, the company expects adjusted Group EBIT in the past financial year, not taking into account the earnings effects from companies accounted for using the equity method, to be significantly above the guidance range stated on 16 July 2020 and the market's expectations.

With adjusted Group EBIT of €236 million, not taking into account the earnings effects from companies accounted for using the equity method, CECONOMY exceeded the target. Adjusted Group EBIT includes a positive effect from the introduction of IFRS 16 of approximately €9 million.

Earnings position

Financial year		Sales (€ million)	Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	2018/19	2019/20	2019/20	2019/20	2019/20	2019/20
Total[1]	**21,455**	**20,831**	**–2.9%**	**–0.4%**	**–1.8%**	**–1.4%**
DACH	12,565	12,323	–1.9%	0.0%	–1.9%	–1.5%
Western/Southern Europe	6,807	6,431	–5.5%	0.0%	–3.4%	–3.7%
Eastern Europe	1,567	1,611	2.8%	–6.9%	9.7%	7.8%
Others	516	465	–10.0%	–0.6%	–9.4%	5.5%

[1] All figures from continuing operations only

Quarter[1]		Sales (€ million)	Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	Q4 2018/19	Q4 2019/20	Q4 2019/20	Q4 2019/20	Q4 2019/20	Q4 2019/20
Total[2,3]	**4,996**	**5,271**	**5.5%**	**–1.1%**	**7.6%**	**7.9%**
DACH[4]	2,891	3,024	4.6%	–0.1%	4.7%	5.1%
Western/Southern Europe	1,614	1,680	4.1%	0.0%	7.1%	7.0%
Eastern Europe	374	456	21.9%	–17.0%	38.9%	37.0%
Others	117	111	–4.6%	2.8%	–7.3%	4.4%

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] All figures from continuing operations only
[3] Adjusted for a technical effect due to the switch from the agent model to the principal model for the online sale of mobile phones and related contracts as bundles in Germany, Group sales adjusted for currency effects and portfolio changes increased by 9.8 per cent in Q4 2019/20.
[4] Adjusted for the above technical effect, sales adjusted for currency effects and portfolio changes in the DACH segment rose by 8.4 per cent in Q4 2019/20.

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 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 IN THE FULL YEAR ONLY SLIGHTLY BELOW PRIOR YEAR DESPITE COVID-19

In **financial year 2019/20**, CECONOMY's Group sales declined by 2.9 per cent to €20.8 billion. This development was also influenced by ten closures and the disposal of the MediaMarkt Greece business with twelve stores in the past financial year. Adjusted for currency and portfolio change effects, sales were down slightly by 1.8 per cent year-on-year. On a like-for-like basis, Group sales decreased by 1.4 per cent and were therefore also slightly below the previous year's level.

The decline in the reporting period is mainly attributable to the negative sales development of the stationary business due to the temporary closure of the majority of its stores in March, April and part of May 2020 as a result of the requirements of national governments against the spread of coronavirus. After the reopening of stores from mid-May, CECONOMY saw a noticeable sales recovery initially driven by catch-up effects, which continued until the end of the financial year thanks to persistently strong customer demand. The successful campaign days around Black Friday in November and December 2019 also had a positive impact on Group sales in the full year. The online business recorded extraordinary sales growth throughout the Group, although this only partially offset the loss of stationary sales caused by the temporary store closures as a result of COVID-19.

The reconciliation from total sales to like-for-like sales is shown in the following table:

€ million	2018/19 as reported	2018/19 in local currency	2019/20
Total sales	21,455	21,357	20,831
Sales of stores that were not part of the like-for-like panel in 2019/20	–	499	258
Like-for-like sales	**–**	**20,858**	**20,573**

The DACH, Western/Southern Europe, and Others segments posted a sales decline adjusted for currency and portfolio changes, while sales in the Eastern Europe segment increased compared with the previous year. Countries that generate high sales such as Germany, Italy, Spain and Poland were the most affected by the temporary closures and posted a negative sales trend in the year as a whole. In contrast, Turkey, Belgium and Austria completely made up for the lost sales due to the COVID-19 restrictions, driven by particularly strong catch-up effects, and even achieved sales above the previous year's level. The countries not affected by temporary closures – the Netherlands, Sweden, Hungary and Portugal – likewise developed positively in the full year.

In terms of product categories, new media developed particularly positively, which is chiefly attributable to the high demand for computer hardware in light of the COVID-19 restrictions and the associated growth in the working-from-home trend. The white goods category also posted growth. Sales in the entertainment and photo categories continued to decline, while sales with brown goods were also negatively affected by the cancellation of this year's major sporting events.

In the **fourth quarter of 2019/20**, CECONOMY generated Group sales of €5.3 billion. This equates to an increase of 5.5 per cent. Before currency and portfolio change effects, sales increased by 7.6 per cent on the same quarter of the previous year. On a like-for-like basis, Group sales recorded an increase of 7.9 per cent in the fourth quarter compared to the prior-year period. This development was assisted by persistently strong customer demand for home office products and household appliances, successful marketing campaigns and considerable growth in online business. This more than compensated for the absence of the strong-selling VAT campaigns in Germany and Italy in September of the previous year. Overall, all countries apart from Luxembourg reported a positive sales trend compared to the prior-year period.

EXPLANATION OF SALES IN THE DACH SEGMENT

In financial year 2019/20, the DACH segment generated sales of €12.3 billion, a decrease of 1.9 per cent compared with the prior-year period. Adjusted for currency and portfolio change effects, segment sales likewise declined by 1.9 per cent. This was driven primarily by the decline in sales in Germany, which is chiefly attributed to temporary store closures in response to COVID-19 in March, April and part of May 2020. Adjusted for currency effects, business in Switzerland also developed negatively. In Austria, sales exceeded the previous year's level despite the temporary closures thanks to extraordinarily strong catch-up effects after the COVID-19 restrictions were lifted. In Hungary, which was not affected by the temporary closures in response to COVID-19, sales in local currency in particular developed positively, in part due to store openings during the previous year.

In the **fourth quarter of 2019/20**, sales in the DACH segment grew by 4.6 per cent to €3.0 billion. Adjusted for currency and portfolio change effects, sales were 4.7 per cent above the comparable figure of the previous year. The sales increase was mostly driven by persistently strong customer demand in Germany and Austria. In Germany, this was supported by various marketing activities and the general VAT reduction from 1 July 2020. This more than compensated for the absence of the successful VAT campaign at Saturn in September of the previous year. Driven in part by successful marketing campaigns such as "30 Years of MediaMarkt", sales in Austria increased by a low double-digit percentage, while Hungary continued the positive sales trend of the previous quarters, particularly in local currency.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In **financial year 2019/20**, sales in the Western/Southern Europe segment dropped by 5.5 per cent to €6.4 billion. Adjusted for currency effects and portfolio changes, sales declined by 3.4 per cent. The sales dip was more pronounced in Italy and Spain, which were affected for a comparatively long time by temporary store closures in response to COVID-19. This was offset by a sales increase in the Netherlands, which was shaped by strong growth rates in the online business, which also benefited from the previous year's low basis for comparison.

In the **fourth quarter of 2019/20**, the Western/Southern Europe segment posted sales of €1.7 billion, a sales increase of 4.1 per cent compared to the same quarter of the previous year. Adjusted for currency effects and portfolio changes, sales improved by 7.1 per cent. The positive sales trend was chiefly influenced by the growth in Spain, the Netherlands, Italy and Belgium. This is attributable to persistently strong customer demand and various successful marketing campaigns. In Italy, this more than compensated for the absence of the VAT campaign in September of the previous year. The Netherlands benefited in particular from significant growth in the online business, which is partly attributable to a low basis for comparison.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In **financial year 2019/20**, sales in the Eastern Europe segment were up 2.8 per cent, totalling €1.6 billion. In the reporting period, segment sales were adversely affected by the sharp depreciation of the Turkish lira. Adjusted for currency and portfolio change effects, segment sales increased by 9.7 per cent. Turkey posted a significant, double-digit percentage sales increase, due in particular to a clearly positive trend in the market environment in the first quarter and persistently strong catch-up effects after stores reopened from June 2020. Sales in Turkey also developed positively as a result of store openings during the previous year and inflation. Sales in Poland declined, mainly as a result of the comparatively early temporary closure of stores in response to COVID-19 and intense competition.

In the **fourth quarter of 2019/20**, sales in the Eastern Europe segment rose by a considerable 21.9 per cent to €0.5 billion. The strong depreciation of the Turkish lira also continued to negatively impact sales in the fourth quarter. Adjusted for currency and portfolio change effects, segment sales increased by 38.9 per cent. The sales increase in Turkey, driven by continuously strong demand, also contributed most of the positive sales trend in the segment in the fourth quarter. In addition, sales in Poland likewise grew by a double-digit percentage, which is attributable to ongoing buying interest and successful marketing campaigns.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In **financial year 2019/20**, sales in the Others segment declined by 10.0 per cent compared with the previous year to around €0.5 billion. Adjusted for currency and portfolio change effects, sales were down 9.4 per cent below the previous year's level. This development is due especially to the disposal of iBood in the last financial year. Sweden, which was not affected by temporary closures, showed a solid sales development in the full year.

In the **fourth quarter of 2019/20**, sales in the Others segment declined by 4.6 per cent to approximately €0.1 billion. Adjusted for currency and portfolio change effects, segment sales declined by 7.3 per cent. This decline is attributable almost exclusively to the disposal of iBood in the last financial year. Sweden continued the positive development from the previous quarter carried on growing solidly, in part driven by sales support from various marketing campaigns.

Financial year	Sales (€ million)		Change (%)	In % of total sales
	2018/19	2019/20		
Online	2,935	4,203	43.2	20.2
Services & Solutions	1,229	1,129	−8.1	5.4

Quarter[1]	Sales (€ million)		Change (%)	In % of total sales
	Q4 2018/19	Q4 2019/20		
Online[2]	635	850	34.0	16.1
Services & Solutions[3]	329	250	−24.0	4.7

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Adjusted for a technical effect due to the switch from the agent model to the principal model for the online sale of mobile phones and related contracts as bundles in Germany, online sales increased by 52.3 per cent in Q4 2019/20.
[3] Adjusted for the above technical effect, Services & Solutions sales decreased by 5.7 per cent in Q4 2019/20.

ACCELERATED GROWTH IN THE ONLINE BUSINESS DRIVEN BY COVID-19

In **financial year 2019/20**, online sales increased significantly by 43.2 per cent to €4.2 billion. The online share of total sales in the reporting period amounted to 20.2 per cent (2018/19: 13.7 per cent). The strong growth in the online business thus continued in the past financial year and accelerated due to the COVID-19 pandemic. Since the temporary closure of the stationary business in response to COVID-19, customers are increasingly going online, which continued after stores reopened even despite a recovery in brick-and-mortar sales. The extraordinary growth was also supported by the increased concentration of sales activities and resources on the online channel since the start of the pandemic. To match increased demand and make use of existing inventories in stores, CECONOMY had temporarily processed online orders by shipping from local store inventories where these products were no longer in stock in online warehouses. Strong online momentum was also visible in countries that were not affected by temporary store closures in response to COVID-19.

In the **fourth quarter of 2019/20**, online sales rose by 34.0 per cent to €0.9 billion and thus amounted to a 16.1 per cent share of total sales (Q4 2018/19: 12.7 per cent). The online share in total sales has fallen again since the recovery of brick-and-mortar sales after stores reopened, but remained higher than before the COVID-19 pandemic.

In **financial year 2019/20**, the pick-up rate was 37 per cent (2018/19: 47 per cent). In the fourth quarter of 2019/20, the pick-up rate was 39 per cent (Q4 2018/19: 50 per cent). The decline in the pick-up rate is due to the fact that, on the one hand, the pick-up option (in-store collection of goods ordered online) was only partially possible in the stores temporarily closed in response to COVID-19 and, on the other hand, the total number of online orders increased as a result of the pure Internet orders. In addition, the strict lockdowns in some countries in March and April meant that customers were less able to make use of the option to collect goods ordered online in store. After stores reopened, pick-up sales recovered considerably, while the pick-up rate still remained lower than in the previous year until the end of the financial year.

SALES DECLINE IN THE SERVICES & SOLUTIONS BUSINESS DUE TO COVID-19

In financial year 2019/20, sales in the Services & Solutions business declined by 8.1 per cent to €1.1 billion. This equates to a Services & Solutions share of total sales of 5.4 per cent (2018/19: 5.7 per cent). As Services & Solutions is mostly used in combination with stationary purchases and many services are provided at our in-store "Smartbars", the negative development in the reporting period is chiefly attributable to the temporary store closures due to COVID-19 and the persistently low footfall after reopening. Business from brokering mobile phone contracts and financing declined slightly in the past financial year. However, the provision of extended warranties developed positively due to an improved offering. The use of services offered at the in-store Smartbars remained virtually stable.

In the **fourth quarter of 2019/20**, sales in Services & Solutions declined by 24.0 per cent to €0.3 billion. This equates to a share of sales of 4.7 per cent (Q4 2018/19: 6.6 per cent). Business from brokering mobile phone contracts declined in the fourth quarter, due in particular to a high basis for comparison as a result of a strong mobile campaign in the previous year. In contrast, the services offered at the in-store Smartbars and the provision of extended warranties developed particularly positively, but did not fully compensate for the decline in the other categories.

Financial year

	Reported EBIT	Reported EBIT	Change	Adjusted EBIT[1]	Adjusted EBIT[1]	Change
€ million	2018/19	2019/20	2019/20	2018/19	2019/20	2019/20
Total[2]	**224**	**–80**	**–304**	**403**	**236**	**–167**
DACH	168	253	85	320	297	–23
Western/Southern Europe	129	46	–83	147	41	–106
Eastern Europe	7	–45	–53	10	–37	–46
Others	–81	–335	–254	–73	–67	7

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

Quarter[1]

	Reported EBIT	Reported EBIT	Change	Adjusted EBIT[2]	Adjusted EBIT[2]	Change
€ million	Q4 2018/19	Q4 2019/20	Q4 2019/20	Q4 2018/19	Q4 2019/20	Q4 2019/20
Total[3]	**96**	**33**	**–63**	**151**	**123**	**–28**
DACH	53	64	12	86	100	15
Western/Southern Europe	78	39	–39	85	54	–31
Eastern Europe	–1	–19	–18	2	–13	–15
Others	–33	–53	–20	–22	–20	2

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Before non-recurring effects, associates and portfolio changes
[3] Including consolidation

ADJUSTED GROUP EBIT IN THE FULL YEAR BELOW PREVIOUS YEAR DUE TO IMPACT OF COVID-19 PANDEMIC

Reported Group EBIT declined by €304 million to €–80 million in the past **financial year 2019/20** (2018/19: €224 million). This includes non-recurring effects of around €–49 million (2018/19: €–200 million), including income of €33 million from the deconsolidation of the MediaMarkt Greece business, and earnings effects from companies accounted for using the equity method of €–267 million (2018/19: €22 million). Adjusted for these effects and portfolio changes, Group EBIT declined by €167 million to €236 million (2018/19: €403 million). In 2019/20, Group EBIT also includes a positive effect from the introduction of IFRS 16 of approximately €9 million.

The decline in adjusted Group EBIT in the past financial year is essentially attributable to the negative sales development of the stationary business due to the more than six-week closure of the majority of stores in response to COVID-19 as well as an accompanying negative gross margin development. The gross margin fell by 1.2 percentage points year on year to 18.1 per cent, mainly due to product and channel mix effects, higher delivery costs, inventory-related effects and lower income from the Services & Solutions business. The early and extensive measures in response to COVID-19 had a particularly positive effect on earnings. State support (especially short-time working allowance) and additional cost reduction measures supported earnings by around €244 million. Earnings were likewise supported by savings in connection with the reorganization and efficiency program and the successful steering of the campaign days around Black Friday in the first quarter. Overall, this partially compensated for the sales- and margin-driven earnings decline due to the effects of the COVID-19 pandemic.

In the **fourth quarter of 2019/20**, reported Group EBIT of €33 million was achieved. In the prior-year period this figure was €96 million. This includes non-recurring effects of around €–58 million (Q4 2018/19: €–46 million) and earnings effects from companies accounted for using the equity method of €–32 million (Q4 2018/19: €–11 million). Adjusted for these earnings effects and portfolio changes, Group EBIT amounted to €123 million and was thus €28 million below the previous year's level (Q4 2018/19: €151 million). Group EBIT in the fourth quarter of 2019/20 also includes a positive effect from the introduction of IFRS 16 of approximately €3 million.

The adjusted Group EBIT in the fourth quarter was mainly influenced by a 0.6 percentage point decline in the gross margin to 20.4 per cent, although the trend improved compared with the nine-month period. The decline in the gross margin resulted primarily from poorer supplier conditions than in the previous year due to a lower purchase volume in response to COVID-19 as well as stock-related effects. The COVID-19-induced, continuing shift to the online channel, coupled with higher delivery costs, also had a negative effect. Earnings in the fourth quarter were also impacted by disposals of intangible assets (software) and impairment of other assets (including right-of-use assets). Strong sales growth, cost reduction measures and declining personnel expenses and indirect spend in connection with the reorganization and efficiency program had a positive effect on earnings, but did not entirely compensate for the decline.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the past **financial year 2019/20**, the DACH segment generated EBIT of €253 million, €85 million above the previous year's level (2018/19: €168 million). This includes non-recurring effects amounting to approximately €–45 million (2018/19: €–152 million). Adjusted for these effects, EBIT in the DACH segment saw a decline of €23 million to €297 million (2018/19: €320 million). Earnings in Germany declined slightly, which is attributable to a provision for legal risks in connection with contractual penalties and disposals of intangible assets (software), each in the low double-digit million euro range. Operationally, Germany posted a robust earnings development considering the COVID-19 pandemic's adverse effects. The negative sales and margin trend was countered with extensive cost measures relating to COVID-19, especially in personnel due to the introduction of short-time work. Earnings in the other countries of the segment were slightly above the previous year's level, primarily due to sales and costs.

In the **fourth quarter of 2019/20**, EBIT in the DACH segment was €64 million and therefore €12 million above the previous year's level (Q4 2018/19: €53 million). This includes non-recurring effects amounting to approximately €–36 million (Q4 2018/19: €–33 million). Adjusted for these effects, EBIT in the DACH segment increased by €15 million to €100 million (Q4 2018/19: €86 million). Despite negative effects in connection with channel shifts and higher delivery costs, lower income from the Services & Solutions business and an additional burden due to disposals of intangible assets (software), Germany posted a solid increase in earnings. This is primarily attributable to the strong sales trend in the fourth quarter. Earnings in Austria likewise developed slightly positively as a result of sales, while earnings in Switzerland and Hungary were on the previous year's level.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In Western/Southern Europe, EBIT decreased in the past **financial year 2019/20** by €83 million to €46 million (2018/19: €129 million). This includes non-recurring effects amounting to approximately €5 million (2018/19: €–17 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €106 million to €41 million (2018/19: €147 million). Spain and Italy were particularly affected by the COVID-19 pandemic and posted a significant, sales- and margin-driven decline in earnings due to the comparatively long temporary store closures in response to COVID-19. In Spain, lower income in the Services & Solutions business due to the temporary store closures as well as continuing, strict restrictions also had a negative effect on earnings. Despite higher sales, earnings in the Netherlands were likewise below the previous year's level as a result of a highly competitive environment. In addition, segment earnings were characterised by weaker earnings in Belgium.

In the **fourth quarter of 2019/20**, the Western/Southern Europe segment generated EBIT of €39 million, €39 million below the previous year's level (Q4 2018/19: €78 million). This includes non-recurring effects amounting to approximately €–15 million (Q4 2018/19: €–10 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €31 million to €54 million (Q4 2018/19: €85 million). The decline is mostly attributable to the negative margin trend, mainly due to the strong shift to the online channel and inventory-related effects in Spain. A provision for legal risks also weighed on earnings in Spain. Earnings also declined in Italy due to margins as well as a slight increase in costs. In the Netherlands, in contrast, the earnings development was slightly positive in light of the strong sales trend.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the past **financial year 2019/20**, EBIT in the Eastern Europe segment at €–45 million was approximately €53 million below the previous year's level (2018/19: €7 million). This includes non-recurring effects amounting to approximately €–9 million (2018/19: €–2 million). Adjusted for these earnings effects, EBIT declined by €46 million to €–37 million (2018/19: €10 million). This decline resulted from a negative sales and margin trend in Poland, which is particularly attributable to the COVID-19 pandemic's effects on the business. In addition, impairment of other assets (including right-of-use assets) also weighed on earnings. In the previous year, earnings in Poland were still supported by positive effects due to lower necessary risk provisions at redcoon Poland and in connection with the settlement of claims for damages. Turkey's earnings slightly exceeded the previous year. While the strong growth in sales increased earnings there, they were impacted in particular by negative currency effects.

In the **fourth quarter of 2019/20**, EBIT in the Eastern Europe segment declined by €18 million to €–19 million (Q4 2018/19: €–1 million). This includes non-recurring effects amounting to approximately €–5 million (Q4 2018/19: €–3 million). Adjusted for these earnings effects, EBIT declined by €15 million to €–13 million (Q4 2018/19: €2 million). This development is mostly attributable to an earnings decline in Poland, which is due to a negative margin trend. Earnings in Poland were also subject to a high basis for comparison due to lower risk provisions required at redcoon Poland in the prior-year quarter. In Turkey, earnings were reduced in the fourth quarter by negative currency effects and a slight increase in advertising and personnel expenses in order to support the high sales growth.

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 operating companies. In the past **financial year 2019/20**, EBIT declined by €254 million year-on-year to €–335 million (2018/19: €–81 million). This includes non-recurring effects amounting to approximately €–1 million. Expenses associated with the reorganization and efficiency program as well as management changes at CECONOMY AG amounting to approximately €28 million were included in earnings in the previous year. The decrease in reported EBIT is mainly due to the negative earnings effect from companies accounted for using the equity method due to the impairment of the share in Fnac Darty S.A. in the second quarter, which amounted to around €268 million. Earnings effects from companies accounted for using the equity method totalled around €–267 million (2018/19: €21 million). Adjusted for the above-mentioned earnings effects, EBIT increased by €7 million to €–67 million (2018/19: €–73 million). This earnings increase was positively influenced by declining holding costs and the disposal of iBood. Despite increased sales, adjusted EBIT in Sweden was only on a par with the previous year at €–28 million (2018/19: €–29 million), which is mainly due to higher risk provisions in the stores than in the previous year. Other, smaller operating companies in the Others segment generated adjusted EBIT of €–5 million (2018/19: €–5 million).

In the **fourth quarter of 2019/20**, EBIT declined by €20 million year on year to €–53 million (Q4 2018/19: €–33 million). This includes non-recurring effects amounting to approximately €–1 million (Q4 2018/19: €0 million). Earnings effects from companies accounted for using the equity method totalled €–32 million in the fourth quarter (Q4 2018/19: €–11 million). Adjusted for these effects, EBIT increased by €2 million to €–20 million (Q4 2018/19: €–22 million). As a result of the solid sales growth, adjusted EBIT in Sweden increased slightly by €3 million to €–8 million (Q4 2018/19: €–10 million). Declining holding costs at CECONOMY AG also contributed to the segment's earnings improvement. Other, smaller operating companies in the Others segment generated adjusted EBIT of €–2 million (Q4 2018/19: €0 million).

Financial year

	2018/19				2019/20					
		Non-recurring				Non-recurring				
€ 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	Effects of store closures	Effects of the introduction of the Operating Model	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**224**	**−200**	**20**	**403**	**−80**	**31**	**−8**	**−72**	**−267**	**236**
DACH	168	−152	0	320	253	3	−2	−46	0	297
Western/ Southern Europe	129	−17	−1	147	46	29	−4	−20	0	41
Eastern Europe	7	−2	0	10	−45	0	−2	−7	0	−37
Others	−81	−28	21	−73	−335	−1	0	0	−267	−67

[1] Including consolidation

Quarter[1]

	Q4 2018/19				Q4 2019/20					
		Non-recurring				Non-recurring				
€ 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	Effects of store closures	Effects of the introduction of the Operating Model	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[2]	**96**	**−46**	**−9**	**151**	**33**	**3**	**11**	**−72**	**−32**	**123**
DACH	53	−33	0	86	64	5	4	−46	0	100
Western/ Southern Europe	78	−10	2	85	39	−1	5	−20	0	54
Eastern Europe	−1	−3	0	2	−19	0	1	−7	0	−13
Others	−33	0	−11	−22	−53	−1	0	0	−32	−20

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Including consolidation

The following comments relate to the reported result of continuing operations.

NET FINANCIAL RESULT AND TAXES

€ million	2018/19	2019/20
Earnings before interest and taxes EBIT	**224**	**–80**
Other investment result	46	20
Interest income/expenses (interest result)	–14	–51
Other financial result	–21	–14
Net financial result	**12**	**–45**
Earnings before taxes EBT	**235**	**–125**
Income taxes	–77	–93
Profit or loss for the period from continuing operations	**158**	**–218**
Profit or loss for the period from discontinued operations after taxes	1	6
Profit or loss for the period	**160**	**–211**

The **financial result** decreased by €56 million to €–45 million in the past financial year 2019/20 (2018/19: €12 million). The decline is mainly attributable to a €37 million increase in the interest result, which is primarily due to the switch to IFRS 16 and the accompanying first-time recognition of lease liabilities in borrowings. The €26 million decline in the other investment result is due to a high basis for comparison in the previous year based on a gain from the sale of 5.4 per cent of the shares in METRO AG and higher income from investments in METRO AG and METRO PROPERTIES GmbH & Co. KG. A dividend payment from PJSC "M.video" in the current financial year amounting to around €13 million had the opposite effect on the other investment result. In the past financial year 2019/20, the other financial result was mainly influenced by expenses for credit and commitment fees for the KfW loan. In the previous year, the other financial result was negatively impacted by the derecognition of the put/call option structure in connection with the disposal of the METRO AG shares.

Earnings before taxes declined from €235 million to €–125 million in the past financial year 2019/20.

↗ Further information on the financial result can be found in the notes – notes 7, 9 and 10 Earnings share of operating companies recognised at equity/other investment result, Interest income/interest expenses and Other financial result.

The recognised income tax expenses of €93 million (2018/19: €77 million) are €16 million above the previous year's level. Current taxes increased by €28 million, whereby the previous year's figure particularly reflecting the tax optimisation measures and the lower operating earnings as a result of restructuring expenses. The increase in income from deferred taxes primarily results from the recognition of deferred tax assets on temporary differences and the reversal of deferred tax liabilities.

€ million	2018/19	2019/20
Current taxes	**84**	**111**
thereof Germany	(49)	(82)
thereof international	(35)	(29)
thereof tax expenses/income of current period	(88)	(105)
thereof tax expenses/income of previous periods	(–4)	(7)
Deferred taxes	**–7**	**–19**
thereof Germany	(–16)	(–6)
thereof international	(9)	(–13)
	77	**93**

The Group tax rate is the ratio between recognised income tax expenses and earnings before taxes. In the reporting period, the Group tax rate is –74.0 per cent (2018/19: 32.7 per cent). The negative tax rate results in particular from the non-tax-deductible impairment of the interest in Fnac Darty S.A. The tax rate without including this impairment amounts to 66.8 per cent and results primarily from non-tax-deductible losses.

↗ Further information on income taxes can be found in the notes – note 12 Income taxes.

PROFIT OR LOSS FOR THE PERIOD AND EARNINGS PER SHARE

The **profit or loss for the period** from continuing operations decreased by €376 million to €−218 million. This decrease is mainly due to the negative earnings effect from companies accounted for using the equity method due to the impairment of the Fnac Darty S.A. share of around €268 million in the second quarter of 2019/20. In addition, the profit or loss for the period was negatively impacted by the lower operating earnings as a result of COVID-19, expenses in connection with COVID-19-related store closures and the introduction of a harmonised group-wide organisational structure. State support (especially short-time working allowance) and further cost reduction measures had the opposite effect.

As the negative earnings effect from companies accounted for using the equity method is not attributable to non-controlling interests, the share of non-controlling interests in the profit or loss for the period declined by only €18 million to €19 million (2018/19: €37 million). Accordingly, the profit or loss for the period attributable to shareholders of CECONOMY AG amounted to €−237 million (2018/19: €121 million) and **earnings per share** amounted to €−0.66 (2018/19: €0.34).

The calculation of earnings per share in financial year 2019/20 is based on 359,421,084 shares.

				Change	
		2018/19	2019/20	Absolute	%
Profit or loss for the period from continuing operations	€ million	158	−218	−376	–
Profit or loss for the period attributable to non-controlling interests from continuing operations	€ million	37	19	−18	−47.5
Profit or loss for the period attributable to shareholders of CECONOMY AG from continuing operations	€ million	121	−237	−358	–
Earnings per share from continuing operations [1]	€	0.34	−0.66	−1.00	–

[1] After non-controlling interests

Financial and asset position

CAPITAL STRUCTURE

As of 30 September 2020, CECONOMY's consolidated statement of financial position reported **equity** of €548 million (30/09/2019: €784 million).

The equity ratio decreased to 5.2 per cent in the reporting period (30/09/2019: 9.7 per cent).

€ million	Note no.	30/09/2019	30/09/2020
Equity	**31**	**784**	**548**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		−478	−753
Non-controlling interests		22	61

The share capital remained unchanged at €919 million as of 30 September 2020. Likewise, the capital reserve remained unchanged at €321 million.

Reserves retained from earnings dropped by €275 million to €−753 million as of 30 September 2020 (30/09/2019: €−478 million). This decrease is primarily attributable to the loss for the period attributable to shareholders of CECONOMY AG of €−232 million. In addition to the impairment of the Fnac Darty S.A. share of around €268 million in the second quarter of 2019/20, the profit or loss for the period was also negatively impacted by the lower operating earnings as a result of COVID-19, expenses in connection with COVID-19 related store closures and the introduction of a harmonised group-wide organisational structure. State support (especially short-time working allowance) and further cost reduction measures had the opposite effect. The non-controlling interests increased to €61 million (30/09/2019: €22 million).

€ million	30/09/2019	30/09/2020
Cash and cash equivalents	1,184[1]	1,484
Short-term financial investments[2]	0	85
Borrowings	302	2,422
Net liquidity (+)/Net debt (–)	**882[1]**	**–854**

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".
[2] Included in the statement of financial position under "other financial assets (current)".

As of 30 September 2020, net debt amounted to €854 million. In the previous year, net liquidity of €882 million was reported.

Cash and cash equivalents, at €1,484 million, were €300 million higher than in the previous year (30/09/2019: €1,184 million).

Short-term financial investments amounted to €85 million as of 30 September 2020 (30/09/2019: €0 million).

Borrowings rose by €2,120 million to €2,422 million as of 30 September 2020 (30/09/2019: €302 million). This development is due to the first-time application of IFRS 16 and the resulting recognition of around €2.1 billion of lease liabilities (01/10/2019: €2.3 billion) in the statement of financial position.

Adjusted for these lease liabilities, net liquidity as of 30 September 2020 amounted to €1,287 million (30/09/2019 adjusted: €932 million).

↗ For details, please refer to the cash flow statement and note 41 Notes to the cash flow statement.

Non-current liabilities rose by €1,429 million to €2,472 million as of 30 September 2020 (30/09/2019: €1,042 million).

This development is mainly due to the first-time application of IFRS 16 and the resulting recognition of lease liabilities of €1,600 million in non-current financial borrowings. Accordingly, non-current financial borrowings increased by €1,558 million to €1,850 million. The main opposite effect resulted from the €60 million decline in provisions for post-employment benefit plans and similar obligations to €513 million. As well as to an allocation to plan assets of €43 million, this decline is also attributable to the regular pension payments.

Current liabilities amounted to €7,435 million as of 30 September 2020, which equates to an increase of €1,157 million (30/09/2019: €6,277 million).

The increase is due among other things to the €675 million increase in trade liabilities and similar liabilities to €5,996 million (30/09/2019: €5,321 million). This is mainly attributable to an increased purchase volume in the fourth quarter, which also reflects the sustained positive sales trend after the reopening of the stores in connection with COVID-19. Current borrowings likewise increased due to the first-time application of IFRS 16 and the resulting recognition of lease liabilities of €541 million. Accordingly, current financial borrowings increased by €563 million to €573 million. This was countered mainly by other financial liabilities, which decreased by €68 million to €378 million, and the disposal of "liabilities related to assets held for sale" of €70 million due to the deconsolidation of the MediaMarkt Greece business.

In comparison with 30 September 2019, the debt ratio increased by 4.4 percentage points to 94.8 per cent. The ratio of current liabilities to total debt declined by 10.7 percentage points compared with 30 September 2019 to 75.0 per cent.

↗ Further information on the maturity, currency and interest rate structure of the borrowings and credit facilities can be found in the notes – note 36 Borrowings.

€ million	Note no.	30/09/2019	30/09/2020
Non-current liabilities		**1,042**	**2,472**
Provisions for pensions and similar obligations	32	574	513
Other provisions	33	33	28
Borrowings	34, 36	292	1,850
Other financial liabilities	34, 37	53	36
Other liabilities	37	56	11
Deferred tax liabilities	25	35	33
Current liabilities		**6,277**	**7,435**
Trade liabilities and similar liabilities	34, 35	5,321	5,996
Provisions	33	165	151
Borrowings	34, 36	10	573
Other financial liabilities	34, 37	445	378
Other liabilities	37	215	231
Income tax liabilities	34	51	106
Liabilities related to assets held for sale	30	70	0

↗ Further information on the development of liabilities can be found in the notes under the numbers stated in the table. Information on contingent liabilities and other financial liabilities can be found in the notes – note 44 Contingent liabilities and note 45 Other financial liabilities.

INVESTMENTS/DIVESTMENTS

In financial year 2019/20, CECONOMY invested €562 million, around €367 million more than in the previous year. The sharp rise is primarily due to the first-time application of IFRS 16, according to which lease obligations entered into now must be capitalised as right-of-use assets in the statement of financial position. The additions from this item amounted to €386 million in 2019/20. Comparable investments in intangible assets, property, plant and equipment and investments accounted for using the equity method came to €176 million in financial year 2019/20, €7 million lower than in the previous year (2018/19: €183 million). This decrease is primarily attributable to lower expenses for modernisation and more selective expansion activity. From the third quarter in particular, investments were partially suspended in order to mitigate the effects of the sales losses on the company's liquidity due to COVID-19.

A total of three new stores were opened in financial year 2019/20, after 28 in the previous year. However, ten stores were closed in the reporting period, after eight closures in the previous year. Moreover, the twelve stores contributed to the joint venture in Greece have not been part of the network of stores since 29 November 2019. In addition to measures to reduce space in existing stores, the smaller size of the new stores reduced the average selling space across all stores by around 1 per cent to 2,601 square metres per store by the end of the financial year. At the end of the previous financial year, the average selling space per store was 2,636 square metres. The total selling space amounted to 2,661 thousand square metres after 2,746 thousand square metres in the previous year.

Investments as per segment report

			Change	
€ million	2018/19	2019/20	Absolute	%
DACH	109	284	175	>100
Western/Southern Europe	61	160	99	>100
Eastern Europe	19	58	38	>100
Others	6	61	55	>100
	195	**562**	**367**	**>100**

€284 million was invested in the **DACH** region in financial year 2019/20. Investments were therefore €175 million higher than in the previous year. This includes the addition of right-of-use assets of €195 million, so comparable investments decreased by €20 million. This decrease is mainly attributable to lower expenses for modernisation in Germany compared with the previous year. One store was opened in the DACH region, after ten new stores in the previous year. However, six stores in Germany and one store in Switzerland were closed in the reporting period.

Investments in **Western/Southern Europe** came to €160 million in financial year 2019/20, €99 million higher than the investments in the prior-year period. This includes the addition of right-of-use assets of €117 million. Comparable investments decreased by €8 million (2018/19: €51 million). The decline is the result of lower investments in expansion activities. With two new stores, three fewer stores were opened than in the previous year. One store was closed in Italy.

In **Eastern Europe**, €58 million was invested in financial year 2019/20, €38 million more than in the prior-year period. This includes the addition of right-of-use assets of €48 million. Comparable investments decreased by €7 million (2018/19: €17 million). Here, too, the decline is the result of lower investments in expansion activities. No additional stores were opened in the reporting period, after 13 new stores in the previous year. However, two stores were closed in Poland.

Investments in the **Others** segment amounted to €61 million in financial year 2019/20 (2018/19: €6 million). The increase is mainly attributable to the addition of right-of-use assets and the addition of the joint venture investment in Greece. There were no new stores or closures in the Others segment in the reporting period.

CECONOMY received cash of €20 million from **divestments** in 2019/20 (2018/19: €27 million). This primarily relates to the sale of fixtures and other furnishings from the closed stores.

LIQUIDITY (CASH FLOW STATEMENT)

The information below relates to continuing operations.

In the past financial year 2019/20, **cash flow from operating activities** resulted in a cash inflow of €1,166 million. This compares with a cash inflow of €65 million in the previous year. The €1,102 million higher cash flow from operating activities is primarily due to the introduction of IFRS 16, the associated change in the recognition of lease expenses and the positive development of net working capital (2018/19: €−392 million; 2019/20: €297 million). Especially notable here is the significant increase in trade liabilities with a comparatively much lower increase in inventories, which is predominantly due to the positive sales trend in the fourth quarter. There was also a cash inflow in income taxes in the past financial year, which resulted in particular from tax refunds for previous years. Moreover, reductions in tax prepayments for financial year 2019/20 as a result of the COVID-19 pandemic resulted in comparatively lower cash outflows. This was countered by the development of other operating activities (2018/19: €157 million; 2019/20: €−110 million). In particular, this includes severance payments, which predominantly relate to the reorganization and efficiency program and management changes. The absence of cash receivables reductions of the previous year, which were due to the utilisation of retained net working capital from portfolio changes, also had an effect here. Moreover, the receipt of compensation in connection with completed tax audits was included in the previous year.

In the past financial year, **cash flow from investing activities** recorded a cash outflow of €248 million (2018/19: cash inflow of €118 million). The cash inflow of the previous year is primarily attributable to the sale of a 5.4 per cent share in METRO AG in the third quarter of 2018/19. This year's cash outflow includes a cash investment in the joint venture PMG Retail Market Ltd. in Greece. In addition, with €−245 million (2018/19: €−152 million), more was invested in financial investments and securities than in the previous year. The expenses for expansion and modernisation were lower than in the previous year also due to the effects of the COVID-19 pandemic.

The **cash flow from financing activities** showed a cash outflow of €589 million in the 2019/20 financial year (2018/19: €178 million). The change is mainly attributable to the redemption of lease liabilities under IFRS 16, which in financial year 2019/20 amounted to €530 million (2018/19: €5 million). Bonds issued during the year and credit facilities taken up, in particular against the backdrop of the COVID-19 pandemic, mainly influence the cash inflow from borrowings of €1,447 million (2018/19: €155 million). However, nearly all intra-year borrowings were repaid by 30 September 2020, so the redemption of other borrowings of €1,415 million (2018/19: €300 million) is likewise considerably higher than the previous year's figure. As a result of the temporary utilisation of the committed credit facilities and lease accounting in accordance with IFRS 16, the current year's interest payments are also higher than those of the previous year at €54 million (2018/19: €29 million).

Free cash flow amounted to €983 million in financial year 2019/20. As a result of the change in presentation due to IFRS 16 and the positive development of net working capital in the past financial year, free cash flow was €1,111 million above the figure of the prior-year period.

↗ Explanations can be found in the consolidated financial statements – cash flow statement and in the notes – note 41 Notes to the cash flow statement.

Cash flow statement[1]

€ million	2018/19	2019/20
Cash flow from operating activities from continuing operations	65[2]	1,166
Cash flow from investing activities from continuing operations	118	−248
Cash flow before financing activities from continuing operations	182[2]	918
Cash flow from financing activities from continuing operations	−178	−589
Total cash flows	4[2]	329
Currency effects on cash and cash equivalents	8[2]	−44
Total change in cash and cash equivalents	13[2]	285

[1] Condensed version. The full version is included in the consolidated financial statements.
[2] Adjustment due to revised disclosure and/or a change in definition. Information on this is provided under "Notes to the Group accounting principles and methods".

FINANCIAL MANAGEMENT

Principles and objectives of finance activities
In the context of financial management, CECONOMY ensures that the Group has sufficient liquid funds at all times, arranges the Group-wide management of liquidity and reduces financial risks wherever economically appropriate. The Treasury department manages these tasks centrally for the entire Group. The aim is to invest surplus liquidity at attractive conditions via the central management of the Group companies' finance requirements and financial investments or, if refinancing is required, to meet this requirement as far as possible via the international capital markets. This applies both to the operating business and to investments. CECONOMY is guided in the selection of investment and finance products by the maturity of the underlying transaction.

CECONOMY's finance activities are based on the Group's financial planning, which is followed by all material companies. In addition to the daily analysis of the Group-wide finance status, CECONOMY compiles both short-term and long-term liquidity planning, the latter for three months after the end of the financial year, both of which are updated on a rolling basis.

In addition, capital market access is promoted via intensive dialogue with bond investors and credit analysts. All finance activities throughout the Group are subject to the following principles:

Single financial entity: the entire Group acts externally as a single financial entity and thus obtains better conditions on the financial markets.

Financial freedom: when it comes to making financial decisions, CECONOMY always maintains freedom in relation to banks or business associates so as to remain independent.

Central risk hedging: CECONOMY uses financial transactions firstly to cover finance requirements. Secondly, the company hedges underlying transactions that entail risks. The Treasury centrally monitors the overall portfolio of all CECONOMY's financial transactions.

Central risk monitoring: changed financial parameters, including for example interest or exchange rate changes, can affect CECONOMY's financing. The Treasury regularly quantifies the associated risks in scenario analyses. Open risk positions – such as the conclusion of financial transactions without an underlying transaction – may only be held after approval by the Management Board of CECONOMY AG.

Only authorised contract partners: only contract partners that have been authorised by the Treasury may be considered for CECONOMY's financial transactions. The creditworthiness of these contract partners is reviewed on a daily basis according to their rating and the observation of credit risk indicators (primarily credit default swap analyses). On this basis, the Treasury responsible at CECONOMY continuously monitors compliance with the approved limits.

Approval requirement: as a rule, CECONOMY Group companies' financial transactions are concluded with CECONOMY AG. If this is not possible for legal reasons, they are arranged in coordination with CECONOMY AG in the Group company's name, with another Group company or directly between the Group company and the external finance partner.

Audit security: the dual-control principle generally applies at the company. Processes and responsibilities are defined in Group-wide guidelines. The conclusion of financial transactions is organisationally separate from processing and control.

↗ Further information on risks from financial instruments and hedge accounting can be found in the notes – note 43 Management of financial risks.

Ratings

Ratings assess a company's ability to meet its financial obligations. They serve as evidence of the creditworthiness of a company vis-à-vis potential lenders. A rating also makes it easier to access international capital markets. CECONOMY AG has commissioned Moody's Investors Service, one of the world's leading rating agencies, and Scope Ratings, an up-and-coming European rating agency, to continuously analyse CECONOMY's creditworthiness.

The assessments of CECONOMY AG's ratings by Moody's Investors Service and Scope Ratings as of 30 September 2020 were as follows:

Moody's Investors Service

Category	
Long-term	Ba1
Short-term	Not Prime
Outlook	Negative

Scope Ratings

Category	
Long-term	BBB–
Short-term	S–2
Outlook	Stable

Scope changed the outlook for CECONOMY AG's rating back to "stable" from "under review" on 16 September 2020 on the basis of recent business performance.

Financing measures

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 one to six years.

For obtaining short-term financial funding, CECONOMY AG has a multi-currency commercial paper programme with a maximum volume of €500 million. There was no outstanding commercial paper as of 30 September 2020.

The Group had sufficient liquidity at all times. CECONOMY AG possesses comfortable liquidity reserves, which besides the held liquidity comprise a syndicated credit facility of €2,680 million. The latter includes the confirmed, bilateral credit facilities of €430 million still recognised last year, which have now been fully integrated.

This extensive, multi-year credit facility had not been utilised as of 30 September 2020. The tranche of €1,700 million with the involvement of KfW included herein and concluded in mid-May was also not utilised at any time.

The table below provides an overview of the credit facilities.

Undrawn credit facilities of CECONOMY AG

	30/09/2019			30/09/2020		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	431	1	430	9	9	0
Utilisation	–1	–1	0	–9	–9	0
Undrawn bilateral credit facilities	**430**	**0**	**430**	**0**	**0**	**0**
Syndicated credit facilities	550	0	550	2,680	0	2,680
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**2,680**	**0**	**2,680**
Total credit facilities	981	1	980	2,689	9	2,680
Total utilisation	–1	–1	0	–9	–9	0
Total undrawn credit facilities	**980**	**0**	**980**	**2,680**	**0**	**2,680**

ASSET POSITION

In financial year 2019/20, **total assets** increased by €2,351 million to €10,455 million as of 30 September 2020 (30/09/2019: €8,103 million).

The €1,624 million increase in **non-current assets** to €3,857 million (30/09/2019: €2,233 million) is primarily due to the first-time application of IFRS 16 and the resulting recognition of right-of-use assets of €2,021 million. The €231 million decline in investments accounted for using the equity method to €266 million had the opposite effect. This was driven chiefly by the impairment of the share in Fnac Darty S.A. of around €268 million in the second quarter of 2019/20. In contrast, the addition of the joint venture investment PMG Retail Market Ltd. in Greece had a slightly positive effect on investments accounted for using the equity method. In addition, property, plant and equipment decreased by €169 million to €567 million, mainly due to depreciation as well as space optimisation and store closures.

€ million	Note no.	30/09/2019	30/09/2020
Non-current assets		**2,233**	**3,857**
Goodwill	19	524	524
Other intangible assets	20	115	102
Property, plant and equipment	21	736	567
Right-of-use assets	22	–	2,021
Financial assets	23	278	280
Investments accounted for using the equity method	23	497	266
Other financial assets	24	3	2
Other assets	24	7	11
Deferred tax assets	25	73	84

↗ Further information on the development of non-current assets can be found in the notes under the numbers stated in the table.

Current assets increased by €728 million to €6,598 million in the reporting period (30/09/2019: €5,870 million).

Among other things, the deliberate increase in inventories by €402 million to €2,949 million in order to ensure the availability of goods if demand remains strong, as is expected, and the increase in cash and cash equivalents by €300 million to €1,484 million had a positive effect on current assets. Income tax assets declined by €73 million to €69 million due to refunds received. Current assets were also reduced by the disposal of assets held for sale of €61 million due to the deconsolidation of the MediaMarkt Greece business.

€ million	Note no.	30/09/2019	30/09/2020
Current assets		**5,870**	**6,598**
Inventories	26	2,548	2,949
Trade receivables and similar claims	27	455	488
Receivables due from suppliers	24	1,295	1,302
Other financial assets	24	65[1]	151
Other assets	24	120	154
Income tax assets		142	69
Cash and cash equivalents	29	1,184[1]	1,484
Assets held for sale	30	61	0

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".

↗ Further information on the development of current assets can be found in the notes under the numbers stated in the table.

The balance sheet net working capital developed as follows in financial year 2019/20:

Net working capital

€ million	30/09/2018[1]	30/09/2019[1,2]	Change	30/09/2019[1,2]	30/09/2020	Change
Inventories	2,480	2,548	68	2,548	2,949	402
Trade receivables and similar claims	613	455	−158	455	488	33
Receivables due from suppliers	1,239	1,295	56	1,295	1,302	7
Trade liabilities and similar liabilities	−5,746	−5,321	425	−5,321	−5,996	−675
Net working capital	**−1,414**	**−1,023**	**390**	**−1,023**	**−1,256**	**−233**

[1] Adjustment due to revised disclosure and a change in definition. Information on this is provided under "Notes to the Group accounting principles and methods".
[2] Balance sheet figures as of 30 September 2019 do not include the assets and liabilities of the MediaMarkt Greece disposal group. The resulting effect for net working capital amounted to €−21 million.

The balance sheet **net working capital** improved by €233 million year-on-year to €−1,256 million (30/09/2019: €−1,023 million).

The increased net working capital compared to the previous year is primarily due to a significant increase in trade liabilities and similar liabilities by €675 million to €5,996 million because of an increased purchase volume in the fourth quarter, which reflects the sustained positive sales trend after the COVID-19-related reopening of the stores. The associated deliberate increase in inventories by €402 million to €2,949 million ensures the availability of goods in expectation of continued strong demand.. Trade receivables and similar claims were slightly above the previous year's level, while receivables due from suppliers were roughly at the previous year's level.

Discontinued operations

In accordance with IFRS 5, the MediaMarkt Russia business disposed of in financial year 2017/18 was classified as a discontinued operation.

In the past **financial year 2019/20**, the profit or loss for the period from discontinued operations amounted to €6 million (2018/19: €1 million). The share of minority interests amounted to €1 million (2018/19: €0 million). Accordingly, the profit or loss for the period from discontinued operations attributable to shareholders for the past financial year amounted to €5 million (2018/19: €1 million) or €0.01 (2018/19: €0.00 per share).

↗ Further information on discontinued operations can be found in the notes – note 13 Profit or loss for the period from discontinued operations after taxes and note 30 Assets held for sale/liabilities related to assets held for sale.

OUTLOOK

CECONOMY AG's outlook considers relevant facts and events that were known at the date of the preparation of the consolidated financial statements and that will influence future business development. Besides a wide range of sources from national and international economic research institutes and organisations, the main source for the forecasts is Feri Trust.

Economic parameters in financial year 2020/21

Besides the ongoing political and economic uncertainties, the calendar year 2020 is heavily dependent on the further course of COVID-19 pandemic.

In the current calendar year, the global economy's GDP has declined by an average of 4.0 per cent. Emerging economies, with an economic decline of 3.2 per cent, have been less affected by the COVID-19 pandemic than industrialised nations, which have posted a 5.2 per cent decline altogether.

The global economy is expected to recover next year, 2021, which will have a particularly positive effect in the emerging economies. The mid-term development of the global economy, mainly shaped by the further course of the COVID-19 pandemic, will also depend heavily on the future development of protectionist tendencies. The USA is also seeing a decline in economic output in 2020, which is expected to lead to an economic recovery in 2021, due in particular to an increase in private consumption. In 2020, the Chinese economy's growth momentum is falling, but remains positive, as the government is propping it up with fiscal and monetary measures. Overall, economic growth is expected to recover in 2021.

Assuming ongoing political and economic uncertainties and influenced by the effects of the lockdown in response to the COVID-19 pandemic, economic output in the European Union (EU) is expected to drop by 6.9 per cent year-on-year in 2020. Economic growth is also being weighed down by the continuing lack of a clear vision for the future relationship between Great Britain and the EU. In addition, the above-average effects of the lockdown in response to COVID-19 in the three major economies of France, Italy and Spain are resulting in negative development in the entire EU region. A significant economic recovery is expected again in 2021.

DACH

Due to the effects of the lockdown, economic strength is expected to decline by 6.0 per cent in 2020. In 2021, economic growth is expected to recover slowly and amount to around 2.9 per cent. Because of Germany's high export focus, economic performance depends heavily not only on the further development of the pandemic situation in the coming year, but also on a recovery in the global economy.

In Austria, economic output is expected to decline by 6.9 per cent in 2020. As the economy normalises and tourism returns, real growth of gross domestic product of around 4.5 per cent is expected in 2021.

In Switzerland, the real decline in gross domestic product in 2020 is expected to amount to 5.2 per cent. A recovery is expected in 2021, with economic growth of 3.7 per cent driven by private consumption.

In 2020, the Hungarian economy is expected to decline by 5.1 per cent. A general recovery is expected for 2021, reflected in economic growth of 5.6 per cent.

WESTERN/SOUTHERN EUROPE

The expected economic development in Western/Southern Europe has deteriorated palpably in 2020, with a drop of 8.9 per cent. With the current global economic as well as Europe-specific uncertainties, the economy is expected to grow by only 4.7 per cent overall in the calendar year 2021.

The Netherlands is significantly surpassing the general 2020 trend with an expected −4.6 per cent and is forecast to achieve positive growth again in 2021 of 4.2 per cent. With an expected economic decline of 12.1 per cent in 2020, Spain is currently trailing the other major Western European economies in terms of economic performance. The development can be reversed only to a certain extent in 2021. Growth is expected to amount to 5.3 per cent.

Italy, the fourth-largest economy in Western Europe, is still in a difficult starting position with its structural and economic problems. Due to the lockdown measures in response to the COVID-19 pandemic, this results in an expected decline in real economic output of 8.9 per cent in 2020. A comparatively moderate economic recovery of 6.2 per cent is expected for 2021.

EASTERN EUROPE

In Eastern Europe (including Turkey and excluding Hungary), economic output is expected to decline by 3.8 per cent in 2020. For 2021, the region is expected to recover with real economic growth of 4.5 per cent.

Turkey has a material influence on development in the Eastern Europe region. In 2020, there will be a recession with expected negative real economic growth of 2.6 per cent in connection with the global COVID-19 pandemic. This negative development is driven by the decline of the export sector and private consumption. A recovery is currently expected in 2021, with growth of 4.6 per cent. Compared with previous years, only a low level of growth will be achieved in the medium term.

While Poland still showed dynamic economic growth in the previous year, this abruptly stopped in 2020 due to the COVID-19 pandemic, which resulted in an expected decline of 3.5 per cent year-on-year. The country expects a return to economic growth of around 5.0 per cent in 2021, which will compensate for the decline in 2020.

Development in the consumer electronics retail market

The European consumer electronics retail market developed positively in financial year 2019/20. Due to the currently high momentum of the market, the negative growth effects of the lockdown in response to the COVID-19 pandemic were compensated for by strong growth in online business. Altered consumer behaviour due to the COVID-19 pandemic has led to a shift in sales shares towards consumer electronics. Unlike the general economic recovery expected in 2021, the industry-specific growth momentum next year is expected to permit only limited growth.

It is to be expected that options for interconnectivity will be further enhanced in 2021. The interconnectivity of home technology, household appliances and consumer electronics (collectively referred to as the Smart Home), wearables, video and music streaming and voice assistants have become established. Virtual and augmented reality and numerous Internet of Things applications give hope of growth stimuli in the years to come.

DACH

Given the current high growth momentum, development in the consumer electronics retail market in Germany is expected to stagnate in financial year 2020/21. CECONOMY likewise anticipates stagnation in Austria and Switzerland. The same applies to the Hungarian consumer electronics retail market.

WESTERN/SOUTHERN EUROPE

On the basis of the current market development, the Western and Southern European consumer electronics retail market will reach only low momentum in 2021. Due to the difficult economic conditions, CECONOMY anticipates moderate growth for Spain, which cannot compensate for the declines this year. The same applies to Italy.

EASTERN EUROPE

In Eastern Europe, the consumer electronics retail market will continue to grow at different levels. Poland is no longer expected to match the growth of recent years in financial year 2020/21. For the Turkish market, the political and economic uncertainties (relatively low economic growth, expected high inflation rate, and unpredictable exchange rate development) mean that no reliable forecast can be made for 2021.

Outlook for CECONOMY

The uncertainties with regard to the further development of the COVID-19 pandemic and the global macroeconomic environment remain high in the new financial year 2020/21. The outlook is based on the assumption that the continued influence of the COVID-19 pandemic both on the macroeconomic situation and on the Group's situation will not materially deviate from the current level. In particular, the achievement of the outlook requires that the course of the COVID-19 pandemic does not entail additional, lengthy and widescale closures of a significant portion of the stationary business or a severe dip in consumer confidence and that supply chains remain largely intact.

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.

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 adjusted EBIT between €320 million and €370 million (2019/20: €236 million).

OPPORTUNITY AND RISK REPORT

Opportunity and risk management system

In a dynamic market environment, CECONOMY acts on the basis of a clear, long-term strategy, from which short-, medium- and long-term targets are derived. The implementation of the measures to achieve these targets is associated with opportunities and risks. Sometimes, however, CECONOMY must knowingly take risks in order to make targeted use of opportunities. The early identification and management of opportunities and risks is a core task for the management.

Risks are defined as uncertain but largely quantifiable internal or external events that could negatively affect the achievement of corporate objectives. Opportunities are defined as potential successes that go further than the targets specified in the planning and could thus benefit the business performance. Opportunities and risks are inextricably linked. For example, risks can arise from missed or poorly utilised opportunities. Conversely, the utilisation of opportunities in dynamic growth markets or new business areas always entails risks.

With this in mind, CECONOMY views its opportunity and risk management system as a tool that contributes to the achievement of the corporate objectives. The systematic process on which opportunity and risk management is based encompasses the entire Group. It helps management to identify, assess, manage and monitor opportunities and risks. Opportunity and risk management are therefore united. Risk management detects, at an early stage, developments and events that could negatively affect the achievement of business targets and analyses their effects. CECONOMY can thus promptly take appropriate measures to handle and monitor the risks. At the same time, opportunity management provides the chance to make targeted use of opportunities.

CENTRAL MANAGEMENT AND ORGANISATION

The Management Board of CECONOMY AG has the responsibility and legal obligation to ensure an adequate governance system. In particular, this comprises opportunity and risk management, the internal control and compliance management systems and Internal Audit. Together, they make up the governance, risk and compliance system (GRC system), which is guided by the governance elements named in Sec. 107 para. 3 of the German Stock Corporation Act (AktG) and in the German Corporate Governance Code. The aim is to make structures and processes more transparent and to harmonise the sub-system processes. The transparency and efficiency of CECONOMY's GRC system are thus increased overall and its appropriateness and effectiveness continuously improved.

CECONOMY AG's Group Committee for Governance, Risk and Compliance (GRC Committee) regularly discusses the method harmonisation and further development of the GRC sub-systems. The committee also discusses the current opportunity and risk situation on the basis of reports from the respective units. The permanent members are representatives of the Group's Corporate Accounting, Corporate Controlling & Risk Management, Investor Relations, Group Corporate Legal, Group Competition & Antitrust, Group Compliance, Data Protection, Audit & Consulting, Strategy, Value Creation, Innovation/Digital & Business Development, Group Projects & PMO, Human Resources, Treasury & Insurance, and IT Management & Services departments as well as representatives of MMSRG's risk management/internal control system (ICS). Guests are also invited to the meetings when required, for example from the Tax and Communications, Public Policy & Sustainability departments.

RISK MANAGEMENT

Competencies and responsibilities for opportunity and risk management are clearly defined in the Group and reflect the corporate structure. Central Group management is connected with the Group companies' local responsibility for operating business via the management holding company CECONOMY AG.

The Management Board of CECONOMY AG is responsible for the appropriateness and effectiveness of the opportunity and risk management system as part of the GRC system. The risks are identified, assessed, managed and monitored by the Group companies. MMSRG's risks are validated by Media-Saturn-Holding GmbH and aggregated for further analysis and consolidation at the level of CECONOMY AG. The other Group companies report their risks directly to CECONOMY AG.

Central elements of internal monitoring are the self-assessment of the appropriateness and effectiveness of opportunity and risk management by the managements of the Group companies and the review of appropriateness and effectiveness by Internal Audit at the Group company level. Appropriateness and effectiveness are likewise monitored by the Supervisory Board of CECONOMY AG. In accordance with the provisions of the Corporate Sector Control and Transparency Act (KonTraG), the auditor periodically assesses the early risk identification system as part of the opportunity and risk management system during the audit of the consolidated financial statements. It submits the result of this audit to the Management Board and Supervisory Board.

CECONOMY AG's Corporate Risk Management department manages and develops the opportunity and risk management system. It defines the approach, assessment methodology and standards of opportunity and risk management in consultation with the GRC Committee and MMSRG – as the most material investment at this time. Corporate Risk Management department promptly and continuously informs the Management Board of CECONOMY AG about material developments in opportunity and risk management, ensures that information is shared within the company and supports the enhancement of opportunity and risk management at Group level and in the Group companies.

OPPORTUNITIES MANAGEMENT

The systematic identification, assessment and communication of opportunities is an integral component of CECONOMY's management and controlling system. Opportunities can be internal or external events and developments that could positively influence business performance beyond the targets specified in the planning. The fundamental aim is that CECONOMY's material opportunities and risks are at least in balance.

CECONOMY carries out macroeconomic studies, analyses the relevant trend landscape and evaluates market, competition and location analyses. In addition, the critical success factors of the business models and the company's relevant cost drivers are discussed. The Management Board of CECONOMY AG specifies the market and business opportunities thus derived as well as restructuring and efficiency improvement potential as part of short- and mid-term planning. To this end, it communicates closely with the heads of the Group departments and the management of the Group companies. CECONOMY particularly follows market- and customer-driven business approaches in this process. It continuously reviews the elements of the strategy, which aims at long-term, sustainable and profitable growth.

REPORTING

The central element of internal opportunity and risk communication is Group reporting, supplemented by the reporting on opportunity and risk management. The aim is to enable the structured and continuous examination of opportunities and risks and to document this in accordance with legal and regulatory requirements. In this way, the Management Board receives regular information about the risk situation. It is also ensured that negative trends are recognised in good time and appropriate countermeasures can be taken.

CECONOMY carries out a risk inventory twice a year. It systematically records and describes all the Group's material risks and measures them against standard benchmarks on the basis of quantitative and qualitative indicators with regard to loss potential and probability of occurrence. The results of the risk inventory and the risk portfolio are updated regularly.

The results reported by the Group companies are validated by the respective risk managers. In a second step, the risk managers summarise the results in a functional risk profile that includes a detailed description of the material individual risks. For individual categories, the risk profiles are validated by the risk managers at Group level and the GRC Committee in a third step, and specific measures for improved risk management are derived.

In addition, CECONOMY considers analyses and reports that are generated in connection with mid-term planning and forecasts. It also accounts for relevant findings from the internal control system, the compliance management system, the opportunity management system and Internal Audit.

Finally, everything that has been found is used to derive the overarching opportunity and risk portfolio for CECONOMY. This enables a balanced overall view of the opportunity and risk situation. The GRC report describes the status quo and contains recommendations for risk mitigation management. It also presents the material features of the GRC sub-systems, including planned improvement measures with regard to the effectiveness of the GRC sub-systems.

The Management Board of CECONOMY AG continuously informs the Supervisory Board and the Audit Committee about opportunity and risk management. Twice a year, the Audit Committee receives a detailed written report on the organisation and alignment of opportunity and risk management and the current opportunity and risk situation.

For the preparation of the half-year financial report, CECONOMY reviews and updates the opportunity and risk portfolio drawn up in the previous year. An emergency notification system is also used for the event of sudden, serious risks to the net assets, financial position and earnings position. In this case, the Management Board of CECONOMY AG receives all necessary information directly and immediately.

STRICT PRINCIPLES FOR DEALING WITH RISKS

As a matter of principle, CECONOMY only takes business risks when they are considered manageable and the associated opportunities give reason to expect an appropriate increase in value for the company. Business interests and risk management aspects are therefore carefully weighed against each other and brought as far as possible into alignment.

CECONOMY bears risks associated with the core processes of the retail industry itself. For example, core processes include the development and implementation of business models, location decisions and the purchasing and sale of goods and services. Risks from support processes are minimised within the Group or, if appropriate, transferred to third parties. CECONOMY does not take risks that relate neither to core nor support processes. The same applies to risks that could jeopardise the company as a going concern or lead to a violation of legal requirements.

CLEAR DEFINITION OF THE DETAILS OF RISK MANAGEMENT

All relevant facts are collated in policies based on the internationally recognised standard COSO II and IDW PS 981. In addition, CECONOMY will continue to align its risk management system with the new and expanded requirements imposed by IDW PS 340 (as amended) in order to guarantee that the measures within risk management are implemented in a coordinated and efficient manner. The Group-wide risk management system covers all material strategic, operating, financial and compliance risks. All risks and their effects at the level of CECONOMY AG are examined over a period of one year and additionally in the third year.

RISK CLASSIFICATION

CECONOMY classifies all identified risks according to standard Group-wide benchmarks on the basis of quantitative and qualitative indicators with regard to loss potential (negative EBIT or cash effects in terms of the corporate objectives) and probability of occurrence (in per cent). For the second half year of 2019/20, the risk-relevant key performance indicator was changed from EBITDA to EBIT in order to ensure consistency with CECONOMY's forecast-relevant key performance indicator. With regard to loss potential, Group risks are divided into five classes: <€2.5 million, >€2.5 million, >€12.5 million, >€25 million, >€75 million. The risk classes were not adjusted in the transition from EBITDA to EBIT.

Probability of occurrence is likewise divided into five classes, in this case unchanged: unlikely (≤5 per cent), low (>5 to 25 per cent), possible (>25 to 50 per cent), likely (>50 to 90 per cent), high (>90 per cent). All risks and their potential impacts are assessed as of the date of the risk analysis and before mitigation measures planned for the future. The risks are presented on a net basis, i.e. risks after measures already implemented and before measures to be implemented in the future in order to limit them. As a matter of principle, but as a compulsory requirement from a probability of occurrence of >25 to 50 per cent, specific measures are defined for each risk and are implemented to appropriately manage or avoid the risk or to mitigate the effects associated with the risk.

Presentation of the risk situation

Besides the general risks, the Management Board of CECONOMY AG identified and assessed the following material risks for CECONOMY in the reporting period.

CECONOMY's risks are assigned as follows to three categories – high, medium and low – according to loss potential and probability of occurrence:

CECONOMY's risk matrix

>€75 million Critical	1	M	H	H	H	H
>€25 million Substantial	2	M	M	H	H	H
>€12.5 million Significant	3	L	M	M	M	H
>€2.5 million Moderate	4	L	L	L	M	M
≤€2.5 million Marginal	5	L	L	L	L	L
		E ≤5 % Unlikely	D >5–25 % Low	C >25–50 % Possible	B >50–90 % Likely	A >90 % High

The risks classified as high (H) are considered material for CECONOMY and are presented in detail below. The order in which they are presented does not imply the significance of the risks. Risks classified as medium (M) or low (L) are not presented separately in the opportunity and risk report unless it is expected that the risk could become particularly relevant for the Group or its stakeholders in the future.

Compared with the previous year, the overall risk situation in financial year 2019/20 is dominated by the difficult-to-predict long-term consequences and the current momentum of the COVID-19 pandemic. The individual effects of the COVID-19 pandemic are not listed as a single material risk, but are included in the risk assessment of other material risks reported as of 30 September 2020. Risks with regard to the future development of the COVID-19 pandemic and the global macroeconomic environment, in particular due to renewed long-term closures of a significant part of the stationary business or a severe dip in consumer confidence, are therefore included in the existing "deterioration of consumer confidence – economic crisis" risk. Despite the positive business performance after stores reopen, this risk is therefore assessed as more relevant. The risk of the loss of major business partners was reduced with effective measures, but is still listed as a material risk. As a result of the impact, investment risks (impairment of the carrying amount of the investment in Fnac Darty S.A.) and rating risks (downgrade by Moody's) have been partially realized, but remain high. Compared with 30 September 2019, the shortening of contract terms for mobile phone contracts, discussed as part of draft legislation, was included in the risk reporting for the first time. This and the other material risks and the corresponding risk mitigating measures are detailed below, arranged into various risk groups.

No.	Material risks 2019/20	Risk group	Risk assessment
1	Intensification of competition in the digital transformation	Strategic risks	High
2	Deterioration of consumer confidence – economic crisis – COVID-19 pandemic	Strategic risks	High
3	Loss of strategic business partners	Strategic risks	High
4	Shortage of qualified employees for key functions	Operating risks	High
5	Cyberattacks – attacks on IT infrastructure	Operating risks	High
6	Draft legislation on consumer contracts – shorter contract terms for mobile phone contracts	Operating risks	High
7	Credit ratings	Financial risks	High
8	Impairment of assets	Financial risks	High
9	Violation of data protection law, leakage or manipulation of confidential data	Compliance risks	High

STRATEGIC RISKS

Especially in the saturated markets of Western Europe and in light of the digital transformation, the retail industry continues to be permanently shaped by dynamic change and intense competition. This is giving rise to factors that influence business development and constitute natural business risks. A material business risk is the persistently advancing, significant intensification of competition in the digital transformation, primarily due to global online retailers such as Amazon and Alibaba as well as to European or national online retailers (risk no. 1). Due to the unforeseeable lockdown at the beginning of the COVID-19 pandemic in nearly all countries with a CECONOMY market presence, purchases were massively shifted to the more price-intensive online channel. The risk has therefore already partially materialised, but it is still considered a high risk for CECONOMY. The persistently fierce battle for market share in saturated markets and, during a period of market consolidation, against price-aggressive competitors may lead to increasing pressure on margins and the loss of sales and market shares. Increasing market and price transparency and significantly shorter product life cycles with falling gross margins as a result of digitalisation and the associated change in the product mix may further amplify these effects. Also in online business, which is a strong growth driver for CECONOMY, a further intensification of competition could weaken the competitive position and influence growth. This could negatively affect sales and EBIT.

In order to counter this risk, CECONOMY is increasingly allocating resources for the digital sector and the online expansion in particular. CECONOMY is continuously observing the market and competitors and developing Services & Solutions in order to unlock new income potential. In addition, processes are continuously reviewed with regard to the requirements of the digital transformation and the product mix in order to discover potential for improvement. CECONOMY also continuously reviews the store network and optimises selling space, among other things to meet customers’ changing requirements.

CECONOMY regularly evaluates internal and external information in order to identify market trends and customers’ changing demands at an early stage and to adapt to customer requirements.

The consequences of the international, government-ordered measures in response to the COVID-19 pandemic result in a material risk. The duration and the further impact of the COVID-19 pandemic on the global economy, international trade, the resulting recessions or a global economic crisis are not fully foreseeable or measurable. The deterioration of consumer confidence in the countries in which CECONOMY operates is a relevant risk (risk no. 2). The consequences are expected to burden the global economic situation in the longer term. Further possible measures in response to the COVID-19 pandemic and potentially resulting temporary store closures ordered by local authorities cannot be ruled out, or have already occurred after the reporting date and will hamper the economic recovery. Initial indications of sector development show both regional and category-specific differences in the implications for consumer behaviour in the consumer electronics segment. In principle, the changed consumer behaviour during lockdown and the associated shift in sales shares from stationary to online business may become permanently established. CECONOMY has already successfully responded to this and further expanded the established processes. For example, supply and delivery processes have been modified to be flexible and stock-oriented, so that goods ordered by customers online are no longer sent to customers exclusively from central warehouses, but also directly from the local stores. CECONOMY monitors potential market changes on an ongoing basis and derives strategies for its own business from this. The risk resulting from the uncertain economic situation and further impact of the COVID-19 pandemic is considered increased in comparison with the reporting period financial year 2018/19.

Potentially escalating trade conflicts and increasing protectionism also continue to pose challenges to CECONOMY’s operating business and could cause further deterioration of the consumer sentiment. Looking ahead, a decline in consumption can be assumed as a result of waning economic performance, falling demand for exports and general uncertainty among the population, due also to rising unemployment. At the same time, the strong demand for consumer electronics products in the months after the reopening of stationary business could also be driven by anticipatory effects, so there is a risk of a corresponding decline in customer demand in subsequent financial years. Political developments in individual countries may also pose risks for CECONOMY. This concerns for example Turkey, which is still affected by a tense domestic political situation, currency devaluation and rising inflation.

To handle this risk, the current and projected political and economic situations are regularly monitored and analysed in order to counter negative developments in good time. Concepts for the enhancement of business models and the optimisation of process, organisational and cost structures are being developed on a continual basis. This is supplemented by continuous monitoring of the economic situation, especially with regard to the COVID-19 pandemic and continuous measures to protect customers.

In addition, the loss of strategically relevant business partners is a risk that CECONOMY continuously monitors and manages (risk no. 3). This risk could materialise as a result of a potential strategic realignment of suppliers, a change in sales concepts, or technical problems in the product and in particular, the services. To this end, CECONOMY analyses information about business partners on a regular basis in order to promptly take protective measures to ensure the continued supply of goods and services, but also against the financial loss of outstanding receivables. The loss of a strategic business partner can jeopardise the forecast EBIT through lost sales, conditions and commissions. To compensate for such an effect, CECONOMY tries to reduce the risk by managing the sales shares of different suppliers, establishing additional suppliers, expanding the own-brand product range, expanding the range of services from different providers, and partially selling receivables (factoring), but also by centralising the flows of goods and thus improving the planning ability of the suppliers. The continually effective implementation of these risk mitigating measures has already slightly reduced the probability of occurrence of the risk.

OPERATING RISKS

Qualified employees form the basis for the success of the company. Competition for competent specialists remains fierce, especially in the areas relevant for digitalisation. There is therefore a risk that CECONOMY does not have enough suitable employees to fill key positions (risk no. 4). This concerns in particular for areas such as innovation and technology and could have a sustained negative influence on success. A range of measures has been implemented to ensure that CECONOMY continues to have sufficient human resources with the specific professional and technological knowledge required. On the one hand, these enable effective management and further development of human resources and, on the other hand, support the acquisition of new, highly qualified employees. This includes, for example, the creation of an international succession pipeline for all key functions, the implementation of development programmes at all employee and management levels, and the acquisition of new talent via student and management trainee programmes, the implementation of university marketing and the further development of an employer branding strategy. On this basis, CECONOMY has slightly reduced its risk assessment for this risk.

Digitalisation and the associated connection of IT systems with the outside world pose the risk of attacks on the IT infrastructure. Especially in the steadily increasing online retail market, IT system failures could have significant effects on CECONOMY's business performance. Permanent, uninterrupted availability is an essential requirement in online retail. Otherwise, consequences may include substantial sales losses and reputational damage (risk no. 5). Critical network structures and IT systems must therefore be continuously reviewed and adjusted in order to prevent interruptions to important business processes. Essential business systems in the stores, especially cash register systems, are largely stand-alone and can continue to be used for some time without interruption even in the event of a failure of networks or central systems. Moreover, central IT systems can be restored quickly if one or more servers fail. Technical or organisational measures such as security software solutions are implemented as risk mitigation measures. The permanent monitoring of cyber risks and the implementation of an information security management system (ISMS) in accordance with ISO 27001 are used as further risk mitigation measures.

Within the framework of a draft law for "fair consumer contracts" (risk no. 6), the German Ministry for Consumer Protection is planning to reduce contract terms for long-term agreements such as mobile communications or electricity contracts from the current two-year standard to a maximum of one year (current draft bill by the German Federal Ministry of Justice and Consumer Protection dated January 2020). This is intended to give end consumers the option to take advantage of potentially more financially advantageous offers by changing providers at an earlier stage, thereby preventing excessively long contractual periods. From the point of view of the consumer protectors there is the prospect that faster switching options will lead to greater competitive intensity and diversity. By contrast, providers see the risk that ultimately higher costs will incur for consumers because one-off fees, e.g. for devices and/or administrative costs, will have to be apportioned to a shorter contract term. CECONOMY favours strong consumer protection. In practice, however, experience with mobile phone contracts shows that current standard contract durations allow consumers to choose the contract that best suits their needs from a variety of offers. For CECONOMY, the proposal contains the risk of declining commissions in connection with shorter contract terms. Some parliamentary decisions in legislative processes have been postponed as a result of COVID-19, so no new aspects have arisen in the assessment of this risk, and delays are also expected in the passing of the law. In order to prepare in a targeted manner for the uncertain passage of the law's content, CECONOMY is reviewing, holistically and based on customer behaviour, the marketing situation regarding mobile communications and other relevant services for any realignment.

FINANCIAL RISKS

Price risks (interest rate risks, currency risks, share price risks), liquidity risks, credit risks for counterparties in financial transactions and cash flow risks can have substantial negative effects on the financial result and liquidity. CECONOMY's financial risks are therefore managed centrally.

An essential part of the management of financial risks is to guarantee unrestricted capital market access for CECONOMY AG. A downgrade of the current ratings and lower credit ratings from banks and suppliers could have negative implications for liquidity and Group financing (risk no. 7). These effects may be mutually dependent or reinforcing and may also be influenced by declining economic and/or sector-specific negative development in retail and wholesale in general. This could likewise have negative implications for CECONOMY's net working capital. Despite a small EBIT effect, it could lead to a significant deterioration of the liquidity situation. As a rule, deterioration of net working capital would increase the probability of an additional requirement for finance. CECONOMY therefore continuously optimises and monitors the key figures relevant for the rating in particular in order to be able to initiate countermeasures at short notice. In order to counter this risk, the strategy is aimed chiefly at the optimisation of net working capital through an efficient allocation of investment resources and the active management of assets and liabilities. An economic slowdown and/or a decline in the retail industry, such as caused by the COVID-19 pandemic, could prompt a review of the credit rating. On 10 April 2020, Moody's Investors Service downgraded CECONOMY's rating to Ba1 with a negative outlook, citing in particular the negative impact of the COVID-19 pandemic on CECONOMY's operating business. Due in particular to the good sales trend after the lockdown, a further downgrade by Moody's is considered unlikely. This is also supported by the assessment by the rating agency Scope Ratings, which rates CECONOMY with BBB– (Investment Grade). Scope set the outlook to "under review" on 6 May 2020 following the COVID-19-driven developments, but raised it back to "stable" on 16 September 2020 due to the subsequent, solid development of operating business.

Based on a high potential risk level, however, the risk is still rated as high. Given the current uncertainty about the duration and impact of the pandemic, CECONOMY also decided at an early stage to utilise the German federal government's special programme for direct investment for syndicate financing ("Direktbeteiligung für Konsortialfinanzierung"). In collaboration with the KfW, the programme provides financial support to companies that could encounter temporary financial difficulties solely as a result of the COVID-19 pandemic. A €1.7 billion syndicated loan facility was approved by KfW and a syndicate of partner banks on 12 May 2020; it has not been utilised by CECONOMY at any time.

Operating losses, particularly in low-margin countries, due among other things to a highly competitive market environment, may entail impairment of reported goodwill and additional assets (risk no. 8). This may impact the net assets and earnings position of CECONOMY negatively. CECONOMY, therefore, gives high priority to measures to strengthen the operating performance. The outbreak of the COVID-19 pandemic and the associated temporary store closures significantly impacted the operating results in financial year 2019/20. An economic crisis could also adversely affect growth and profitability opportunities in some countries. In the light of this, CECONOMY therefore considers the risk of asset impairment to be more significant. Numerous measures have been defined to counter this risk in a sustainable manner, which support the performance of low-margin countries in particular. These include the continuous monitoring of country performance and restructuring successes from the implementation of strategic initiatives, the implementation of restructuring and efficiency improvement programmes, the introduction of a harmonised group-wide organisational structure ("Operating Model") and the restaffing of key functions in the units. In this regard, there is a particular focus on countries for which this impairment risk exists.

In addition, sustained or significant declines in prices of listed financial instruments and investments accounted for using the equity method could indicate impairment of the affected asset. The impairment test then to be performed may harm CECONOMY's net assets and earnings position. The investment in Fnac Darty S.A. was tested for impairment as of 31 March 2020 due in particular to the severe downturn in stock markets at the start of the COVID-19 pandemic. The investment, which was accounted for using the equity method, was impaired by around €268 million in the second quarter of 2019/20, which had a negative impact on reported EBIT. As a result of this impairment, the valuation risk is significantly reduced and the risk of the investment in Fnac Darty S.A. is not classified as material. This assessment is also supported by the positive performance of the Fnac Darty S.A. share in the final months of the financial year.

DATA PROTECTION RISKS (COMPLIANCE)

Data protection is important at CECONOMY AG not just since the EU's General Data Protection Regulation (GDPR) came into force with its stricter requirements for companies. There has been a significant increase in regulatory and documentary requirements. Non-compliance with the requirements can be penalised with considerable fines. This increases the risk of incurring sanctions or reputational damage (risk no. 9). One of the core issues with regard to data protection in the CECONOMY Group is the processing of customers' and employees' personal data. CECONOMY is aware of its significant responsibility and the significance of this issue. In order to permanently guarantee data protection, data protection measures are implemented and updated continuously, especially in connection with new business processes, and employees' awareness of data protection issues is continuously being raised. As part of the existing data protection management system, employees in Germany and other country organisations are regularly trained on data protection law, and the data protection management concept is monitored and updated if necessary. CECONOMY adheres to the required “privacy by design/privacy by default” principles with technical and organisational measures taken. In light of the heightened activity of authorities, the increasing complexity of systems and increasing online activities, the occurrence of the risk is still considered possible, although CECONOMY is continually reducing the probability of occurrence by permanently improving processes and documentation.

The following risks are analysed continuously on the basis of their general significance for risk management, but are not classified as high risks for CECONOMY as things stand.

The spin-off of the METRO Group results in risks for CECONOMY, such as tax risks. These were continuously monitored and evaluated prior to and after the spin-off. The probability of occurrence for CECONOMY is estimated to be unlikely, and the risks are therefore considered to be not material.

Non-material risks can arise from the diverse legal provisions and self-imposed standards of conduct by which CECONOMY is bound. For example, CECONOMY may be exposed to antitrust law risks in connection with business relationships with suppliers, such as with regard to the resale prices of merchandise. Similarly, corruption risks arise for CECONOMY in connection with business relationships.

CECONOMY therefore has a risk-based compliance management system that is chiefly geared towards avoiding, detecting and sanctioning corruption and violations of antitrust law and serves to protect the employees of the companies belonging to CECONOMY from compliance violations. In addition, it is intended to protect the company from reputational and economic damage and limit the corporate management’s liability in the event of compliance violations by individual employees. Employees in sensitive business segments receive intense training as part of the compliance management system.

Presentation of the opportunity situation

CECONOMY has diverse opportunities for sustained, positive business development. They arise primarily from the consistent and early alignment with customers’ needs. The central aim is to create added value for customers and to assist them in the digital world. To this end, CECONOMY is always developing new business models, solutions and formats and taking the opportunities offered by digitalisation.

At the same time, political, economic and demographic developments and the increasing differentiation in the mature markets of Western Europe are also considered. CECONOMY analyses the relevant global and national trend landscape and makes the decisions required in order to make targeted use of opportunities in the future and to gain competitive advantages.

CECONOMY considers the opportunities below to be material in terms of potential positive effects on the corporate objectives for the next five years.

CORPORATE STRATEGY OPPORTUNITIES

Opportunities for CECONOMY’s future success are increasingly arising with regard to the exploration of new and innovative business areas. Customer’s requirements and behaviours are constantly changing as advances are made in digitalisation and thus opening up new business areas in various sectors such as Smart Home, E-Sports, Healthcare and E-Mobility. CECONOMY sees potential in new business models that offer customers excellent added value, fit in with CECONOMY’s strategy and build on the operating processes’ existing strengths. This includes the expansion of the service portfolio with concepts in the stores, online and in customers’ homes. The exploration of such new, innovative business areas and services is actively promoted by observing the changes in customer needs, identifying new trends and developing innovative ideas. CECONOMY is also continuously examining new concepts, strategic partnerships and acquisitions. New business areas can thus be occupied appropriately. As previously, CECONOMY intends to continue to encourage local and national market consolidation. The withdrawal of competitors would provide opportunities for further gains in market share. To this end, competitors are being analysed continuously. In contrast, pan-European market consolidation is no longer considered an opportunity, as CECONOMY’s strategic realignment initially shifts focus to implementing strategic initiatives at an operational level. Nonetheless, CECONOMY is always reviewing any opportunities that arise. Furthermore, additional potential is seen in the repositioning of country organisations and subsidiaries that are operating in a difficult economic or highly competitive environment. In addition, a dialogue is maintained with relevant start-ups in order to gain insights into new business areas and develop innovative ideas.

CECONOMY is very well known in the countries where the Group is represented. Leading positions have been achieved in many markets, which must be further consolidated and extended. Ongoing transformation and repositioning measures, including within the reorganization and efficiency program and the introduction of a harmonised group-wide organisational structure ("Operating Model"), are aimed at improving the market position, making processes and decision-making channels more efficient and increasing profitability. Further opportunities arise, for example, from the accelerated implementation of the business model transformation. This particularly relates to focus issues such as category management, supply chain, online and Services & Solutions. The experience gained from the COVID-19 pandemic will be used in a targeted way for the further expansion of necessary processes and structures, especially for the full implementation of an omnichannel sales model. CECONOMY is enhancing the customer-centric business models in ongoing business transformation projects. The aim is to generate opportunities from a persuasive customer value proposition that places CECONOMY in a unique position both in B2C and B2B. For this purpose, focus groups are analysed in order to focus strictly on customer needs.

The reorganization of MMSRG also presents an opportunity for CECONOMY to lower the Group's tax rate. All relevant options are being reviewed from an economic, legal and tax perspective. Various projects to improve the tax rate have been or are being implemented.

The importance of sustainability as an issue is unchanged. Given current trends, CECONOMY is also certain that its global importance will continue to grow. Customers, employees, investors, politicians and society have growing expectations, which CECONOMY intends to fulfil. To this end, a holistic sustainability strategy is being developed and consistently implemented. As well as increasing the attractiveness of the brand, offering and private labels, sustainability is giving rise to a plethora of new business models for CECONOMY, the potential of which is currently being analysed, for example the possible use of circular economy business models. In addition, CECONOMY is continuously reviewing further opportunities and initiatives in the field of sustainability. These include the creation of a more sustainable product mix and measures to reduce CO_2 emissions. These opportunities, like social engagement, can have a positive influence on CECONOMY's reputation. This is expected to help to increase sales in the medium term. Moreover, CECONOMY believes that a sharper focus on sustainability can have a positive influence on the share. CECONOMY is to become more attractive to sustainability-oriented investors in particular and thus gain access to improved conditions.

Overall assessment of the opportunity and risk situation by the company's management

The Management Board and Supervisory Board of CECONOMY AG are regularly informed about the company's opportunity and risk situation. To evaluate the present situation, the opportunities and risks are not only looked at in isolation. On the contrary, interdependencies are also analysed and assessed according to their probability or impact. The assessment found that the risks are manageable on the whole. Both individually and together, the identified risks pose no risk of illiquidity or overindebtedness – both of which could jeopardise CECONOMY AG and the Group as a going concern – within at least a year. CECONOMY is confident that the company's profitability provides a sound foundation for sustainable, positive business development and the use of diverse opportunities. The Management Board of CECONOMY AG does not currently anticipate that the opportunity and risk situation will change fundamentally.

REMUNERATION REPORT

This report describes the remuneration of the Management Board and the Supervisory Board of CECONOMY AG. It outlines the remuneration system for the Management Board in terms of its main features and the structure and level of the remuneration. In addition, it reports the remuneration paid to the members of the Management Board in the past financial year.

The disclosures on the remuneration of the Management Board and the Supervisory Board in financial year 2019/20 follow the German Commercial Code (HGB) and substantially the recommendations of the German Corporate Governance Code (GCGC 2017) in the version of 7 February 2017 valid at the end of financial year 2019/20. In addition, the remuneration report also largely complies with the requirements of the European Shareholder Rights Directive, already transposed into German law.

Material elements of the remuneration system for the members of the Management Board in financial year 2019/20

As stipulated by the German Stock Corporation Act (AktG) and the GCGC 2017, the system for the remuneration of the Management Board is resolved by the Supervisory Board of CECONOMY AG. The remuneration system described below has been in place at CECONOMY AG since the start of financial year 2017/18. This was approved by the General Meeting of the former METRO AG on 6 February 2017 with 79.1 per cent of the votes cast. The Supervisory Board of the former METRO AG resolved to adjust individual aspects of it at its meeting in March 2017.

The total remuneration of the Management Board essentially comprises an annual fixed salary and two variable, performance-based components, one short-term and one long-term. The performance-based components have different assessment bases and performance parameters. The long-term performance-based component is intended to incentivise a sustained improved in the company's performance.

In addition to the above remuneration components, the company grants the members of the Management Board post-services benefit plans and other supplemental benefits, such as a company car.

The total compensation of the individual members of the Management Board and the individual remuneration components are relative to the tasks and performance of each member of the Management Board and the company's situation. They therefore fulfil the statutory requirements regarding the customary level of remuneration. There is no provision for scheduled increases in compensation in line with length of service.

Presentation of the remuneration system for the members of the Management Board

Total remuneration			
Fixed salary	**Supplemental benefits**	**Variable remuneration**	
Fixed annual remuneration	e.g. company car, pension	**Short-term incentive (STI):** defined quantitative performance targets for the financial year and individual qualitative targets, complemented by bonuses in individual cases	**Long-term incentive (LTI):** defined performance targets for a three-year period in accordance with a performance share plan (earnings per share and relative share price performance)

In the case of 100 per cent target achievement, the variable remuneration components should, as a rule, exceed the fixed salary including supplemental benefits by a ratio of two-thirds to one-third.

FIXED SALARY

The fixed salary is agreed with each Management Board member as fixed remuneration and is paid in monthly instalments.

SHORT-TERM PERFORMANCE-BASED REMUNERATION (SHORT-TERM INCENTIVE/BONUSES)

The short-term incentive (STI) rewards the company's operating development on the basis of financial performance targets for the respective financial year.

There are three defined financial performance targets, which are based on key performance indicators (KPIs) and for which the Supervisory Board defines the respective target values, thresholds and maximum target achievement on the basis of corporate planning, usually at the beginning of the financial year:

– Earnings before interest and taxes (EBIT) on the basis of absolute EBIT values adjusted for effects of defined portfolio changes: 55 per cent

– Sales growth adjusted for currency effects and effects of defined portfolio changes: 25 per cent

– Net working capital (NWC) on the basis of absolute NWC values (four-quarter average) adjusted for effects of defined portfolio changes: 20 per cent

After the end of the financial year, the degree of target achievement is measured for each of the performance targets, resulting in a target achievement factor. The following example calculation illustrates the range of possible levels of target achievement:

– If target fulfilment is 100 per cent, the target achievement factor equals 1.

– If target fulfilment is at or below the threshold, the target achievement factor equals 0.

– If the target achievement level is between the threshold and the target value or if target fulfilment is over 100 per cent, the target achievement factor is calculated by linear interpolation.

The target achievement factor for the performance targets is limited to 2.

Short-term performance-based remuneration

Short-term incentive								
Target amount		**Financial performance targets**	**Factor** (limited to 2 overall)		**Qualitative performance targets**	**Factor**		**Payment cap:** 200% of target amount
	×	Sales growth EBIT NWC	0–2 0–2 0–2	×	Individual performance	0,7–1,3	=	Payment

In addition to the financial targets, short-term variable remuneration also includes qualitative individual targets, which are defined by the Supervisory Board in relation to the financial year. According the fulfilment of these targets, the Supervisory Board can reduce/increase the STI by up to 30 per cent at its discretion.

The payment amount is given by multiplying the target amount by the overall target achievement factor and the individual factor. The payment amount is limited to double the target amount (payment cap).

In addition to the STI, the Supervisory Board can grant the members of the Management Board bonuses for special, extraordinary achievements.

PERFORMANCE-BASED REMUNERATION WITH LONG-TERM INCENTIVE EFFECT (LONG-TERM INCENTIVE)

Performance share plan (PSP)

The long-term incentive (LTI) incentivises sustainable and long-term company development taking account of internal and external value development and the concerns of the company's shareholders and other stakeholders. It has a three-year assessment basis (performance period).

The members of the Management Board are conditionally allocated performance shares each year at the start of a new LTI. The number of shares equals the individual target value divided by the average price of the company's ordinary share at the time of allocation. This is determined by the average of the Xetra closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately following the company's Annual General Meeting in the grant year.

The number of conditionally allocated performance shares is increased or decreased over the term of three years according to the performance targets

– Earnings per share – EPS

– Total shareholder return – TSR

each with a weighting of 50 per cent.

EPS component: Usually at the beginning of the financial year in which the tranche of the PSP is granted, the Supervisory Board resolves a lower threshold (entry hurdle) for target achievement and an EPS target for 100 per cent target fulfilment. A factor is assigned to the respective degree of target achievement: If the degree of target achievement at the end of the performance period is smaller than or equal to the entry hurdle, the factor is 0; in the event of 100 per cent target achievement the factor is 1. For values between 0 and 1 and over 1, the factor is calculated by linear interpolation.

TSR component: The target achievement factor of the TSR component is calculated on the basis of the development of the shareholder return on the company's ordinary share in the performance period relative to two benchmark indices; these benchmark values are equally weighted. Usually at the beginning of the financial year in which the PSP is granted, the Supervisory Board resolves a lower threshold (entry hurdle) and a TSR target for 100 per cent target fulfilment. A factor is assigned to the respective degree of target achievement: If the degree of target achievement at the end of the performance period is smaller than or equal to the entry hurdle, the factor is 0; in the event of 100 per cent target achievement the factor is 1. For values between 0 and 1 and over 1, the factor is calculated by linear interpolation.

The starting price of the company's ordinary share is calculated on the grant date by taking the average of the Xetra closing prices over a period of 40 consecutive trading days immediately following the company's Annual General Meeting. Three years later, the end price is also calculated using the Xetra closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately following the Annual General Meeting. The TSR is calculated as a percentage from the change in the end price plus the sum of the hypothetically reinvested dividend at the starting price compared with the change in the benchmark values.

The company's TSR thus calculated is compared with the TSR of a defined benchmark index and a defined peer group in the performance period.

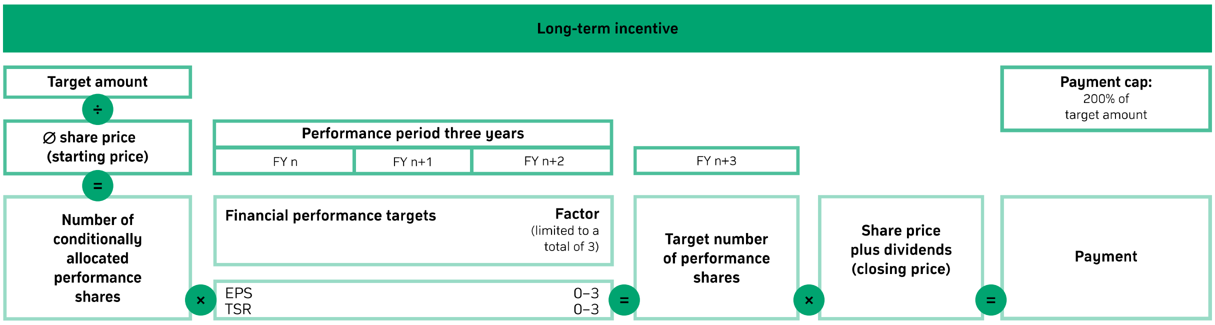
Calculation of the target number of performance shares and the payment amount: The arithmetic mean of the EPS and TSR target achievement factors gives the overall target achievement factor. It is multiplied by the number of conditionally allocated performance shares and gives the target number of performance shares. The number is limited to three times the performance shares initially allocated.

The payment amount is calculated by multiplying the total number of performance shares by the average share price of the company as described above plus the dividends paid over the term.

The payment amount is limited to a maximum of 200 per cent of the agreed individual target amount (payment cap).

The LTI is paid out no later than four months after the Annual General Meeting that resolves on the appropriation of the balance sheet profit of the last financial year of the performance period. However, this payment is not made before the annual and consolidated financial statements for the financial years of the performance period are approved.

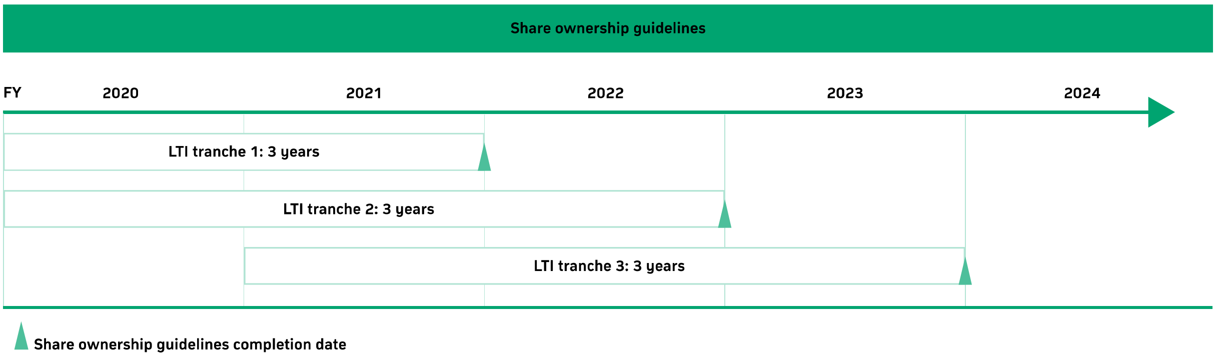
Long-term performance-based remuneration



Share ownership guidelines: The PSP requires the Management Board itself to invest in shares of the company. For a payout from the LTI, the members of the Management Board have to set up a self-funded investment in ordinary shares of the company before the end of February in the third year of the performance period. It amounts to two-thirds and one-half of the gross annual fixed salary for the Chairman of the Management Board and an ordinary member of the Management Board respectively.

After no more than five years of service, the Chairman of the Management Board and an ordinary member of the Management Board must have invested 200 per cent and 150 per cent of their gross annual fixed salary respectively in ordinary shares of the company. The share price for the specified number of ordinary shares to be acquired is the average of the Xetra closing prices of the ordinary share on the 40 trading days directly following the annual results press conference, which is held before February in the third year of the performance period. If the self-funded investment in ordinary shares of the company is not or not entirely fulfilled at the required date, the calculated payment amount is only paid out on the condition that the Management Board member pledges to acquire the shares.

Share ownership guidelines



PENSION

Since 2009, the members of the Management Board have received post-services benefit plans in the form of a commitment of a defined contribution and a defined benefit component.

The defined contribution component is funded jointly by the Management Board and the company with a "7 + 14" split. If Management Board members contribute seven per cent of their own defined assessment basis, the company adds double that amount. If a Management Board member departs before being entitled to pension benefits, the contributions are preserved at the level reached. Matching cover for the defined contribution component is provided by Hamburger Pensionsrückdeckungskasse VvaG (HPR). The contributions bear interest according to the rules of HPR regarding participation features with a guarantee on contributions paid in.

There is an entitlement to pension benefits

- if the service relationship ends when or after the beneficiary reaches standard retirement age according to the German statutory pension insurance scheme.

- as an early retirement benefit if the service relationship ends after the beneficiary's 60th birthday, or 62nd birthday for pension commitments granted after 31 December 2011, and before the beneficiary reaches standard retirement age.

- in the event of disability or death, provided the relevant benefit criteria have been met.

With regard to payment, the beneficiary can choose between capital, instalments and a lifetime annuity. A minimum amount is paid out in the event of disability or death. The existing plan assets are topped up by the sum of the future contributions that would have been credited to the Management Board member for each calendar year up to a contribution period totalling ten years, but no further than the member's 60th birthday. This defined benefit component is not covered by a life insurance policy, but rather is provided directly by the company in the event of entitlement.

Since 2015, members of the Management Board have also had the option to convert future remuneration components from the fixed salary and variable remuneration into entitlements to post-service benefit plans from HPR by way of tax-privileged deferred compensation.

OTHER SUPPLEMENTAL BENEFITS

The supplemental benefits granted to the members of the Management Board besides post-service benefit plans primarily comprise customary additional benefits such as insurance subsidies, medical check-ups, reasonable reimbursement of costs for travel/flights between the place of work and the Management Board member's family home (until September 2020), and non-cash benefits such as a company car. There is a contractually agreed cap on the total amount of the supplemental benefits, excluding travel/flights to the family home.

PAYMENT CAPS

As stipulated by the GCGC 2017, both total remuneration and the variable remuneration components are capped. Short-term variable remuneration is capped to 200 per cent of the target amount and long-term remuneration to 200 per cent of the target amount. Other supplemental benefits, excluding travel/flights to the family home, are capped individually for each member of the Management Board. In addition, the overall remuneration for each member of the Management Board is individually capped to an absolute maximum amount (total payment cap).

Rules for the departure of member of the Management Board

REGULAR DEPARTURE

If a member of the Management Board leaves the company regularly at the end of his or her term of office, entitlements acquired during the term of the service agreement do not fall due for payment prematurely. Instead, the conditions of the LTI at the regular end of the tranches continue to apply in the same way as for the members of the Management Board who still work for the company.

Payments from the LTI are not made in the following cases:

- Release of a member of the Management Board from duties for cause

- Immediate dismissal of a member of the Management Board

- Termination of the service agreement by the company for cause

- Early termination of the service agreement, cancellation of the Management Board appointment or release by the company at the request of the respective member of the Management Board. If the Supervisory Board sees evidence of justified exemptions, such as in cases of hardship, it can deviate from the above rules at its reasonable discretion.

In the event of mutual cancellation of the appointment and/or mutual early termination of the service agreement of a member of the Management Board not resulting from a request by that member of the Management Board, entitlements are calculated pro rata temporis for the period in which the member of the Management Board worked in the

Management Board function until the termination. Calendar months begun are included in full. Tranches not yet committed are not included. LTI benefits are granted at the regular end of the tranches in the same way as for the members of the Management Board who still work for the company.

BENEFITS IN THE EVENT OF EARLY TERMINATION OF SERVICE

In the event of early termination of their service, the active members of the Management Board receive the existing contractual entitlements for the remaining term of their service agreement in the form of a one-off payment. This severance payment, including supplemental benefits, is capped to a maximum value of twice the annual remuneration (severance payment cap). In the event of early termination of their service in connection with a change of control, the active members of the Management Board receive a severance payment in the amount of their remuneration entitlement for the remaining term of their contract. Pensions are not granted.

In the event of the death of a Management Board member during active service, the surviving dependants receive the fixed salary for the month of death and a further six months.

Remuneration of the Management Board in financial year 2019/20[1]

€ thousand	Financial year	Fixed salary (without salary waiver)	Fixed salary (with salary waiver)	Supplemental benefits	STI	LTI[2]	Total (with salary waiver)
Dr Bernhard Duettmann[3]	2018/19	618	618[4]	0	0	0	618[4]
	2019/20	**2,870**	**2,030**	**0**	**0**	**0**	**2,030**
Karin Sonnenmoser	2018/19	321	321[4]	19	308	609	1,257[4]
	2019/20	**550**	**541**	**32**	**0**	**578[5]**	**1,151**
Jörn Werner[6]	2018/19	525	525[4]	17	617[7]	914	2,072[4]
	2019/20	**75**	**75[4]**	**2**	**0**	**0**	**77[4]**
Total	2018/19	1,464	1,464[4]	36	925	1,523	3,947[4,8]
	2019/20	**3,495**	**2,646**	**34**	**0**	**578**	**3,258**

[1] Disclosures according to Sec. 285 sent. 1 no. 9 a or Sec. 314 para. 1 no. 6 a HGB (not including pension expenses)
[2] The value shown is the fair value of each tranche at the grant date.
[3] Member of the Management Board and Labour Director 01/03/2019–25/03/2019 and Chief Executive Officer and Labour Director since 17/10/2019
[4] No salary waiver agreed.
[5] For details on LTI EPS calibration, see note 50 "Management Board and Supervisory Board".
[6] Chief Executive Officer and Labour Director 01/03/2019–17/10/2019
[7] The short-term performance-based remuneration was settled pro rata temporis in line with the severance payment.
[8] Including the members of the Management Board no longer active in financial year 2019/20, the total would have been €4,798 thousand, accordingly attributable also to Dr Haag Molkenteller, Mr Marc Frese and Mr Haas.

Benefits granted[1]

€ thousand	Dr Bernhard Düttmann – Member of the Management Board and Labour Director 01/01/2019–25/03/2019 and since 17/10/2019				Karin Sonnenmoser – Chief Financial Officer since 01/03/2019				Jörn Werner – Chief Executive Officer and Labour Director 01/03/2019–17/10/2019			
	2018/19	2019/20	2019/20 Minimum value	2019/20 Maximum value	2018/19	2019/20	2019/20 Minimum value	2019/20 Maximum value	2018/19	2019/20	2019/20 Minimum value	2019/20 Maximum value
Fixed remuneration (without salary waiver)	618	2,870	2,870	2,870	321	550	550	550	525	75	75	75
Fixed remuneration (with salary waiver)	618[2]	2,030	2,030	2,030	321[2]	541	541	541	525[2]	75[2]	75[2]	75[2]
Supplemental benefits	0	0	0	0	19	32	32	32	17	2	2	2
Total (with salary waiver)	**618[2]**	**2,030**	**2,030**	**2,030**	**340[2]**	**573**	**573**	**573**	**542[2]**	**77[2]**	**77[2]**	**77[2]**
One-year variable remuneration	–	–	–	–	204[3]	0	0	700	408[3]	–	–	–
Multi-year variable remuneration												
Performance share plan tranche 2018/19[4]; granted 11/04/2019[5]	–	–	–	–	609	–	–	–	914	-	–	–
Performance share plan tranche 2019/20[4]; granted 08/04/2020[6]	–	–	–	–	–	578[7]	0	1,200	–	–	–	–
Total (with salary waiver)	**618[2]**	**2,030**	**2,030**	**2,030**	**1,153[2]**	**1,151**	**573**	**2,473**	**1,865[2]**	**77[2]**	**77[2]**	**77[2]**
Pension cost	–	–	–	–	53	90	90	90	93	13	13	13
Total remuneration (with salary waiver)	**618[2]**	**2,030**	**2,030**	**2,030**	**1,206[2]**	**1,241**	**663**	**2,563**	**1,958[2]**	**90[2]**	**90[2]**	**90[2]**

[1] The previous year's figures for members of the Management Board no longer active in the financial year 2019/20 can be found in the annual report 2018/19.
[2] No salary waiver agreed.
[3] For the financial year ending 30/09/2019, the pro rata STI was guaranteed at the target amount.
[4] The value shown is the fair value at the grant date of the tranche.
[5] End of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2022.
[6] End of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2023.
[7] For details on LTI EPS calibration, see note 50 "Management Board and Supervisory Board".

Benefits received[1]

€ thousand	Dr Bernhard Düttmann Member of the Management Board and Labour Director 01/01/2019–25/03/2019 and Chief Executive Officer and Labour Director since 17/10/2019		Karin Sonnenmoser Chief Financial Officer since 01/03/2019		Jörn Werner Chief Executive Officer and Labour Director 01/03/2019–17/10/2019	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Fixed remuneration (without salary waiver)	618	2,870	321	550	525	75
Fixed remuneration (with salary waiver)	618[2]	2,030	321[2]	541	525[2]	75[2]
Supplemental benefits	0	0	19	32	17	2
Total (with salary waiver)	**618[2]**	**2,030**	**340[2]**	**573**	**542[2]**	**77[2]**
One-year variable remuneration	–	–	308	0	617	–
Multi-year variable remuneration	–	–	–	–	–	–
Other	0	0	0	0	0	0
Total (with salary waiver)	**618[2]**	**2,030**	**648[2]**	**573**	**1,159[2]**	**77[2]**
Pension cost	–	–	53	90	93	13
Total remuneration (with salary waiver)	**618[2]**	**2,030**	**701[1]**	**663**	**1,252[2]**	**90[2]**

[1] The previous year's figures for members of the Management Board no longer active in the financial year 2019/20 can be found in the annual report 2018/19.
[2] No salary waiver agreed.

Voluntary partial waiver of remuneration in financial year 2019/20

Due to the consequences of the COVID-19 pandemic, Dr Bernhard Düttmann and Ms Sonnenmoser voluntarily waived a portion of their respective remuneration in financial year 2019/20.

Post-service benefits in financial year 2019/20 (including pension)

€ thousand	Dr Bernhard Duettmann[1]	Karin Sonnenmoser	Jörn Werner[2]	Total
Expense – post-service benefit plan (as per IFRS)	0	90	13	103
Expense – post-service benefit plan (as per HGB)	0	86	17	103
Provision[3] (as per IFRS)	0	20	0	20
Provision[3] (as per HGB)	0	20	0	20
Present value of obligation volume (as per IFRS)	0	231	158	389
Present value of obligation volume (as per HGB)	0	231	158	389

[1] Member of the Management Board and Labour Director 01/01/2019–25/03/2019 and Chief Executive Officer and Labour Director since 17/10/2019
[2] Chief Executive Officer and Labour Director 01/03/2019–17/10/2019
[3] Provision up to 30/09/2020

TOTAL REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2019/20

Benefits of €3.0 million (2018/19: €3.0 million) were paid for former members of the Management Board of CECONOMY AG and of companies merged into CECONOMY AG and their surviving dependants in financial year 2019/20. The present value of obligations for ongoing pensions and entitlements to pensions in accordance with IFRS is €50.8 million (30/09/2019: €48.0 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €44.8 million (30/09/2019: €39.1 million).

VERTICAL REMUNERATION COMPARISON

In accordance with Sec. 4.2.2 sent. 5 GCGC 2017, the Supervisory Board must, when reviewing the appropriateness of the Management Board remuneration, consider the ratio of Management Board remuneration to the remuneration paid to the senior management and entire staff, including its development over time, whereby the Supervisory Board determines how senior managers and other relevant staff are to be differentiated for the comparison. By resolution dated 30 October 2018, the Supervisory Board defined the senior managers of CECONOMY and the other relevant staff as follows:

- The senior managers are the Leadership Team of MediaMarktSaturn Retail Group and the Vice Presidents of CECONOMY AG.

- The other relevant staff are all employees of MediaMarktSaturn Retail Group in Germany and of CECONOMY AG.

Ratio of average total remuneration of all Management Board members to the ...

Financial year	... total remuneration of the senior managers	... total remuneration of the other relevant staff
2016/17	7	72
2017/18	5	56
2018/19	4	39
2019/20	4	34

TERMINATION BENEFITS IN FINANCIAL YEAR 2019/20

In the reporting period, an agreement was concluded with the former Chief Executive Officer and Labour Director Mr Jörn Werner regarding the early termination of his service agreement. Mr Jörn Werner's service agreement ended early on 31 October 2019. Mr Jörn Werner receives termination benefits in financial year 2019/20 totalling €3.2 million in the form of a one-time payment. These comprise the payment of STI and LTI entitlements already earned totalling €0.7 million and severance of €2.5 million. Dr Dieter Haag Molkenteller receives termination benefits in financial year 2019/20 totalling €0.7 million, as reported in the annual report 2018/19. Dr Dieter Haag Molkenteller remains associated with the Management Board of CECONOMY in an advisory capacity.

Look ahead to financial year 2020/21 – material elements of the remuneration system for the members of the Management Board from financial year 2020/21

In light of the German Corporate Governance Code of 20 March 2020 and the German Act on the Transposition of the Second Shareholder Rights Directive, the system for Management Board remuneration was extensively reviewed and updated in the current financial year. The Presidential Committee developed recommendations for adjustments to the remuneration system, which were presented to the Supervisory Board and adopted by the latter on 16 September, on 7 October 2020 and via further resolutions outside of a meeting of the Supervisory Board on 14 October 2020. The adjusted remuneration system applies from 1 October 2020 to the variable remuneration for all serving Management Board members who receive variable remuneration. In the case of new appointments and reappointments, the full new Management Board remuneration system applies.

The main changes in the new Management Board remuneration system are outlined below. The aim is to present the details of the revised remuneration system to the General Meeting for approval in February 2021.

VARIABLE REMUNERATION

Short-term variable remuneration
The STI no longer comprises both financial and qualitative performance targets, but only financial targets.

The financial targets and their weighting remain as follows:

- EBIT performance target: 55 per cent

- Sales growth performance target: 25 per cent

- NWC performance target: 20 per cent

The individual performance targets continue to be capped at 200 per cent in each case. The STI payment amount is still limited to double the target amount. The individual targets, with which the Supervisory Board was able to reduce/increase the STI by up to 30 per cent at its discretion according to target achievement, have been cancelled without substitution.

Long-term variable remuneration
The long-term performance-based component honours the company's development on the basis of quantitative financial and non-financial performance targets, each defined for a four-year period.

The long-term performance-based component is granted annually and paid out after a performance period of four years (in the remuneration system in place until financial year 2020/21: three years). The calculation considers financial performance targets with a weighting of 80 per cent and non-financial performance targets with a weighting of 20 per cent.

Financial performance targets of the LTI
The financial performance targets of the LTI, each with a weighting of 50 per cent in relation to each other, are:

- Absolute total shareholder return – aTSR

- Relative total shareholder return – rTSR

The key figures of the financial performance targets of the LTI of the remuneration system in place until financial year 2020/21 were rTSR and earnings per share.

aTSR component: the aTSR target achievement factor is calculated as a percentage from the change in the end price of the ordinary share and the sum of the hypothetically reinvested dividends during the performance period in relation to the starting price of the ordinary share.

rTSR component: the target achievement factor of the rTSR component is calculated on the basis of the development of the shareholder return on the company's ordinary share in the performance period relative to the benchmark values for two benchmark indices. The resulting benchmark values are equally weighted in the target achievement factor.

The relevant starting price of the company's ordinary share for the aTSR and rTSR components is calculated by taking the average of the Xetra closing prices over a period of 40 consecutive trading days immediately after the beginning of the financial year for which the LTI concerned is granted. Four years later, the relevant end price is also calculated using the Xetra closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately after the beginning of the financial year.

The target achievement factors for the aTSR performance target and the rTSR performance target are both limited to a maximum of three. The arithmetic mean of the target achievement factors of aTSR and rTSR gives the overall target achievement factor for the financial performance targets of the LTI. This is limited to three.

Non-financial performance targets of the LTI
The Supervisory Board selects each non-financial performance target from the catalogue defined by the Supervisory Board. Up to six specific quantitative targets can be formulated for each LTI, which are each included in the calculation of the LTI at the weighting stipulated by the Supervisory Board.

After the end of the respective performance period, the degree of target achievement (target achievement factor) is calculated for each of the specific non-financial performance targets. For each non-financial performance target, the maximum target achievement factor is three. The overall target achievement factor for the non-financial performance targets of the LTI is limited to three.

The resulting overall target achievement factors of the financial performance targets and the non-financial performance targets are used to calculate the overall target achievement factor of the LTI according to the defined weighting of the performance targets in relation to each other. The overall target achievement factor is limited to three. The target achievement factor calculated for the LTI as a whole is multiplied by the target amount to give the payment amount. The payment amount is limited to a maximum of 200 per cent of the agreed individual target amount (payment cap).

In order to receive payment from the LTI, the Management Board members are required to invest in shares of the company themselves. Under CECONOMY AG's shareholding programme for Management Board members, the members of the Management Board are therefore obliged to purchase shares in the company amounting to a certain target investment and to hold them for the duration of their Management Board service. For the Chairman of the Management Board and for the other members of the Management Board, the target investment is 150 per cent and

100 per cent, respectively, of their gross fixed salary at the end of the set-up stage. The total equivalent value must be spent as the purchase price for the shares acquired by each Management Board member. The Management Board members are obliged to provide evidence of their current shareholding regularly and at the company's request. If the target investment is not sufficiently demonstrated, the Management Board member receives no payments from the LTI.

MAXIMUM REMUNERATION
Instead of the former remuneration cap, maximum remuneration has been defined as an absolute figure, which is different for the Chairman of the Management Board and a regular Management Board member. The maximum remuneration is calculated in such a way as to include all remuneration components.

CHANGE OF CONTROL
The provisions in the event of a change of control and a resulting entitlement to severance have been cancelled without substitution.

PENALTY/CLAWBACK
If a Management Board member violates their statutory obligations in accordance with Sec. 93 AktG during or in the period up to one year after the end of the respective performance period of an STI or an LTI, or if there is cause to revoke the appointment of the Management Board member in accordance with Sec. 84 para. 3 sent. 1 AktG, the entitlements to payment of the variable remuneration components lapse before the corresponding payment (penalty) or can be reclaimed by the company after the corresponding payment (clawback).

POST-CONTRACTUAL PROHIBITION ON COMPETITION
Like the old remuneration system, the new remuneration system does not include a provision for a post-contractual prohibition on competition.

REMUNERATION OF NON-GROUP POSITIONS
In the event of Supervisory Board memberships and similar positions at non-Group companies, the Supervisory Board decides whether and to what extent special remuneration for this is counted towards the Management Board remuneration.

SUBSEQUENT BONUS
The provision regarding a subsequent bonus for extraordinary performance on the part of a Management Board member, which the Supervisory Board was able to decide upon at its discretion, has been cancelled without substitution.

EARLY DEPARTURE FROM THE MANAGEMENT BOARD DUE TO MUTUAL SEPARATION
Because early departure due to mutual separation was not clearly regulated before, STI and LTI entitlements not yet fully fulfilled were included in one-off payments on early departure (reduced pro rata temporis) up to the severance cap. The new template service agreement includes a provision that the STI and the LTI are always paid only on scheduled maturity, i.e. no early payment is made in connection with mutual separation.

Remuneration of Supervisory Board members

In accordance with Article 13 of the articles of association of CECONOMY AG, the members of the Supervisory Board receive fixed annual remuneration payable at the end of each financial year.

The individual amount of Supervisory Board remuneration accounts for the amount of work and the responsibility of the individual Supervisory Board members as a result of their supervisory role. Remuneration for individual members amounts to €80,000. Due to their special roles, the Chairman of the Supervisory Board receives three times, the Vice Chairman and the Committee Chairmen twice and the members of the Supervisory Board's committees one-and-a-half times the remuneration of an ordinary Supervisory Board member, but not the Chairman and the members of the Conciliation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act. The higher remuneration for membership or chairmanship of a committee only applies if at least two meetings or other resolutions took place in the financial year in question.

If a member of the Supervisory Board holds multiple offices at once, he or she receives remuneration for one office only, namely the office with the highest remuneration if the offices are differently remunerated.

The table below illustrates the remuneration multipliers that may be applicable to the fixed annual remuneration for individual Supervisory Board members:

Remuneration multipliers

Chairman of the Supervisory Board	●●●
Vice Chairman of the Supervisory Board	●●
Committee Chairs[1]	●●
Committee members[1]	●◖
Supervisory Board members	●

[1] At least two meetings/resolutions of the committee in the financial year in question.

Supervisory Board members who belonged to the Supervisory Board for only part of the financial year receive one-twelfth of the remuneration for each month commenced. Supervisory Board members who depart and are appointed within a month receive only one-twelfth of the annual remuneration for this month. This applies accordingly to memberships in a committee, the chairmanship or vice chairmanship of the Supervisory Board or chairmanship of a committee.

The table below shows the figures for financial year 2019/20. From April 2020 to 1 July 2020 (duration of short-time work in the MediaMarktSaturn Retail Group), all members of the Supervisory Board voluntarily waived 30 per cent of the Supervisory Board remuneration for financial year 2019/20. The circumstances increasing the remuneration for individual Supervisory Board members and the periods of the memberships in the Supervisory Board or the committees are noted for each individual.

Remuneration of Supervisory Board members for financial year 2019/20 pursuant to Article 13 of the articles of association of CECONOMY AG less the declared voluntary waiver of 30 per cent of the Supervisory Board remuneration for the months of April, May and June 2020 (short-time work in the Group due to the COVID-19 pandemic)[1]

€	Financial year	Fixed remuneration
Jürgen Fitschen		
(01/10/2019–30/09/2020, Chairman of the Supervisory Board, Chairman of the Presidential Committee, Chairman of the Nomination Committee and Chairman of the Mediation Committee)	2018/19	240,000
	2019/20	**222,000**
Sylvia Woelke		
(01/10/2019–30/09/2020 Vice Chairwoman of the Audit Committee, since 12/02/2020 Vice Chairwoman of the Supervisory Board, member of the Presidential Committee and member of the Mediation Committee)	2018/19	120,000
	2019/20	**134,666**
Wolfgang Baur		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Kirsten Joachim Breuer		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Karin Dohm		
(01/10/2019–30/09/2020, Chairwoman of the Audit Committee)	2018/19	160,000
	2019/20	**148,000**
Dr Bernhard Düttmann		
(01/10/2019–16/10/2020, member of the Audit Committee, member of the Nomination Committee and member of the Mediation Committee)	2018/19	100,000
	2019/20	**10,000**
Daniela Eckardt		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Dr Florian Funck		
(01/10/2019–30/09/2020, member of the Audit Committee)	2018/19	120,000
	2019/20	**111,000**

Remuneration of Supervisory Board members for financial year 2019/20 pursuant to Article 13 of the articles of association of CECONOMY AG less the declared voluntary waiver of 30 per cent of the Supervisory Board remuneration for the months of April, May and June 2020 (short-time work in the Group due to the COVID-19 pandemic)[1]

€	Financial year	Fixed remuneration
Ludwig Glosser		
(01/10/2019–30/09/2020, member of the Audit Committee and member of the Mediation Committee)	2018/19	120,000
	2019/20	**111,000**
Julia Goldin		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Jo Harlow		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Rainer Kuschewski		
(01/10/2019–30/09/2020, member of the Audit Committee)	2018/19	120,000
	2019/20	**111,000**
Stefanie Nutzenberger		
(16/09/2019–30/09/2020)	2018/19	6,667
	2019/20	**74,000**
Claudia Plath		
(01/10/2019–30/09/2020, member of the Nomination Committee, since 01/12/2019 member of the Audit Committee and member of the Mediation Committee)	2018/19	100,000
	2019/20	**111,000**
Jens Ploog		
(01/10/2019–30/09/2020, member of the Presidential Committee)	2018/19	120,000
	2019/20	**111,000**
Birgit Popp		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Dr Fredy Raas		
(01/10/2019–30/09/2020)	2018/19	80,000
	2019/20	**74,000**
Jürgen Schulz		
(01/10/2019–30/09/2020 and until 12/02/2020 Vice Chairman, member of the Presidential Committee and member of the Nomination Committee)	2018/19	160,000
	2019/20	**107,333**
Regine Stachelhaus		
(01/10/2019–30/09/2020, member of the Presidential Committee and member of the Nomination Committee)	2018/19	120,000
	2019/20	**111,000**
Christoph Vilanek		
(01/10/2019–30/09/2020)	2018/19	33,333
	2019/20	**74,000**
Total[2]	2018/19	2,080,000
	2019/20	**1,953,999**

[1] Plus any VAT pursuant to Article 13 para. 5 of the articles of association
[2] The 2018/19 values are shown for members of the Supervisory Board active in financial year 2019/20.

In accordance with the provisions of the Articles of Association, the company also reimburses the members of the Supervisory Board for expenses incurred due to the performance of their duties. The members of the Supervisory Board are also reimbursed for any VAT incurred on the remuneration and reimbursement of expenses.

In financial year 2019/20, the members of the Supervisory Board were not granted any benefits from other companies of the CECONOMY Group.

DISCLOSURES PURSUANT TO SEC. 315A PARA. 1 AND SEC. 289A PARA. 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT BY THE MANAGEMENT BOARD

Composition of subscribed capital (Sec. 315a para. 1 no. 1 and Sec. 289a para. 1 no. 1 of the German Commercial Code (HGB))

CECONOMY AG's share capital as of 30 September 2020 was €918,845,410.90 and is divided into 356,743,118 no-par value ordinary bearer shares (pro rata value of share capital: around €911,999,299, approx. 99.25 per cent) and 2,677,966 bearer preference shares (pro rata value of share capital: around €6,846,111, approx. 0.75 per cent). The pro rata value per share of the share capital is around €2.56.

Each ordinary share carries one vote. Ordinary shares also entitle the holder to receive dividends. Unlike ordinary shares, preference shares do not generally grant voting rights and provide a preferential right to profits in accordance with Sec. 21 of CECONOMY AG's articles of association. These state that:

"(1) Holders of preference shares without voting rights receive an advance dividend from annual balance sheet profit to be paid subsequently of €0.17 per preference share.

(2) If the distributable balance sheet profit in a financial year is not sufficient to pay the advance dividend, the arrears are payable without interest from the balance sheet profit for the following financial years in such a way that the older arrears are settled before the more recent ones and the preferred dividends payable for the financial year from this same year's profits are not paid until after all arrears have been repaid.

(3) After advance dividends have been distributed, holders of ordinary shares receive a dividend of €0.17 per ordinary share. An additional dividend of €0.06 per preference share, which may not be paid retroactively, is then paid to the holders of preference shares without voting rights. The additional dividend amounts to 10 per cent of dividends paid to holders of ordinary shares, taking into account para. 4, if this reaches or exceeds €1.02 per ordinary share.

(4) Holders of preference shares without voting rights and holders of ordinary shares participate in a further profit distribution equally in accordance with their share in share capital."

In particular, other rights associated with ordinary and preference shares are the right to attend the General Meeting (Sec. 118 para. 1 of the German Stock Corporation Act (AktG)), the right to request information (Sec. 131 AktG) and the right of rescission and annulment (Sec. 245 no. 1–3, 246, 249 AktG). In addition to the right to receive a dividend, shareholders also have pre-emption rights in the event of capital increases (Sec. 186 para. 1 AktG). They are also entitled to the liquidation proceeds following the liquidation of the company (Sec. 271 AktG) and to severance payment and compensation for certain structural measures, in particular in accordance with Sec. 304 et seqq., 320 b, 327 b AktG.

Restrictions that affect voting rights or the transfer of shares (Sec. 315a para. 1 no. 2 and Sec. 289a para. 1 no. 2 HGB)

To the Management Board's knowledge, the following agreements that may be considered restrictions within the meaning of Sec. 315a para. 1 no. 2 and Sec. 289a para. 1 no. 2 HGB are/were in place for the 2019/20 financial year:

There is a pooling agreement between Beisheim Capital GmbH, Dusseldorf, and Beisheim Holding GmbH, Baar (Switzerland), which includes the shares in CECONOMY AG held by Beisheim Capital GmbH and Beisheim Holding GmbH.

In preparation for the spin-off of CECONOMY AG (still operating as METRO AG at the time), each of the three principal shareholders of CECONOMY AG at the time – the Haniel shareholder group, the Schmidt-Ruthenbeck shareholder group (now Meridian Stiftung) and the Beisheim shareholder group – assumed a temporary lock-up obligation at standard market terms with CECONOMY AG regarding its CECONOMY shares. This obligation expired in the 2017/18 financial year. In addition, the three principal shareholders each agreed to further restrictions of sale.

There may also be statutory restrictions on voting rights, for example in accordance with Sec. 136 AktG or, where the company holds treasury shares, in accordance with Sec. 71 b AktG.

Shares in capital exceeding ten per cent of the voting rights (Sec. 315a para. 1 no. 3 and Sec. 289a para. 1 no. 3 HGB)

There are the following direct and indirect (pursuant to Sec. 34 of the German Securities Trading Act (WpHG)) shares in the capital that exceed ten per cent of the voting rights:

Name/company	Direct/indirect share of more than ten per cent of the voting rights
Haniel Finance Deutschland GmbH, Duisburg, Germany	Direct
Franz Haniel & Cie. GmbH, Duisburg, Germany	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany	Direct
BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen, Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Meridian Stiftung, Essen, Germany	Indirect

The information above is based primarily on notifications in accordance with Sec. 33 WpHG received and published by CECONOMY AG.

↗ Notifications of voting rights published by CECONOMY AG can be accessed online at www.ceconomy.de/en/ under Investor Relations – Legal Announcements.

Holders of shares with special rights and the form of controlling voting rights when employees hold an interest in capital (Sec. 315a para. 1 no. 4 and 5 and Sec. 289a para. 1 no. 4 and 5 HGB)

The company has not issued any shares with special rights in accordance with Sec. 315a para. 1 no. 4 and Sec. 289a para. 1 no. 4 HGB. Employees do not hold any interests in capital within the meaning of Sec. 315a para. 1 no. 5 and Sec. 289a para. 1 no. 5 HGB.

Provisions regarding the appointment and dismissal of members of the Management Board and changes to the articles of association (Sec. 315a para. 1 no. 6 and Sec. 289a para. 1 no. 6 HGB)

The appointment and dismissal of members of the Management Board of CECONOMY AG are determined by Sec. 84, 85 AktG and Sec. 30, 31, 33 of the German Co-determination Act (MitbestG). Sec. 5 of the articles of association of CECONOMY AG also stipulates that the Management Board must have at least two members and that the Supervisory Board determines how many members of the Management Board there are.

Changes to the articles of association of CECONOMY AG are governed by Sec. 179, 181, 133 AktG. In addition, there are also numerous other provisions in the Stock Corporation Act that may be applied in the event of a change to the articles of association and that modify or supersede the regulations described, for example Sec. 182 et seqq. AktG in the event of capital increases, Sec. 222 et seqq. AktG for capital reductions or Sec. 262 AktG if the AG is liquidated. In accordance with Sec. 14 of the articles of association of CECONOMY AG, changes that affect only the wording of the articles of association may be approved by the Supervisory Board without a resolution being passed by the General Meeting.

Authority of the Management Board to issue or buy back shares (Sec. 315a para. 1 no. 7 and Sec. 289a para. 1 no. 7 HGB)

AUTHORITY TO ISSUE NEW SHARES

The General Meeting held on 13 February 2019 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 12 February 2024 up to a maximum of €321,600,000 by issuing new no-par value ordinary bearer shares against cash or non-cash contributions (Authorised Capital).

Shareholders have pre-emption rights. The new ordinary shares can also be acquired by one or more than one bank(s) determined by the Management Board in accordance with Sec. 186 para. 5 sentence 1 AktG or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG), who are obliged to offer them to the shareholders for subscription (indirect pre-emption right). However, the Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

(1) to eliminate fractional amounts;

(2) provided the ordinary shares are issued against non-cash contributions for the purpose of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises or interests in companies, and the total pro rata amount attributable to the new ordinary shares issued under disapplication of pre-emption rights does not exceed ten per cent of the share capital at the time this authorisation takes effect;

(3) to grant a scrip dividend, where shareholders are given the opportunity to reinvest their dividend claim (in full or in part) in the company as a non-cash contribution in exchange for the granting of new ordinary shares from Authorised Capital;

(4) in the event of capital increases against cash contributions, to the extent required to grant pre-emption rights for new ordinary shares to holders of warrant or convertible bonds issued by the company or by Group companies in which the company holds at least a 90 per cent direct or indirect interest, to the extent that these holders would be entitled as shareholders after exercising their warrant or conversion right or fulfilling the warrant or conversion obligation or exercising the company's right to substitute;

(5) in the event of capital increases against cash contributions, where the total pro rata amount of the share capital of this capital increase attributable to the new ordinary shares issued under disapplication of pre-emption rights in accordance with Sec. 186 para. 3 sentence 4 AktG does not exceed ten per cent of the share capital, neither at the time this becomes effective nor – if this value is lower – at the time of exercising this authorisation, and the issue price of the new ordinary shares is not significantly lower than the quoted market price of the company's ordinary shares that are already listed with the same terms within the meaning of Sec. 203 para. 1 and para. 2, 186 para. 3 sentence 4 AktG. The upper limit of ten per cent of share capital is reduced by the pro rata amount of share capital attributable to the company's ordinary shares that, during the term of the Authorised Capital, (i) are issued or sold as treasury shares under disapplication of shareholder pre-emption rights under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or (ii) that are issued from contingent capital to service warrant or convertible bonds issued or to be issued without pre-emption rights under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

Following this authorisation, total ordinary shares issued under disapplication of shareholders' pre-emption right in accordance with section 2 or 5 against cash or non-cash contributions may not make up more than ten per cent of the share capital at the time the authorisation takes effect. This upper limit must include ordinary shares that are reissued under disapplication of pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that are issued to service warrant or convertible bonds issued during the term of the authorisation under disapplication of pre-emption rights in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increases. Authorised Capital has not yet been utilised. There are no specific plans at present to exercise the authorisation.

AUTHORITY TO ISSUE WARRANT AND/OR CONVERTIBLE BONDS

The General Meeting held on 13 February 2019 authorised the Management Board, with the approval of the Supervisory Board, to issue bearer warrant or convertible bonds (jointly "bonds") on one or more occasions until 12 February 2024 in a total nominal amount of up to €1,000,000,000 with or without a maturity date and to grant or impose warrant rights or obligations on the holders of warrant bonds and conversion rights or obligations the holders of convertible bonds for the ordinary bearer shares of CECONOMY AG with a pro rata amount of the share capital totalling up to €127,825,000 in accordance with the provisions of the conditions for the respective warrant or convertible bond (hereinafter referred to as "conditions"). This authorisation provides contingent capital of up to €127,825,000 (Contingent Capital).

As well as in euro, the bonds can also be issued in the legal currency of an OECD country, provided this does not exceed the equivalent amount in euro. The bonds can also be issued by a CECONOMY AG Group company within the meaning of Sec. 18 AktG in which CECONOMY AG holds at least a 90 per cent direct or indirect interest. In this case, the Management Board is authorised, with the approval of the Supervisory Board to assume the guarantee for these bonds for the CECONOMY AG Group company and to grant or impose warrant or conversion rights or obligations for ordinary bearer shares in CECONOMY AG to the holders of the bonds.

The bonds are divided into partial bonds. If warrant bonds are issued, one or more than one warrant is attached to each bond which entitle or oblige the holder to subscribe to ordinary bearer shares of CECONOMY AG in accordance with the warrant conditions set out by the Management Board. The warrant conditions can specify that the warrant price may also be paid by transfer of bonds and, where applicable, an additional cash payment. Where this results in fractional shares, provisions may be established under which these fractional shares can be added up in accordance with the warrant or bond conditions, where applicable against an additional payment, in order to acquire full shares.

If convertible bonds are issued, the holder (in the case of bearer bonds) and in other cases the creditors of the bonds are granted the right to convert their bonds into ordinary bearer shares of CECONOMY AG in accordance with the convertible bond terms determined by the Management Board. The conversion ratio is determined by dividing the nominal amount or the issuing price of a bond that is lower than the nominal amount by the fixed conversion price for an ordinary bearer share of CECONOMY AG and can be rounded up or down to a whole number. In addition, an additional payment payable in cash and the consolidation or compensation for fractional shares that cannot be converted can also be determined. The conditions may include a variable conversion ratio and a set conversion price (subject to the minimum price determined below) with a specified range depending on how the price of the CECONOMY AG ordinary share performs during the term of the bond.

The conditions may establish the right of CECONOMY AG not to grant new ordinary shares in the event of conversion or if the warrant is exercised but instead to pay an amount which, for the number of shares otherwise to be provided, is equivalent to the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange (i.e. Xetra trading or a functional comparable successor system that replaces the Xetra system) during a period to be specified in the conditions. The conditions may also state that the bond with the warrant or conversion rights may, at the discretion of CECONOMY AG, be converted into existing shares of CECONOMY AG or another listed company as opposed to into new shares from contingent capital, or that the warrant or conversion right or obligation can be fulfilled by supplying such shares.

The conditions may also grant CECONOMY AG the right to grant the holders or creditors, in part or in full, ordinary shares in CECONOMY AG or another listed company when the bond with warrant or conversion rights or obligations matures instead of paying the cash amount due (maturity here also includes maturity as a result of termination).

The conditions may also include a warrant or conversion obligation at the end of the term (or at an earlier date or when a specific event occurs). The conditions may also entitle CECONOMY AG to settle in cash, in full or in part, any difference between the nominal amount and the issue amount of the bonds and the product of the conversion price and conversion ratio, where this is lower.

Shareholders are to be granted pre-emption rights to the bonds. The bonds can also be acquired by one or more than one bank(s) or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG), who are obliged to offer them to the shareholders for subscription indirectly within the meaning of Sec. 186 para. 5 AktG (indirect pre-emption right). If bonds are issued by a CECONOMY AG Group company within the meaning of Sec. 18 AktG in which CECONOMY AG holds at least a 90 per cent direct or indirect interest, CECONOMY AG must ensure that the statutory pre-emption right for shareholders of CECONOMY AG is granted in accordance with the provisions of the previous sentence.

However, the Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights to bonds,

(a) to exclude fractional amounts resulting from the subscription ratio;

(b) to the extent required to grant pre-emption rights to holders of warrant or conversion rights or obligations that have already been issued to the extent that these holders would be entitled as shareholders after exercising their warrant or conversion right or fulfilling the warrant or conversion obligation;

(c) provided the bonds are issued with warrant or conversion rights or obligations against cash payment and the issue price of the bonds is not significantly lower than the figure calculated using recognised actuarial methods within the meaning of Sec. 221 para. 4 sentence 2, 186 para. 3 sentence 4 AktG. However, this authorisation to disapply pre-emption rights applies only for bonds with warrant or conversion rights or obligations relating to shares representing a pro rata amount of the share capital not exceeding ten per cent of the share capital in total, neither at the time this authorisation becomes effective nor – if this value is lower – at the time of exercising this authorisation. Against this upper limit of ten per cent of share capital is to be offset the pro rata amount of the share capital attributable to shares that have been issued under disapplication of pre-emption rights from the time this authorisation was granted until it was utilised in accordance with Sec. 186 para. 3 sentence 4 AktG for bonds with conversion and/or warrant rights or obligations, either on the basis of the Management Board's authorisation to disapply pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that have been disposed of as purchased treasury shares in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

Following this authorisation, the shares issued or to be issued to service warrant or convertible bonds issued under disapplication of shareholders' pre-emption rights may not make up more than ten per cent of the share capital at the time the authorisation takes effect. This upper limit must include shares that are reissued under disapplication of pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that are issued from Authorised Capital under disapplication of pre-emption rights against non-cash contributions for the purpose of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises or interests in companies.

The following applies if bonds are issued that grant a warrant or conversion right or establish a warrant or conversion obligation. This does not affect Sec. 9 para. 1 and 199 para. 2 AktG and these must be observed: the warrant or conversion price to be determined for an ordinary share of CECONOMY AG must – with the exception of cases in which a warrant or conversion obligation or the right to substitute is provided – amount to at least 80 per cent of the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange in the last ten trading days before the day on which the Management Board passes its resolution on issuing the bond, or – where pre-emption rights are granted – at least 80 per cent of the volume-weighted average stock market price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange during the period in which the pre-emption rights can be exercised, with the exception of the days of this period required to give timely notice of the warrant or conversion price in accordance with Sec. 186 para. 2 sentence 2 AktG.

In the event that the conditions set out a conversion or warrant obligation at the end of the term (or at another time) or grant CECONOMY AG the right of substitution, the warrant or conversion price must, in accordance with the conditions, be no lower than the stated minimum price or must be equal to the volume-weighted average closing price of the CECONOMY AG's ordinary share in electronic trading on the Frankfurt Stock Exchange during the ten trading days before or after the final maturity date or the other determined date, even if this average price is lower than the minimum price stated above. The pro rata amount of share capital for the ordinary shares of CECONOMY AG to be issued in the event of conversion or if the warrant is exercised must not exceed the nominal amount of the bonds.

Notwithstanding Sec. 9 para. 1 AktG, the warrant or conversion price can be reduced on the basis of an anti-dilution provision in accordance with the conditions if, during the warrant or conversion period, CECONOMY AG (i) increases share capital by way of a capital increase from retained earnings or (ii) increases share capital or sells treasury shares while granting exclusive pre-emption rights to its shareholders or (iii) issues, grants or guarantees additional bonds with warrant or conversion rights or obligations by granting exclusive pre-emption rights to its shareholders and in the cases described under (ii) and (iii) the holders of existing warrant or conversion rights or obligations are not granted any pre-emption rights for these to which they would be entitled after exercising the warrant or conversion right or fulfilling the warrant or conversion obligation. The warrant or conversion price can also be reduced by means of a cash payment when the warrant or conversion right is exercised or a warrant or conversion obligation is fulfilled. The conditions can also stipulate changes to the warrant or conversion rights or obligations in the event of a capital reduction or other measures or events that entail economic dilution of the value of the warrant or conversion rights or obligations (such as dividends paid, control assumed by third parties).

The Management Board is authorised, with the approval of the Supervisory Board, to determine further details regarding the issue and terms of the bonds, in particular interest rates, issue price, term and denomination, anti-dilution provisions and the warrant or conversion period, or to stipulate these in consultation with the corporate bodies of the CECONOMY AG Group company issuing the bonds within the meaning of Sec. 18 AktG.

The authorisation to issue warrant and/or convertible bonds has not yet been exercised and there are no specific plans at present to exercise this authorisation.

AUTHORITY TO ACQUIRE TREASURY SHARES

The company is permitted to purchase treasury shares in accordance with Sec. 71 AktG. A resolution adopted by the General Meeting held on 13 February 2019 authorised the company to purchase treasury shares of any share class until 12 February 2024 on the basis of Sec. 71 para. 1 no. 8 AktG. The authorisation is restricted to the purchase of shares representing a pro rata share of no more than ten per cent of the share capital at the time this authorisation becomes effective or – if this value is lower – of the share capital at the time such authorisation is exercised. The shares purchased on the basis of this authorisation, together with any treasury shares purchased for other reasons and held by the company or attributable to the company under Sec. 71 a et seqq. AktG, must at no time exceed ten per cent of the company's respective share capital.

At the discretion of the Management Board, the shares are purchased in each individual case on the stock exchange or by way of a purchase offer addressed to all shareholders. The authorisation sets out provisions regarding the purchase price and the procedure in the event that a purchase offer addressed to all shareholders is oversubscribed.

The company is authorised to use treasury shares that have been or are to be acquired on the basis of the authorisation described above or an authorisation granted at an earlier date for all legally permitted purposes, in particular the following:

aa) To dispose of company shares (i) on the stock exchange or (ii) by offering them to shareholders;

bb) To float company shares on foreign stock exchanges on which they were not previously listed, where the authorisation contains provisions regarding the initial price;

cc) To transfer company shares to third parties against non-cash contributions as part of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises, interests in companies or other assets;

dd) To sell company shares through channels other than the stock exchange or by offering them to all shareholders, provided they are sold against cash payment and at a price that is not significantly lower than the quoted market price of company shares with the same terms that are already listed at the time of the disposal. The authorisation is restricted to the sale of shares representing a total pro rata share of no more than ten per cent of the share capital at the time this authorisation becomes effective or – if this value is lower – at the time this authorisation is exercised. This upper limit of ten per cent of share capital includes the pro rata amount of share capital (i) relating to company shares that are issued or sold during the term of this authorisation under disapplication of pre-emption rights under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, and (ii) relating to company shares issued or to be issued during the term of this authorisation to service warrant or convertible bonds that were issued during the term of this authorisation without pre-emption rights under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

ee) To transfer shares to the holders of warrant or convertible bonds of the company or its Group companies within the meaning of Sec. 18 AktG in accordance with the conditions of the warrant or convertible bonds; this also applies to transferring shares on the basis of exercising pre-emption rights which may be granted to the holders of warrant or convertible bonds of the company or its Group companies within the meaning of Sec. 18 AktG if treasury shares are sold by way of an offer to all shareholders or in the event of a capital increase with pre-emption rights, to the extent that the holders of warrant or convertible bonds would have pre-emption rights to the company's shares after exercising the warrant or conversion right or fulfilling the warrant or conversion obligation. Total shares transferred on the basis of this authorisation must not account for more than a ten per cent pro rata share of the share capital at the time this authorisation becomes effective or – if this value is lower – at the time of exercising this authorisation, provided the shares are used to fulfil warrant or conversion rights or obligations granted or imposed under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG. This upper limit of ten per cent of share capital includes the pro rata amount of share capital relating to company shares that are issued or sold as treasury shares during the term of this authorisation under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

ff) To implement a scrip dividend, under which company shares are used to meet shareholders' dividend claims (including in part and optionally);

gg) To withdraw company shares without the need for an additional resolution of the General Meeting. They can also be withdrawn without reducing capital by increasing the pro rata amount of the company's share capital represented by the remaining no-par-value shares. In this case, the Management Board is authorised to amend the number of no-par-value shares in the articles of association.

All of the above authorisations relating to the acquisition and use of treasury shares acquired on the basis of the above or a previous authorisation may be exercised in part or in full, on one or on more than one occasion, individually or jointly by the company or by its Group companies within the meaning of Sec. 18 AktG or by third parties acting for the account of the company or the third parties. All of the above authorisations may be exercised to acquire and use both ordinary shares and preference shares or to acquire and use only ordinary shares or only preference shares. The use of treasury shares in accordance with the authorisations stated in (bb), (cc), (dd), (ee), (ff) and (gg) above must be approved by the Supervisory Board. Shareholder pre-emption rights are disapplied for the use of treasury shares in accordance with the authorisations in (aa) (i), (bb), (cc), (dd) and (ee). If treasury shares are used in accordance with the authorisation in (aa) (ii) by way of an offer to all shareholders in accordance with the principles of equal treatment (Sec. 53a AktG), the Management Board is authorised to disapply shareholders' pre-emption right for fractional amounts. The Management Board is also authorised to disapply the pre-emption right if treasury shares are used in accordance with the authorisation in (ff).

The General Meeting held on 13 February 2019 also authorised the Management Board to purchase shares under the resolved authorisation using put options, call options, future purchase agreements relating to company shares where there are more than two trading days between entering into the respective purchase contract and the transfer of the purchased shares ("forward purchases") or combinations of these instruments (put options, call options, future purchase agreements and combinations of these instruments are hereinafter jointly referred to as "derivatives"). All shares acquired using derivatives are restricted to shares representing no more than five per cent of the share capital at the time this authorisation becomes effective or – if this value is lower – at the time of exercising this authorisation. Each individual derivative must have a term of no longer than 18 months, must end no later than the close of day on 12 February 2024 and must be selected in a way that ensures the shares cannot be purchased using the derivatives after 12 February 2024. The derivatives may be concluded only with one or more than one independent bank(s) or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG). They must be structured so as to ensure that the derivatives are supplied only with shares that were previously acquired in accordance with the principles of equal treatment (Sec. 53a AktG); acquiring the shares on the stock market is sufficient.

The option premium received by the company for call options and put options must not be significantly lower than the theoretical market value of the respective options calculated using recognised actuarial methods. The purchase price to be paid per share when exercising put or call options or when the forward purchase matures must not be more than ten per cent higher or lower than the arithmetic mean of the closing auction price for shares in the corresponding share class in Xetra trading (or a functional comparable successor system that replaces the Xetra system) on the Frankfurt Stock Exchange during the last three trading days before concluding the derivative transaction in question (in each case excluding ancillary acquisition costs but including the option premium received or paid).

If treasury shares are acquired using derivatives in accordance with the provisions above, any shareholder rights to conclude such derivatives with the company are excluded, as is the shareholders' put option.

The provisions stated above for the use of treasury shares also apply for the use of the company's treasury shares acquired using derivatives.

The authorisation granted by the resolution at the General Meeting on 13 February 2019 to purchase treasury shares in accordance with Sec. 71 para. 1 no. 8 AktG, including using derivatives, has not yet been exercised and there are no specific plans to exercise this authorisation.

Material agreements conditional upon a change of control following a takeover bid (Sec. 315a para. 1 no. 8 and Sec. 289a para. 1 no. 8 HGB)

CECONOMY AG is the borrower in a syndicated loan agreement, which may be terminated by the lender in the event of a change of control. A change of control first requires that the shareholders who controlled CECONOMY AG at the time the contract was concluded lose this control. Secondly, one or more parties must obtain control over CECONOMY AG. In this case, each bank may revoke their loan commitment and require that loans established under the agreement are repaid. These provisions in the event of a change of control are standard for the market and serve to protect creditors. The credit facilities had not been utilised as of 30 September 2020.

Compensation agreements with members of the Management Board or employees in the event of a takeover bid (Sec. 315a para. 1 no. 9 and Sec. 289a para. 1 no. 9 HGB)

Following the appointment of Karin Sonnenmoser to the Management Board of CECONOMY AG in the 2018/19 financial year, a compensation agreement for the event of a takeover bid was included in her employment contract. This agreement grants the member of the Management Board stated and CECONOMY AG an exceptional right of termination within six months of a change of control within the meaning of Sec. 29 of the German Securities Acquisition and Takeover Act (WpÜG). The member of the Management Board is entitled to this exceptional right of termination only if the change of control will have a significant adverse effect on the member's position as a member of the Management Board. If the employment contract of the member of the Management Board in question ends because the exceptional right of termination has been exercised or the employment contract has been terminated by mutual agreement within six months of and in connection with the change of control, the member of the Management Board is entitled to a severance payment equivalent to his or her claim to remuneration for the remaining term of the employment contract. Annual remuneration for the purposes of this severance payment is derived from the total of his/her annual fixed salary (increased, as the case may be), the target short-term incentive (increased, as the case may be) and the target amount of the long-term incentive (increased, as the case may be), excluding remuneration in kind and supplemental benefits, and must not exceed 300 per cent of annual remuneration.

In the event of a change of control in accordance with Sec. 29 WpÜG at CECONOMY AG before 1 January 2021, the majority of employees are conditionally entitled to a higher severance payment. An additional severance payment of two annual fixed salaries plus a simple bonus base amount is payable if CECONOMY AG terminates its employment relationship with an employee within one year following the change of control (excluding termination for good cause) or if it modifies the employee's roles or responsibilities by at least 50 per cent within two years following the change of control (unless this is requested by the employee) and the employee has not been offered further employment with a different Group company or has not received a contractual guarantee of employment for or by another CECONOMY company.

SUPPLEMENTARY NOTES FOR CECONOMY AG (PURSUANT TO THE GERMAN COMMERCIAL CODE)

Overview of financial year 2019/20 and forecast of CECONOMY AG

As CECONOMY’s management holding company, CECONOMY AG depends significantly on the Group’s development with regard to business development, its situation and the anticipated development of its material opportunities and risks.

Given the holding structure, the most important key performance indicator for CECONOMY AG within the meaning of German Accounting Standard DRS 20 is – unlike when considering the Group as a whole – the net income under commercial law before dividends from subsidiaries and before expenses and income from profit and loss transfer agreements.

For financial year 2019/20, CECONOMY AG expected net income before dividends from subsidiaries to be considerably above the previous year’s level, which means earnings above €–78 million (previous year’s figure excluding income from investments and excluding income and expenses from profit and loss transfer agreements). Net income in 2019/20 before dividends from subsidiaries and before income and expenses from profit and loss transfer agreements came to €–43 million. The forecast was therefore achieved.

CECONOMY AG’s business development

CECONOMY AG’s business development is shaped primarily by the performance and dividend policies of its investments. CECONOMY AG’s financial statements in accordance with the requirements of commercial law serve as a basis for calculating dividends. The income statement and balance sheet for CECONOMY AG in accordance with the German Commercial Code (HGB) are shown below.

Income statement for the financial year from 1 October 2019 to 30 September 2020 pursuant to HGB

€ million	2018/19	2019/20
Sales	3	5
Investment result	84	5
Net financial result	−18	−12
Other operating income	7	3
Personnel expenses	−48	−19
Depreciation, amortisation and impairment losses on intangible and tangible assets	0	−1
Other operating expenses	−22	−18
Income taxes	0	0
Earnings after taxes	**6**	**−37**
Other taxes	0	−1
Net loss for the year (previous year: net profit for the year)	**6**	**−38**
Loss carry-forward from the previous year	−59	−53
Balance sheet loss	**−53**	**−91**

Revenue in the amount of €3 million (2018/19: €3 million) relates to CECONOMY AG's service charges to affiliated companies and €2 million relates to income from guarantee fees (2018/19: €0 million), which are primarily attributable to Media-Saturn-Holding GmbH.

CECONOMY AG recognised an investment result of €5 million in financial year 2019/20 (2018/19: €84 million).

The income from investments relates to income from the distribution from CECONOMY Retail GmbH's capital reserve of €653 million (2018/19: €0 million), profit shares from the limited partnership investment in METRO PROPERTIES GmbH & Co. KG of €4 million (2018/19: €11 million) and dividend payments from the investment in METRO AG of €3 million (2018/19: €3 million).

The income from investments with profit transfer agreements relate exclusively to CECONOMY Invest GmbH (2018/19: €0 million).

The expenses from loss absorption are mainly attributable to CECONOMY Retail GmbH at €447 million (2018/19: income from profit transfer of €79 million), to CECONOMY Retail International GmbH at €206 million (2018/19: €0 million) and to CECONOMY Digital GmbH at €2 million (2018/19: €9 million). Losses of CECONOMY Retail GmbH and CECONOMY Retail International GmbH result from impairment of shares in affiliated companies or investments held by these companies where this impairment is expected to be permanent.

A tax group for income and value-added tax purposes is formed with certain subsidiaries.

CECONOMY AG's net financial result primarily comprises interest expenses in connection with the syndicated loan agreement concluded in 2019/20, interest accrued on provisions for post–employment benefit plans and similar obligations and promissory note loans, interest income from loans to subsidiaries and interest expenses passed on to Media–Saturn–Holding GmbH in connection with the syndicated loan agreement.

The other operating income mainly relates to cost transfers for costs incurred by third parties of €2 million (2018/19: €1 million). €1 million of this relates to Media-Saturn-Holding GmbH (2018/19: €0 million) and €1 million to METRO AG (2018/19: €1 million).

Personnel expenses totalled €19 million (2018/19: €48 million) in the past financial year 2019/20.

Expenses for wages and salaries amount to €15 million (2018/19: €44 million). The €29 million decrease in expenses for wages and salaries primarily comprises severance payments in financial year 2018/19 of €26 million due to top management changes at CECONOMY AG.

Average headcount at CECONOMY AG in financial year 2019/20 was 74 (2018/19: 82). This includes 10 senior (2018/19: 11) and 64 non-senior employees (2018/19: 71).

In the past financial year 2019/20, CECONOMY AG's other operating expenses primarily include consulting expenses of €6 million (2018/19: €10 million) and other expenses in connection with the holding function.

No dividend payment is planned for financial year 2019/20. The net loss of €91 million is carried forward to new account as a loss carry-forward.

Financial position of CECONOMY AG

CASH FLOWS

The item cash on hand, bank deposits and cheques totalled €132 million as of the closing date (30/09/2019: €214 million) and comprises short-term deposits and financial investments at banks.

The decline compared with 30 September 2019 was due to ongoing operating expenses as well as a special allocation to CECONOMY Unterstützungskasse e.V. in the mid-double-digit million euro amount.

CAPITAL STRUCTURE

Equity and liabilities

€ million	30/09/2019	30/09/2020
Equity		
Share capital	919	919
Ordinary shares	912	912
Preference shares	7	7
(Contingent capital)	(128)	(128)
Capital reserve	321	321
Balance sheet loss	–53	–91
	1,187	**1,149**
Provisions	**134**	**124**
Liabilities	**760**	**1,004**
Deferred Income	**1**	**2**
	2,082	**2,279**

On the equity and liabilities side of the balance sheet, equity accounted for €1,149 million (30/09/2019: €1,187 million) and provisions, liabilities and deferred income for €1,130 million (30/09/2019: €895 million). The equity ratio was 50.4 per cent as of the closing date in comparison to 57.0 per cent in the prior year. This change in equity reflects the higher balance sheet loss in the 2019/20 financial year.

Provisions for post-employment benefit plans and similar obligations have been recognised for direct pension commitments in the amount of €81 million (30/09/2019: €82 million) and for shortfalls in underfunded pension funds in the amount of €35 million (30/09/2019: €41 million).

Assets from pension insurance of €33 million (30/09/2019: €33 million) were set off within the "provisions for post-employment benefit plans and similar obligations" item. Assets from pension insurance are pledged and secured against insolvency. The cost is primarily commensurate with the fair values of the pension reinsurance and the settlement amount of the obligations. No material offset expenses or income arose in this context.

Other provisions include obligations to employees and to members of the Management Board of €3 million (30/09/2019: €6 million), €1 million (30/09/2019: €3 million) of which relates to bonus provisions, €1 million (30/09/2019: €2 million) to severance payment provisions and €1 million (30/09/2019: €1 million) to obligations for share-based payments.

CECONOMY AG possesses liquidity reserves that, as well as the held liquidity, comprise a syndicated credit facility totalling €2,680 million. This facility was adjusted in the financial year 2019/20 due to the COVID-19 pandemic. The new credit facility has three tranches, with tranche A comprising €625 million (term to 30 January 2024) and tranche C €355 million (term to 30 June 2022). Tranches A and C correspond to the syndicated credit facilities of €550 million disclosed in the previous year, and the multi-year, confirmed bilateral credit facilities totalling €430 million. These tranches have been integrated into the new credit facilities. The revised syndicated credit facility also includes an additional tranche B of €1,700 million (term to 30 December 2021), €1,360 million of which is provided by Kreditanstalt für Wiederaufbau and €340 million by a consortium of CECONOMY AG's partner banks. CECONOMY AG can choose to renew this tranche by one year if approved by Kreditanstalt für Wiederaufbau. If the renewal option is exercised, the term of tranche C for €355 million is also extended by one year. These extensive, multi-year credit facilities had not been utilised as of 30 September 2020.

Liabilities to banks include promissory note loans of €250 million with a remaining term of one to six years.

Trade payables include cost and investment accounts.

In financial year 2019/20, €655 million of the liabilities to affiliated companies resulted from liabilities from loss absorption on the basis of existing profit and loss transfer agreements, of which CECONOMY Retail GmbH accounted for €447 million, CECONOMY Retail International GmbH for €206 million and CECONOMY Digital GmbH for €2 million. In addition, liabilities to affiliated companies include €96 million in liabilities from short-term financial investments of Group companies at CECONOMY AG.

The other liabilities of €2 million include liabilities from payroll and church taxes of €1 million and interest liabilities on promissory note loans of €1 million.

Deferred income includes deferred income of €2 million from the assumption of guarantees for Media-Saturn Deutschland GmbH for potential future bad debt losses from the sale of receivables from mobile phone contracts.

The contingent liabilities as of 30 September 2020 primarily comprise €2,680 million plus any bank fees for the assumption of a guarantee to banks for all liabilities of Media-Saturn-Holding GmbH under the syndicated loan agreement concluded in 2019/20, including the repayment of credit amounts drawn by Media-Saturn-Holding GmbH. The risk of utilisation is considered unlikely as MediaMarktSaturn Retail Group already launched large-scale measures to secure liquidity and earnings at the start of the COVID-19 pandemic. In addition, contingent liabilities as of 30 September 2020 comprise €620 million for the assumption of guarantees by CECONOMY AG to hedge operating liabilities of Media-Saturn companies. Based on available liquidity at Media-Saturn companies and liquidity planning, the risk of utilisation is classified as unlikely. There are also contingent liabilities of €21 million for the assumption of a guarantee by CECONOMY AG to a financial institution hedge against potential future bad debt losses from the sale of the receivables from mobile phone contracts of Media-Saturn Deutschland GmbH to a financial institution and CHF 105 million or €97 million for a guarantee by CECONOMY AG to a bank to provide cover for the contractual obligations of PayRed Services AG, Switzerland, in connection with the sale of credit card receivables. On the basis of the financial calculations performed in a risk model analysis, the risk of utilisation is classified as unlikely in both cases.

In addition, there is a contingent liability of €1 million in the form of a contract performance guarantee by CECONOMY AG for the collateral to be provided pursuant to the property purchase agreement dated 7 April 2017 between CECONOMY Unterstützungskasse e. V. and Projektentwicklungsgesellschaft Kaispeicher Düsseldorf mbH & Co. KG for the contractual performance of the property purchase agreement. Utilisation is classified as unlikely as the underlying obligation can be fulfilled by CECONOMY Unterstützungskasse e. V.

In addition, there are contingent liabilities from a framework agreement with a financial institution for insolvency protection of credit in the partial retirement block model of €1 million through a directly enforceable guarantee by the financial institution for company employees and for Group employees for the benefit of the affiliated company Media-Saturn Deutschland GmbH. The company concerned can fulfil the obligations underlying the guarantees.

The spin-off of the former METRO GROUP gives rise to a legal contingent liability from a five- or ten-year continuing liability in accordance with Sec. 133 para. 1 and 3 of the German Transformation Act (UmwG). The legal entities involved in the spin-off are liable as joint and several debtors for the liabilities (five years) and the pension obligations (ten years) of CECONOMY AG as the transferring legal entity that had been in existence since before the spin-off entered into force. On the basis of publicly available information, particularly METRO AG's rating, the risk of utilisation from this contingent liability is classified as unlikely.

CECONOMY AG enters into contingent liabilities only after weighing up all the risks and only in connection with its own operating activities. As of the date of preparation of this report, the company is not aware of any liability claims.

The financial obligations from loans granted of €28 million (30/09/2019: €7 million) relate to commitment fees still to be paid for the multi-year syndicated credit facility over the next few years with a nominal volume of €2,680 million (30/09/2019: €980 million). There are refund claims against a subsidiary of €25 million.

The nominal value of loan commitments to Group companies is €368 million (30/09/2019: €1,053 million), of which €319 million (30/09/2019: €195 million) was utilised as of the closing date.

The obligations from rental agreements and leases primarily relate to the rental obligation for CECONOMY AG's rented building at Kaistrasse 3 in Düsseldorf. The tenancy began on 1 November 2019. The rental agreement has a term of ten years.

Asset position of CECONOMY AG

Assets

€ million	30/09/2019	30/09/2020
Fixed assets		
Intangible assets	1	0
Property, plant and equipment	1	2
Financial assets	1,537	933
	1,539	**935**
Current assets		
Receivables and other assets	327	1,210
Cash on hand, bank deposits and cheques	214	132
	541	**1,342**
Prepaid expenses	**2**	**2**
	2,082	**2,279**

Assets totalled €2,279 million as of closing date (30/09/2019: €2,082 million). While these primarily comprised financial assets at €1,537 million in the previous year, financial assets decreased to €933 million as of 30 September 2020 as a result of disposals of €604 million in the item shares in affiliated companies. In financial year 2019/20, receivables and other assets are the largest item on the asset side at €1,210 million.

Intangible assets essentially include purchased software and licences. All depreciation and amortisation for financial year 2019/20 was scheduled.

Property, plant and equipment essentially comprise business and office equipment. All depreciation and amortisation for financial year 2019/20 was scheduled.

Shares in affiliated companies as of 30 September 2020 came to €920 million (30/09/2019: €1,524 million) and essentially comprise 100 per cent of the shares in CECONOMY Retail GmbH with a carrying amount of €651 million (30/09/2019: €651 million). CECONOMY Retail GmbH itself holds the majority of shares in Media-Saturn-Holding GmbH. This also includes 100 per cent of shares in CECONOMY Retail International GmbH with a carrying amount of €250 million (30/09/2020: €453 million), and 100 per cent of shares in MWFS Zwischenholding GmbH & Co. KG, with a carrying amount of €10 million (30/09/2020: €410 million). CECONOMY Retail International GmbH has a 24.44 per cent interest in Fnac Darty S.A. in Ivry-sur-Seine, France.

The disposal in the item shares in affiliated companies in the amount of €604 million reflects distributions from the reserves of MWFS Zwischenholding GmbH & CO. KG of €400 million, from the capital reserve of CECONOMY Retail International GmbH of €203 million and CECONOMY Data GmbH of €1 million. These withdrawals from reserves are reflected in the cost of the investment. For this reason, a distribution from the reserve is to be taken into account as a reduction in acquisition costs not affecting net income.

The investments comprise 6.61 per cent of shares in METRO PROPERTIES GmbH & Co. KG in the amount of €13 million (30/09/2019: €13 million) and the approximately one per cent share in METRO AG held directly by CECONOMY AG with a carrying amount of €1. The approximately one per cent share in METRO AG held directly by CECONOMY AG is restricted from sale for seven years for tax purposes and so it cannot be sold before 1 October 2023 without incurring negative tax consequences.

Receivables from affiliated companies essentially comprise €653 million in a receivable from a distribution from the capital reserve of CECONOMY Retail GmbH through profit or loss (30/09/2019: €0 million) and €203 million in a receivable from a distribution from the capital reserve of CECONOMY Retail International GmbH not affecting net income. Receivables from affiliated companies also include €313 million in receivables resulting from the financing function of CECONOMY AG as holding company to Group companies (30/09/2019: €189 million), of which €310 million is attributable to CECONOMY Retail GmbH, €3 million to CECONOMY Retail International GmbH and €1 million to CECONOMY Invest GmbH, and €7 million in receivables to subsidiaries from passing on third party costs (30/09/2019: €0 million).

Other assets essentially comprised €32 million in claims to tax refunds (30/09/2019: €53 million). Receivables from withheld tax on capital gains accounts for €32 million of this. €27 million of this (30/09/2019: €27 million) relates to the assumption of the receivable for capital gains tax of CECONOMY Retail GmbH resulting from the dis-tribution of profit or loss by Media–Saturn–Holding GmbH for the 2016/17 financial year and €4 million (30/09/2019: €24 million) relates to the assumption of receivables for capital gains tax of MWFS Zwischenholding GmbH & Co. KG and the dividend distribution by METRO AG to MWFS Zwischenholding GmbH & Co. KG. Other assets also include €0 million in value–added tax refund claims (30/09/2019: €1 million).

Prepaid expenses and deferred charges amounted to €2 million as of the closing date (30/09/2019: €2 million). They include €1 million in commissions for a syndicated credit facility and promissory note loans of €250 million issued in financial year 2017/18 and €1 million in commissions relating to the conclusion of the new syndicated loan agreement of 12 May 2020 with a credit facility totalling €2.7 billion.

Opportunity and risk situation of CECONOMY AG

Given that CECONOMY AG is linked to its Group companies by way of financing commitments, guarantees and direct and indirect investments in investees, its opportunity and risk situation depends largely on the opportunity and risk situation of the CECONOMY Group. In this respect, the statements made by the company's management giving an overall assessment of the risk situation can be considered as a summary of CECONOMY AG's risk situation.

Forecast for CECONOMY AG

In its role as a management holding company, CECONOMY AG's performance depends chiefly on the performance and dividend policies of its investments. CECONOMY AG expects net income for the next 2020/21 financial year, excluding dividends from subsidiaries and expenses and income from profit and loss transfer agreements, to be level with the 2019/20 financial year.

Planned investment by CECONOMY AG

As part of investments through CECONOMY, CECONOMY AG will support Group companies where necessary by increasing shares or capital or extending loans. In addition, intra-group share transfers may result in investments in shares in affiliated companies.

Declaration on corporate governance

The declaration on corporate governance is available on the company's website (www.ceconomy.de/en/) under Company – Corporate Governance.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement for the financial year from 1 October 2019 to 30 September 2020

€ million	Note no.	2018/19	2019/20
Sales	**1**	**21,455**	**20,831**
Cost of sales	2	−17,308	−17,052
Gross profit on sales		**4,147**	**3,779**
Other operating income	3	196	199
Selling expenses	4	−3,456	−3,219
General administrative expenses	5	−663	−533
Other operating expenses	6	−13	−29
Earnings share of operating companies recognised at equity	7	22	−267
Net impairments on operating financial assets and contract assets	8	−9	−10
Earnings before interest and taxes EBIT		**224**	**−80**
Other investment result	7	46	20
Interest income	9	26	9
Interest expenses	9	−40	−60
Other financial result	10	−21	−14
Net financial result		**12**	**−45**
Earnings before taxes EBT		**235**	**−125**
Income taxes	12	−77	−93
Profit or loss for the period from continuing operations		**158**	**−218**
Profit or loss for the period from discontinued operations after taxes	13	1	6
Profit or loss for the period		**160**	**−211**
Profit or loss for the period attributable to non-controlling interests	14	37	21
from continuing operations		(37)	(19)
from discontinued operations		(0)	(1)
Profit or loss for the period attributable to shareholders of CECONOMY AG		122	−232
from continuing operations		(121)	(−237)
from discontinued operations		(1)	(5)
Earnings per share in € (basic = diluted)	**15**	**0.34**	**−0.65**
from continuing operations		(0.34)	(−0.66)
from discontinued operations		(0.00)	(0.01)

Reconciliation from profit or loss for the period to total comprehensive income for the financial year from 1 October 2019 to 30 September 2020

€ million	Note no.	2018/19	2019/20
Profit or loss for the period	**12, 13**	**160**	**–211**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**31**	**–41**	**–5**
Remeasurement of defined benefit pension plans	32	–47	3
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income		17	1
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	–12	–8
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		1	–1
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**31**	**20**	**–10**
Currency translation differences from translating the financial statements of foreign operations		20	–11
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	0	1
Other comprehensive income	**31**	**–20**	**–15**
Total comprehensive income	**31**	**139**	**–226**
Total comprehensive income attributable to non-controlling interests	31	43	27
Total comprehensive income attributable to shareholders of CECONOMY AG	31	96	–253

Statement of financial position as of 30 September 2020
Assets

€ million	Note no.	30/09/2019	30/09/2020
Non-current assets		**2,233**	**3,857**
Goodwill	19	524	524
Other intangible assets	20	115	102
Property, plant and equipment	21	736	567
Right-of-use assets	22	–	2,021
Financial assets	23	278	280
Investments accounted for using the equity method	23	497	266
Other financial assets	24	3	2
Other assets	24	7	11
Deferred tax assets	25	73	84
Current assets		**5,870**	**6,598**
Inventories	26	2,548	2,949
Trade receivables and similar claims	27	455	488
Receivables due from suppliers	24	1,295	1,302
Other financial assets	24	65[1]	151
Other assets	24	120	154
Income tax assets		142	69
Cash and cash equivalents	29	1,184[1]	1,484
Assets held for sale	30	61	0
		8,103	**10,455**

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".

Equity and liabilities

€ million	Note no.	30/09/2019	30/09/2020
Equity	**31**	**784**	**548**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		−478	−753
Non-controlling interests		22	61
Non-current liabilities		**1,042**	**2,472**
Provisions for pensions and similar obligations	32	574	513
Other provisions	33	33	28
Borrowings	34, 36	292	1,850
Other financial liabilities	34, 37	53	36
Other liabilities	37	56	11
Deferred tax liabilities	25	35	33
Current liabilities		**6,277**	**7,435**
Trade liabilities and similar liabilities	34, 35	5,321	5,996
Provisions	33	165	151
Borrowings	34, 36	10	573
Other financial liabilities	34, 37	445	378
Other liabilities	37	215	231
Income tax liabilities	34	51	106
Liabilities related to assets held for sale	30	70	0
		8,103	**10,455**

Statement of changes in equity[1] for the financial year from 1 October 2019 to 30 September 2020

€ million	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	Currency translation differences from translating the financial statements of foreign operations	Remeasurement of defined benefit pension plans
01/10/2018	**919**	**321**	**0**	**9**	**–20**	**–263**
Profit or loss for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	14	15	–45
Total comprehensive income	**0**	**0**	**0**	**14**	**15**	**–45**
Capital increases	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	0	0	0	–1
Other changes	0	0	0	0	0	0
30/09 or 01/10/2019	**919**	**321**	**0**	**23**	**–5**	**–309**
Profit or loss for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	–7	–9	2
Total comprehensive income	**0**	**0**	**0**	**–7**	**–9**	**2**
Capital increases	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
30/09/2020	**919**	**321**	**0**	**15**	**–14**	**–306**

[1] Equity is explained in the notes – note 31 Equity.

Statement of changes in equity[1] for the financial year from 1 October 2019 to 30 September 2020

€ million	Subsequent measurement of associates/ joint ventures accounted for using the equity method	Income tax attributable to items of other comprehensive income	Other reserves retained from earnings	Total reserves retained from earnings	Total equity before non-controlling interests	Non-controlling interests	Total equity
01/10/2018	**29[2]**	**0**	**–309[2]**	**–554**	**685**	**–22**	**664**
Profit or loss for the period	21[2]	0	102[2]	122	122	37	160
Other comprehensive income	–11	1	0	–27	–27	6	–20
Total comprehensive income	**9[2]**	**1**	**102[2]**	**96**	**96**	**43**	**139**
Capital increases	0	0	0	0	0	28[4]	28
Dividends	0	0	–10[3]	–10	–10	–37[4,5]	–47
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	–10	–11	–11	10	–1
Other changes	0	0	1	1	2	0	1
30/09 or 01/10/2019	**39[2]**	**0**	**–226[2]**	**–478**	**762**	**22**	**784**
Profit or loss for the period	–266	0	34	–232	–232	21	–211
Other comprehensive income	–7	–1	0	–21	–21	6	–15
Total comprehensive income	**–273**	**–1**	**34**	**–253**	**–253**	**27**	**–226**
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	–8[3]	–8	–8	–6[5]	–14
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	–26	–26	–26	18	–8
Other changes	12	0	0	13	13	0	13
30/09/2020	**–222**	**–1**	**–226**	**–753**	**487**	**61**	**548**

[1] Equity is explained in the notes – note 31 Equity.
[2] Adjustment of previous year due to the reclassification of profit or loss for the period from companies recognised at equity from other reserves retained from earnings to subsequent measurement of associates/joint ventures accounted for using the equity method.
[3] The reported dividend includes dividends to minority shareholders in the amount of €–8 million (2018/19: €–10 million), whose shares are reported in full as liabilities due to put options.
[4] The capital increase resulted entirely from the contribution of dividends recognised through profit or loss. Corresponding with the capital increase, the same amount is included in the dividends with the opposite +/– sign.
[5] The reported dividend includes dividends to minority shareholders in the amount of €–2 million (2018/19: €–3 million), whose shares are reported in full as liabilities due to put options.

Cash flow statement[1] for the financial year from 1 October 2019 to 30 September 2020

€ million	2018/19	2019/20
EBIT	224	–80
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	241	1,071
Change in provisions for pensions and similar obligations	–16	–53
Change in net working capital[2]	–392[3]	297
Income taxes paid	–152	17
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	3	25
Other	157[3]	–110
Cash flow from operating activities from continuing operations	**65**	**1,166**
Cash flow from operating activities from discontinued operations	0	0
Cash flow from operating activities	**65**	**1,166**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	–154	–112
Other investments	–39	–72
Financial investments and securities	–152	–245
Disposals of financial investments and securities	435	160
Disposals of companies	0	0
Disposal of long-term assets and other disposals	27	20
Cash flow from investing activities from continuing operations	**118**	**–248**
Cash flow from investing activities from discontinued operations	0	0
Cash flow from investing activities	**118**	**–248**
Dividends paid	–29	–24
thereof dividends paid to the shareholders of CECONOMY	(0)	(0)
Payment received from capital increase	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	5[4]	–8
Redemption of liabilities from put options of non-controlling interests	–2	–5
Proceeds from long-term borrowings	155	1,447
Redemption of lease liabilities	–5[5]	–530
Redemption of other borrowings	–300	–1,415
Interest paid	–29	–54
Interest received	15	9
Profit and loss transfers and other financing activities	11	–9
Cash flow from financing activities from continuing operations	**–178**	**–589**
Cash flow from financing activities from discontinued operations	0	0
Cash flow from financing activities	**–178**	**–589**
Total cash flows	**4**	**329**
Currency effects on cash and cash equivalents	8[3]	–44
Total change in cash and cash equivalents	**13**	**285**
Cash and cash equivalents as of 01/10	1,186[3]	1,199
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	15
Cash and cash equivalents as of 01/10	**1,186[3]**	**1,184**
Total cash and cash equivalents as of 30/09	1,199[3]	1,484
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	15	0
Total cash and cash equivalents as of 30/09	**1,184[3]**	**1,484**

[1] The cash flow statement is explained in the notes – note 41 Notes to the cash flow statement.
[2] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items.
[3] Adjustment due to revised disclosure and/or a change in definition. Information on this is provided under “Notes to the Group accounting principles and methods”.
[4] Formerly recognised under “profit and loss transfers and other financing activities”.
[5] Formerly recognised under “redemption of other borrowings”.

NOTES

Segment reporting[1]

Operating segments

	Continuing operations											
	DACH		Western/ Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]	
€ million	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
External sales (net)	12,565	12,323	6,807	6,431	1,567	1,611	516	465	0	0	21,455	20,831
Internal sales (net)	23	21	3	3	0	0	10	7	−36	−31	0	0
Sales (net)	12,588	12,345	6,810	6,434	1,567	1,611	527	472	−36	−31	21,455	20,831
EBITDA	304	699	206	300	26	30	−71[3]	−39[3]	0	1	465	991
Adjusted EBITDA	444	744	222[4]	290	28	38	−65[5]	−39	0	1	629[4, 5]	1,034
Scheduled depreciation/amortisation and impairment losses	137	446	77	254	19	75	9	296	0	0	241	1,071
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	168	253	129	46	7	−45	−81[6]	−335[4]	0	1	224	−80
Adjusted EBIT	320	297	147[4]	41	10	−37	−73[5]	−67	0	1	403[4, 5]	236
Investments	109	284	61	160	19	58	6	61	0	0	195	562
Non-current segment assets	823	2,043	470	957	83	174	514[7]	319	0	0	1,891[7]	3,493
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(497)	(266)	(0)	(0)	(497)	(266)

[1] Segment reporting is explained in the notes – note 42 Segment reporting.
[2] Includes external sales in financial year 2019/20 of €10,160 million (2018/19: €10,492 million) for Germany and of €2,060 million (2018/19: €2,158 million) for Italy, as well as non-current segment assets as of 30 September 2020 of €2,040 million (30/09/2019: €1,225 million) for Germany, and €340 million (30/09/2019: €140 million) for Italy.
[3] Includes income from operating companies recognised at equity in the Others segment in the amount of €1 million (2018/19: €21 million).
[4] Adjustment of previous year of portfolio changes.
[5] Adjustment of previous year of companies accounted for using the equity method.
[6] Includes expenses from operating companies recognised at equity in the Others segment in the amount of €267 million (2018/19: income of €21 million).
[7] Adjustment of previous year of investments accounted for using the equity method.

Notes to the Group accounting principles and methods

Accounting principles

CECONOMY AG is a listed corporation based in Düsseldorf, Germany. It is registered at the Düsseldorf District Court under register number HRB 39473. The consolidated financial statements and group management report are submitted to the operator of the German Federal Gazette and published in the German Federal Gazette. The entire annual report is also available online at www.ceconomy.de/en/.

These consolidated financial statements of CECONOMY AG as of 30 September 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS). They apply all accounting standards and interpretations that have been adopted and whose application is mandatory in the European Union as of this date. Compliance with the standards and interpretations ensures that a true and fair view of CECONOMY's net assets, financial position and earnings position is presented.

This version of the consolidated financial statements complies with Sec. 315e of the German Commercial Code (HGB). This provides the legal basis for Group accounting in accordance with international standards in Germany together with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The date they were signed by the Management Board of CECONOMY AG (1 December 2020) is the same as the date on which the Management Board approved the consolidated financial statements for publication and submission to the Supervisory Board.

These consolidated financial statements are generally based on the historical cost method, with the significant exceptions of financial instruments measured at fair value and financial assets and liabilities measured at their fair values as an underlying transaction within a fair value hedge. Furthermore, non-current assets held for sale, disposal groups and discontinued operations are recognised at fair value less costs to sell if this value is lower than the carrying amount. Liabilities from cash-settled share-based payments are likewise stated at fair value. Moreover, provisions are measured at their expected settlement amount.

The income statement was prepared using the cost-of-sales method.

To enhance clarity and meaningfulness, certain items in the income statement and in the statement of financial position are combined. These items are presented and explained separately in the notes.

The consolidated financial statements were prepared in euros. All amounts are shown in millions of euros (€ million) unless stated otherwise. In order to provide a better overview, decimal places are not shown in the tables in some cases. Figures in the tables may contain rounding differences.

The following sections outline the accounting and measurement methods used to prepare the consolidated financial statements.

Application of new accounting methods

ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME IN FINANCIAL YEAR 2019/20

The following accounting standards and interpretations revised, supplemented and newly issued by the International Accounting Standards Board (IASB) were applied for the first time in these consolidated financial statements. Their application was mandatory for CECONOMY AG in financial year 2019/20 unless it is stated that they were applied early on a voluntary basis.

IFRS 16 (Leases)

IFRS 16 (Leases) replaces IAS 17 (Leases) and the interpretations SIC-15 (Operating Leases– Incentives), SIC-27 (Evaluating the Substance of Transactions in the Legal Form of a Lease) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease). The scope of IFRS 16 covers the transfer of the right of use of assets, rental and leasing agreements, subleases and sale-and-lease-back transactions. There is an option to apply IFRS 16 to leases of certain intangible assets, while service concession arrangements and leases for natural resources, for example, do not fall under the scope of IFRS 16. CECONOMY exercises the option in IFRS 16.4 and does not recognise software leases according to the provisions of IFRS 16.

The main change in IFRS 16 compared to IAS 17 relates to recognition by the lessee. For example, leases no longer have to be classified as operating or finance leases. Instead, CECONOMY now accounts for all leases as the lessee using the standardised right-of-use approach under IFRS 16. Under this approach, a liability is recognised for each lease that is equal to the present value of the future lease payments and a corresponding right to use the leased asset (right-of-use asset) is also recognised for the lease. Lease payments comprise the sum of all fixed lease payments less incentives for the conclusion of the lease and plus all variable lease payments that depend on an index or a rate. Variable payments that constitute fixed payments in substance and amounts expected to be payable under residual value guarantees are also included. Lease payments based on purchase price options and extension options are included if the lessee is reasonably certain to exercise them. Contractually agreed penalties for prematurely terminating the lease are also recognised, if it can be assumed that the lessee will terminate the lease prematurely. CECONOMY uses the practical expedient provided by IFRS 16.15 and does not, as a rule, separate non-lease components from lease components. This means that each lease component and any associated non-lease components are accounted for as a single lease component. This applies to all assets except real estate, for which separation does take place.

In principle, the lease must be measured using the interest rate implicit in the lease. If CECONOMY cannot determine this rate, the incremental borrowing rate is used. Over the term of the lease, the lease is subsequently measured at amortised cost using the effective interest method. The liability must be remeasured in the event of changes to calculation parameters, such as the lease term, the assessment of an extension option or purchase option or the expected lease payments.

On initial recognition, the corresponding right-of-use asset is capitalised in the amount of the lease liability, including lease payments already made and directly attributable costs. Payments received from the lessor in connection with the lease are deducted. The measurement also takes restoration obligations from leases into account.

The right-of-use asset is measured at amortised cost in accordance with IAS 16 (Property, Plant and Equipment). According to this, the right-of-use asset is depreciated over the shorter of the expected useful life and the lease term. However, if it is already reasonably certain at the commencement of the lease that ownership will transfer to the lessee, it is depreciated over the expected useful life of the underlying asset. If there are indications that a right-of-use asset is impaired, IAS 36 (Impairment of Assets) is applied.

Remeasurement of the lease liability to reflect changes to the lease payments results in a corresponding adjustment at fair value to the right-of-use asset. Negative adjustments in excess of the carrying amount are recognised immediately through profit or loss.

CECONOMY exercises the option in IFRS 16.5 and does not apply the right-of-use approach to short-term leases (terms of no more than twelve months) or to low-value assets. Low-value assets are components of leases that, taken individually, are immaterial for the company's business activities. Instead, lease payments for short-term leases and leases of low-value assets are recognised as rental expenses.

In the case of sale-and-lease-back transactions, CECONOMY initially assesses whether a sale has actually taken place in accordance with IFRS 15. If this is the case, a right-of-use asset is recognised at the proportion of the carrying amount of the asset that relates to the retained right of use. Any gain on disposal is recognised in the amount of the proportion transferred to the lessor. If there is no sale, the transaction is treated as financing, without a disposal of the asset.

Leases for which CECONOMY is the lessor are classified as operating and finance leases. For operating leases, CECONOMY, as the lessor, continues to recognise an asset and reports the lease payments as rental income. For finance leases, CECONOMY recognises a receivable for the lease payments (net investment). The lease payments made are divided into an interest portion and a redemption portion in accordance with the effective interest method.

CECONOMY applied the IFRS 16 regulations for the first time on 1 October 2019. It opted for the modified retrospective approach without restatement of the previous year's figures, whereby the right-of-use asset is recognised in the amount of the lease liability adjusted for prepaid or accrued lease payments.

CECONOMY decided to apply IFRS 16 exclusively to leases identified according to the previous rules (use of grandfathering). Leases with a remaining term not exceeding one year at the transition date were not recognised as per IFRS 16. Instead, lease payments continued to be recognised directly as an expense.

The right-of-use asset had not been tested for possible impairment at the transition date. Instead, provisions for onerous contracts recognised in connection with leases immediately before the transition date were derecognised at the transition date against the right-of-use asset.

The right-of-use asset is recognised in a separate item of the statement of financial position; the lease liabilities are recognised within borrowings.

A right-of-use asset of €2.3 billion and lease liabilities of €2.3 billion were recognised on 1 October 2019 as part of the transition to IFRS 16. Starting from operating lease obligations as of 30 September 2019, the reconciliation to the opening balance of the lease liabilities as of 1 October 2019 was as follows:

€ million	
Operating leases – future lease payments due (nominal) – under IAS 17 as of 30/09/2019	**2,451**
Finance leases – future lease payments due (nominal) – as of 30/09/2019	53
Lease liabilities (nominal) as of 30/09/2019 – total	**2,504**
Use of option:	
Short-term leases	–3
Low value leases	–13
Other	–10
Lease liabilities (nominal) as of 01/10/2019	**2,478**
Discount	–66
Present value of lease liabilities as of 01/10/2019	**2,412**
Present value of liabilities from finance leases as of 30/09/2019	–50
Additional lease liabilities due to first-time application of IFRS 16 as of 01/10/2019	**2,362**
Lease liabilities classified as per IFRS 5	–15
Additional lease liabilities due to first-time application of IFRS 16 as of 01/10/2019, taking into account IFRS 5	**2,347**
of which	
Non-current lease liabilities	(1,792)
Current lease liabilities	(555)

The weighted average incremental borrowing rate at which the lease liabilities were calculated as of 1 October 2019 was 1.017 per cent. This reflects the interest rate for a loan with a similar term to the lease and a similar payment profile to the lease payments in question. To determine the incremental borrowing rate, reference interest rates from matched-term, risk-free interest rates in material countries or currencies are used. The respective reference interest rates are increased by credit risk premiums.

The right-of-use asset is recognised in a separate balance sheet item. The right-of-use asset relates to the following asset classes:

€ million	01/10/2019	30/09/2020
Real estate	2,247	1,982
Company vehicles	4	6
IT infrastructure	30	19
Business and office equipment	20	15
Total	**2,300**	**2,021**

As of 30 September 2020, the right-of-use asset recognised for the first time caused depreciation/amortisation and impairment losses to increase by €565 million and interest expenses by €18 million due to discounting lease liabilities for leases previously classified as operating leases.

The first-time application of IFRS 16 generated a rise in EBIT of around €9 million.

The change in presentation of lease expenses under operating leases also resulted in €563 million being transferred from cash flow from financing activities to cash flow from operating activities, as the lease payments no longer reduce operating cash flow but are instead shown as payments of interest and principal in cash flow from financing activities, provided these payments are not payments under short-term leases or leases for low-value assets.

The following table illustrates the effects of the first-time application of IFRS 16 on the balance sheet items as of 1 October 2019:

Assets

€ million	30/09/2019	IFRS 16	01/10/2019
Non-current assets	**2,233**	**2,251**	**4,485**
Goodwill	524		524
Other intangible assets	115		115
Property, plant and equipment	736	–45	691
Right-of-use assets	–	2,300	2,300
Financial assets	278		278
Investments accounted for using the equity method	497		497
Other financial assets	3		3
Other assets	7	–4	4
Deferred tax assets	73		73
Current assets	**5,870**	**4**	**5,874**
Inventories	2,548		2,548
Trade receivables and similar claims	455		455
Receivables due from suppliers	1,295		1,295
Other financial assets	65[1]		65
Other assets	120	–6	114
Income tax assets	142		142
Cash and cash equivalents	1,184[1]		1,184
Assets held for sale	61	10	71
	8,103	**2,255**	**10,359**

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".

Equity and liabilities

€ million	30/09/2019	IFRS 16	01/10/2019
Equity	**784**		**784**
Share capital	919		919
Capital reserve	321		321
Reserves retained from earnings	–478		–478
Non-controlling interests	22		22
Non-current liabilities	**1,042**	**1,728**	**2,770**
Provisions for pensions and similar obligations	574		574
Other provisions	33	–17	17
Borrowings	292	1,792	2,084
Other financial liabilities	53		53
Other liabilities	56	–47	8
Deferred tax liabilities	35		35
Current liabilities	**6,277**	**528**	**6,805**
Trade liabilities and similar liabilities	5,321		5,321
Provisions	165	–13	153
Borrowings	10	555	565
Other financial liabilities	445	–1	445
Other liabilities	215	–25	190
Income tax liabilities	51		51
Liabilities related to assets held for sale	70	10	80
	8,103	**2,255**	**10,358**

In response to the COVID-19 pandemic, on 28 May 2020 the IASB published an amendment to IFRS 16 to provide lessees with practical relief in assessing rent concessions ("COVID-19-Related Rent Concessions"). It exempts lessees from the obligation to assess whether a rent concession meets the definition of a lease modification in accordance with IFRS 16. This rent concession must have been granted to the lessee in connection with the COVID-19 pandemic and relate to lease payments up to 30 June 2021 at the latest. EU endorsement was granted by the European Commission on 9 October 2020. Lessees can thus apply the amendment to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue on 28 May 2020. CECONOMY has decided not to apply this optional relief.

IAS 19 (Employee Benefits)
The amendments to IAS 19 (Plan Amendment, Curtailment or Settlement) clarify the accounting for plan amendments, curtailments or settlements. In accordance with the amendments, entities must use updated assumptions to determine the current service cost and the net interest for the remaining portion of the reporting period after a plan amendment, curtailment or settlement. Any reductions in a surplus as part of the past service cost must be recognised through profit or loss, even if this surplus was previously not recognised as an effect of the asset ceiling. The amendments do not have any significant impact on the consolidated financial statements of CECONOMY.

IAS 28 (Investments in Associates and Joint Ventures)
The amendment to IAS 28 (Investments in Associates and Joint Ventures) relates to long-term interests in associates and joint ventures. To categorise this amendment, there follows a clarification of the issue: investors can hold long-term interests that, in substance, are attributable to a net investment in an entity accounted for using the equity method (associates or joint venture). The IASB was asked to clarify whether these interests are within the scope of IFRS 9 and therefore subject to the impairment requirements of IFRS 9. The amendment published by the IASB clarifies that such interests that are themselves not accounted for using the equity method must be recognised and measured in accordance with IFRS 9. Therefore, any impairment of these interests is determined according to the requirements of IFRS 9. However, there is no change to the requirement of IAS 28.38 that such interests must be included in the application of loss when applying the equity method to the value of investments. Losses must initially be applied to the carrying amount of the equity and only subsequently to the other long-term interest. If different long-term interests are attributable to the net investment in the entity, losses are applied in the reverse order of their seniority, i.e. interests with lower priority in the event of liquidation are written down first. The amendments do not have any significant impact on the consolidated financial statements of CECONOMY.

IFRIC 23 (Uncertainty over Income Tax Treatments)
The new interpretation relating to IAS 12 is specified in IFRIC 23 (Uncertainty over Income Tax Treatments) and regulates the accounting of current and deferred taxes in this connection. Current income taxes are calculated on the basis of the respective national tax results and regulations of the year. In addition, the current taxes recognised in the financial year also include adjustments for any tax payments or refunds for years not yet finally assessed, but not including interest payments, interest refunds or penalties on backpayments of taxes. Tax liabilities are recognised where it is unlikely that amounts recognised in the tax returns will be realised (uncertain tax items). The amount is calculated on the basis of the best-possible estimate of the expected tax payment (most likely value of tax uncertainty). Tax receivables from uncertain tax items are recognised when it is very likely and thus can be reasonably certain that they can be realised. The only case whereby no tax liability or tax receivable is recognised for these uncertain tax items is where there is a tax loss carry-forward. In this case, the deferred tax assets are adjusted for the tax loss carry-forwards that have not yet been used. Overall, IFRIC 23 has no material impacts in financial year 2019/20.

Annual improvements to IFRS (2015-2017 cycle)
The annual improvements to IFRS (2015-2017 cycle) relate to IFRS 3 (Business Combinations), IFRS 11 (Joint Arrangements), IAS 12 (Income Taxes) and IAS 23 (Borrowing Costs). The amendments to IFRS 3 and IFRS 11 cover the acquisition of additional shares in a business that constitutes a joint operation. These clarify that the share previously held must be remeasured if acquiring additional shares gives the acquiring company control over the former joint operation (business combination achieved in stages). However, if the acquisition of additional shares results only in joint control, it is not necessary to remeasure these shares. The improvement to IAS 12 includes accounting for income tax effects from financial instruments that are recognised as equity. It clarifies that all income tax effects of dividend payments must be subject to the same accounting treatment as for the tax effect of original transactions and events. Under the amendment to IAS 23, it is possible to require that funds borrowed specifically to acquire a qualified asset not be included when calculating borrowing costs under certain conditions. This applies where the asset has not yet been completed for its intended use. These amendments do not currently have any effects on the consolidated financial statements of CECONOMY.

Other amendments to IFRS

The IFRS 9 amendment deals with the classification of financial instruments with prepayment features with negative compensation. The new regulation allows these assets to be recognised at amortised cost or at fair value through other comprehensive income under a limited set of conditions. This amendment does not currently have any effect on the consolidated financial statements of CECONOMY.

ACCOUNTING STANDARDS THAT HAD BEEN PUBLISHED BUT NOT YET APPLIED IN THE FINANCIAL YEAR 2019/20

The IASB has issued or revised other accounting standards and interpretations that CECONOMY has not yet implemented in financial year 2019/20 because their application is not yet mandatory or they have not yet been endorsed by the European Commission.

Standard/interpretation	Title	Start of application as per IFRS[1]	Application at CECONOMY AG from[2]	Approved by EU[3]
IFRS 3	Business Combinations (amended by Definition of a Business)	01/01/2020	01/10/2020	Yes
IFRS 7/IFRS 9/ IAS 39	Financial Instruments: Disclosures (amended by Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7))	01/01/2020	01/10/2020	Yes
IFRS 10/IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Unknown[4]	Unknown[4]	No
IFRS 17	Insurance Contracts	01/01/2023[5]	01/10/2023	No
IAS 1/IAS 8	Presentation of Financial Statements/Accounting Policies, Changes in Accounting Estimates and Errors (amended by Definition of Material)	01/01/2020	01/10/2020	Yes
IAS 1	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	01/01/2023	01/01/2023	No
Various	Amendments to References to the Conceptual Framework in IFRS Standards	01/01/2020	01/10/2020	Yes
Various	Amendments to IFRS 4 Insurance Contracts	01/01/2021	01/10/2021	No
IFRS 7/IFRS 9/ IAS 39	Financial Instruments: Disclosures (amended by Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4, IFRS 16))	01/01/2021	01/10/2021	No
IFRS 3	Business Combinations (amendment: Reference to the Conceptual Framework)	01/01/2022	01/10/2022	No
IAS 16	Property, Plant and Equipment (clarification: Proceeds before Intended Use)	01/01/2022	01/10/2022	No
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendment: Onerous Contracts – Cost of Fulfilling a Contract)	01/01/2022	01/10/2022	No
Various	Annual Improvements to IFRS 2018–2020	01/01/2022	01/10/2022	No

[1] Not including early application
[2] Application only from 1 October due to the financial year's deviation from the calendar; on the condition of EU endorsement
[3] As of 1 December 2020 (date of signature by the Management Board of CECONOMY AG)
[4] First-time application indefinitely postponed by the IASB
[5] The IASB has resolved to defer the date of initial application of the standard by two years to 1 January 2023.

According to current estimates, the first-time application of the standards and interpretations listed in the table above and other standards amended in the annual improvements will have no material effects on the Group's net assets, financial position and earnings position.

Changes in presentation and definitions and restatement of previous year's figures

Since financial year 2019/20, credit card receivables have been shown in the statement of financial position under "cash and cash equivalents" for better transparency. Previously, they were recognised under "other financial assets (current)". As of 30 September 2020, this change in presentation results in an increase of "cash and cash equivalents" of €28 million.

For better comparison, the previous year's figures were also restated and the balance sheet items accordingly adjusted as of 30 September 2019 and for the purpose of the cash flow statement as of 30 September 2018. This resulted in reclassifications to the balance sheet item "cash and cash equivalents" of €51 million (30/09/2019) and €71 million (01/10/2018). Therefore, the credit card receivables are no longer recognised in the net working capital, but instead in the item net liquidity/net debt.

In addition, the definition of net working capital was changed as of 1 October 2019. Since financial year 2019/20, the balance sheet net working capital, as current assets required for operations, comprises the following balance sheet items:

– 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.

As of 30 September 2019, net working capital was adjusted to €−1,023 million as a result of a changed definition. The adjustments relate primarily to the reclassification of credit card receivables and including liabilities from deferred sales from extended warranties. As of 30 September 2018, net working capital is adjusted retroactively to €−1,414 million.

Consolidated group

In addition to CECONOMY AG, the consolidated financial statements include all companies directly or indirectly controlled by CECONOMY AG, provided these companies are not insignificant for the consolidated financial statements individually or together. Control exists when a majority in the voting rights, the articles of association, a company contract or a contractual agreement enable control to be exercised over the financial and business policy of a company in order to draw a benefit from its activity.

Non-controlling interests are mainly held in Media-Saturn-Holding GmbH (MSH). The material non-controlling interests are listed in note 31.

With CECONOMY AG, 448 German (30/09/2019: 451) and 394 international (30/09/2019: 438) companies are included in the consolidated financial statements.

In financial year 2019/20, the consolidation group changed as follows:

As of 01/10/2019	**889**
Sales	5
Other disposals	45
Newly founded companies	3
As of 30/09/2020	**842**

The financial years of the vast majority of Group companies included in the consolidated financial statements end – as far as legally permissible – on 30 September. Companies whose financial year ends on a different date are consolidated on the basis of interim financial statements.

Deconsolidated companies are accounted for as Group companies up to the date of their disposal.

The sales relate to the disposal of companies of the Media-Saturn Group.

The other disposals relate to 45 mergers.

The newly founded companies relate to one company each in Germany, Austria and Spain.

Two subsidiaries (30/09/2019: two subsidiaries) are not fully consolidated for reasons of materiality. Instead, they are carried at cost and recognised under financial investments.

STRUCTURED ENTITIES

CECONOMY held no interests in structured entities as of the closing date or the previous year's closing date.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Three associates/joint ventures (30/09/2019: three associates/joint ventures) are included in the consolidated financial statements using the equity method.

NON-CONTROLLING INTERESTS

There are material minority interests at the level of the subgroup holding company MSH, Ingolstadt, in particular, with a share of 21.62 per cent. There are also other small minority interests in the subgroup, which are included in the following disclosures. The following information relates to the subgroup level in year-on-year comparison.

There were minority interests of 21.62 per cent as of 30 September 2020, as in the previous year. Minority interests in equity amounted to €61 million on a consolidated basis, after €22 million in the previous year. Dividends of €6 million were paid to minority interests compared with €37 million in the previous year. Sales generated at subgroup level amounted to €20,831 million (2018/19: €21,454 million). Non-controlling interests in profit or loss for the period from continuing operations amounted to €19 million in financial year 2019/20 (2018/19: €37 million).

The following disclosures on assets and liabilities include consolidations at subgroup level determined at the date of the preparation of the consolidated financial statements, but not the consolidations at Group level. Non-current assets amounted to €3,284 million as of 30 September 2020 (30/09/2019: €1,379 million), current assets to €6,400 million (30/09/2019: €5,576 million), non-current liabilities to €1,738 million (30/09/2019: €264 million) and current liabilities to €7,408 million (30/09/2019: €6,244 million).

Although resolutions at MSH's shareholders' meeting need more than 80 per cent of the votes cast in order to pass, the shareholders' meeting's powers are essentially limited to shareholder matters alone. These include the adoption of the annual financial statements, the appropriation of the balance sheet profit, formal approval of the management's activities, the appointment of the auditor and the appointment and dismissal of managing directors. With regard to the appropriation of the balance sheet profit, the full distribution principle laid down in MSH's articles of association must be complied with. This stipulates that the company's net profit plus any profit carry-forward and less any loss carry-forward must be distributed to shareholders in full. Deviation from this principle requires a unanimous resolution by the shareholders' meeting. The appointment and dismissal of managing directors is also restricted by the fact that CECONOMY has a unilateral right to appoint and dismiss one of the managing directors. Significant, relevant company activities, such as the approval of MediaMarktSaturn Retail Group's budget, do not fall under the scope of the shareholders' meeting's responsibility, but rather depend on the approval of MSH's advisory board, on which CECONOMY holds the majority of seats and whose resolutions require a simple majority of the votes cast. In particular, there are also statutory protections for cases of conflicts of interest.

↗ An overview of all material Group companies can be found under note 54 Overview of material fully consolidated Group companies. In addition, a full list of all Group companies and associates in accordance with Sec. 313 HGB is available on the website www.ceconomy.de/en/ under Investor Relations – Publications.

Consolidation principles

The financial statements of the domestic and international subsidiaries including in consolidation are prepared in accordance with IFRS 10 (Consolidated Financial Statements) using uniform accounting and measurement methods.

If the local financial years of consolidated subsidiaries do not end on CECONOMY AG's closing date of 30 September, interim financial statements were prepared for the purposes of IFRS consolidation. Subsidiaries are fully consolidated if they are material for the presentation of a true and fair view of the net assets, financial position and earnings position.

Capital consolidation follows the purchase method in accordance with IFRS 3 (Business Combinations). In the case of business combinations, the carrying amounts of the investments are set off against the revalued pro rata equity of the subsidiaries at the date of the acquisition. Positive differences remaining after the disclosure of hidden reserves and hidden burdens are capitalised as goodwill. Goodwill is tested for impairment once a year and during the year if there are indications of impairment. If the carrying amount of an entity to which goodwill has been allocated exceeds the recoverable amount, the goodwill is written down by the difference.

In the case of company acquisitions, the hidden reserves and hidden burdens attributable to non-controlling interests are also disclosed and shown in equity under "Non-controlling interests". CECONOMY does not make use of the option to recognise goodwill attributable to non-controlling interests. In accordance with IFRS 3, negative differences from a business combination are recognised through profit or loss after allocation of hidden reserves and hidden burdens, and a repeated review in the period in which the combination took place.

Acquisitions of additional interests in companies in which control has already been obtained are booked as equity transactions. Therefore, no adjustments are made to the fair value of the assets and liabilities and no gains or losses are recognised. A difference between the costs of the additional interest and the carrying amount of the net assets as of the acquisition date is directly set off against the capital attributable to the acquirer.

Amortisation, impairment losses and reversals of impairment losses on interests in consolidated subsidiaries recognised in separate financial statements of consolidated subsidiaries are reversed.

Investments in associates and joint ventures are accounted for using the equity method, with existing goodwill included in the amount capitalised for investments. The recognition of earnings from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee conducts operating or non-operating activities. Operating activities include both the retail/wholesale business and support activities (e.g. leasing/letting commercial properties, purchasing, logistics). Earnings from operating associates, joint ventures and joint operations are included in operating EBIT, earnings from non-operating entities in the net financial result. Any deviating accounting and measurement methods in the financial statements of companies accounted for using the equity method are retained, provided they do not run significantly counter to CECONOMY's Group-wide accounting and measurement methods.

In the case of joint operations, each party in accordance with IFRS 11 reports its share in the jointly held assets and jointly incurred liabilities in its own statement of financial position.

Intra-Group profits and losses are eliminated. Sales, expenses, income, receivables and liabilities between consolidated Group companies, and provisions are consolidated. Intercompany profits in non-current assets and inventories from intra-Group trading are eliminated if not immaterial. Deferred taxes are recognised on consolidation procedures in accordance with IAS 12 (Income Taxes).

Unrealised gains from transactions with entities accounted for using the equity method are offset against the investment in the amount of the Group's share in the investee.

In the case of joint operations, each party reports its own share in the sales, income and expenses associated with the joint operation in its income statement.

A reduction in interest in subsidiaries must be presented in reserves retained from earnings as an equity transaction through other comprehensive income, as long as the parent company retains control. If a reduction or complete disposal of the interests results in the loss of control, the full consolidation of the subsidiary is ended as of the date on which the parent company loses the possibility of control. All previously fully consolidated assets, liabilities and equity items are derecognised at amortised Group carrying amounts. The interests disposed of are deconsolidated according to the general rules for deconsolidation. If there are remaining residual shares, they are recognised at fair value as a financial instrument according to IFRS 9 or as an investment measured according to the equity method according to IAS 28.

Currency translation

FOREIGN CURRENCY TRANSACTIONS

In the subsidiaries' separate financial statements, foreign currency transactions are measured at the exchange rate as of the date of the transaction. As of the closing date, monetary assets and liabilities in foreign currency are measured at the exchange rate as of closing date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Gains and losses from exchange rate fluctuations before the closing date are recognised through profit or loss. Currency translation differences from receivables and liabilities in foreign currency that are deemed a net investment in a foreign operation and from equity instruments held for sale and qualified cash flow hedges are recognised through other comprehensive income in reserves retained from earnings.

FOREIGN OPERATIONS

In accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), the annual financial statements of foreign subsidiaries are translated into euros in keeping with the functional currency concept. Functional currency is the currency of the primary economic environment in which the subsidiary operates. The consolidated companies generally conduct their businesses independently in financial, economic and organisational terms, so the functional currency is usually their respective local currency. The assets and liabilities are therefore translated at the exchange rate as of closing date. Income statement items are translated at the average exchange rate during the financial year. Differences from the translation of financial statements of foreign subsidiaries are recognised through other comprehensive income and shown separately in reserves retained from earnings. If the foreign subsidiary is not fully owned by the parent company, the corresponding portion of the currency translation differences is allocated to the non-controlling interests.

In the year of disposal or at the date of closure of the business of a foreign subsidiary, currency translation differences are reversed through profit or loss via the net financial result. In the case of partial disposal without loss of control opportunity of a foreign subsidiary, the corresponding portion of the cumulative currency translation differences is allocated to the non-controlling interests. If foreign associates or jointly controlled entities are partially sold without loss of significant influence or joint control, the corresponding portion of the cumulative currency translation differences is recognised through profit or loss.

In financial year 2019/20, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

For the currencies of the most important countries for CECONOMY that are not members of the European Monetary Union, currency translation was based on the following exchange rates:

		Average rate per €		Closing rate per €	
		2018/19	2019/20	30/09/2019	30/09/2020
Pound sterling	GBP	0.88412	0.87833	0.88570	0.91235
Hong Kong dollar	HKD	8.83913	8.70568	8.53680	9.07420
Norwegian krone	NOK	9.73765	10.55535	9.89530	11.10080
Polish złoty	PLN	4.30027	4.38844	4.37820	4.54620
Russian rouble	RUB	73.82877	77.50392	70.75570	91.77630
Swedish krona	SEK	10.50394	10.58222	10.69580	10.57130
Swiss franc	CHF	1.12274	1.07494	1.08470	1.08040
Turkish lira	TRY	6.32660	7.29146	6.14910	9.09900
Hungarian forint	HUF	323.02241	343.96227	334.83000	365.53000

Source: European Central Bank

Income statement

RECOGNITION OF INCOME AND EXPENSES

CECONOMY sells a large number of standard products to customers. These customers are primarily end consumers.

When determining the timing of sales recognition, a distinction is generally drawn between three cases:

- In-store product business: sales from product sales are recognised at a point in time when control is transferred. As a rule, control is transferred at the point in time when the product is handed over to the customer and payment by the customer occurs at the same time.

- Online sales: sales are recognised at the time of the expected delivery of the product to the customer and this is not subject to significant judgements.

- Sale of services: if the services constitute a separate performance obligation according to IFRS 15, sales are recognised over time as the performance obligation is satisfied. This applies in particular to the sale of extended warranties – for which CECONOMY acts as principal. Here, sales are recognised over the entire warranty period, comprising the statutory warranty period and the periods exceeding the statutory warranty period because uniform services in addition to the statutory warranty are provided over the entire term.

Obligations from the return of products are carried as a refund liability. For cases of expected returns, sales are recognised only for those products that are not expected to be returned. The estimate takes account of these to the extent that a significant reversal of sales is highly unlikely to occur as a result of the estimate.

When accounting for the sale of a subsidised device in connection with the brokerage of a service contract, two performance obligations are identified: sale of the device and performance of the service (brokerage of the mobile phone contract). To identify the respective transaction prices of the contract components, they are allocated on the basis of the relative stand-alone selling prices. There is an observable market price for the device. The brokerage commission is estimated according to the cost-plus margin approach. Both performance obligations are satisfied at the time of handover to the customer. As a result, the sales are recognised at a point in time.

CECONOMY exercises the option under IFRS 15.94 to recognise the costs to obtain and fulfil a contract directly as an expense if recognition as an asset would result in an amortisation period of one year or less.

In addition, CECONOMY uses the practical expedient in accordance with IFRS 15.63 for financing components that allows the effects of a financing component not to be recognised if the period between the transfer of goods or services and the payment by the customer is one year or less.

Government grants are recognised if it is guaranteed with sufficient certainty that the eligibility criteria are met and the grants will actually be received. Grants that are performance-based and attributable to future periods are recognised on an accrual basis according to the associated expenses. Performance-based grants already received for subsequent periods are deferred and released pro rata in the subsequent periods. Grants for which the entitled beneficiary is the employee are shown as a transitory item.

Operating expenses are recognised on utilisation of the service or when incurred.

The **net financial result** primarily comprises the other investment result, interest and currency effects. Interest is recognised as income or expense on an accrual basis, applying the effective interest method as appropriate. Interest expense on borrowings attributable directly to the acquisition or production of a qualifying asset is not recognised in profit or loss but instead must be capitalised as part of the cost of that asset in accordance with IAS 23 (Borrowing Costs). Dividends are recognised through profit or loss when the legal claim to payment is established.

INCOME TAXES

Income taxes relate to current and deferred income taxes. They are recognised through profit or loss unless they are associated with business combinations or items recognised directly in equity or through other comprehensive income.

Statement of financial position

GOODWILL

Goodwill is capitalised in accordance with IFRS 3 (Business Combinations). Goodwill resulting from a business combination is allocated to the group of cash-generating units that benefits from the synergies of the combination. A cash-generating unit is defined by IAS 36 (Impairment of Assets) as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On the basis of the provisions of IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment annually. This test is performed at the level of a group of cash-generating units. This group is usually each country's organisational unit.

The capitalised goodwill is regularly tested for impairment once a year and during the year if there are indications of impairment. If impairment is found, it is recognised through profit or loss. To determine potential impairment, the recoverable amount of a group of cash-generating units is compared to the sum of the carrying amounts. Recoverable amount is the higher of value in use and fair value less costs to sell. The goodwill allocated to a group of cash-generating units is only impaired if the recoverable amount is smaller than the sum of the carrying amounts. Impairment is not reversed if the reasons for impairment recognised in previous periods cease to apply.

OTHER INTANGIBLE ASSETS

Purchased other intangible assets are carried at cost. **Internally generated intangible assets** are capitalised at development cost in accordance with IAS 38 (Intangible Assets). However, the costs of the research phase are not capitalised but recognised as an expense. Cost includes all costs directly attributable to development. This can include the following costs:

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead (directly attributable)	Material overhead
	Production overhead
	Amortisation
	Development-related administrative costs

Borrowing costs are only included in the calculation of cost if they relate to a qualifying asset in accordance with IAS 23 (Borrowing Costs). A qualifying asset is a non-financial asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other intangible assets with a finite useful life are subsequently measured according to the cost model. The revaluation option is not exercised. All other intangible assets at CECONOMY with a finite useful life are subject to straight-line amortisation. Capitalised internally generated and purchased software and similar intangible assets are amortised over a term of up to ten years. Licences are generally amortised over their term. These intangible assets are tested for impairment at every closing date. Impairment is recognised if the recoverable amount is less than the amortised cost. If the asset does not generate cash inflows that are largely independent of other assets or groups, the impairment test is performed at the level of the respective cash-generating unit or group of cash-generating units. The carrying amount of the cash-generating unit is compared with its recoverable amount. Impairment is reversed if the reasons for impairment recognised in previous periods cease to apply.

Other intangible assets with an indefinite useful life are not amortised but tested for impairment at least once a year. Impairment or increases in value are recognised through profit or loss according to the cost principle.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost in accordance with IAS 16 (Property, Plant and Equipment). The cost of internally generated assets includes direct costs and directly attributable overhead. Borrowing costs are capitalised as part of cost only for qualifying assets. **Investment grants** received are recognised in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) by reducing the cost of the corresponding asset by the amount of the grant. The grants are not recognised as deferred income. **Asset retirement obligations** are included in cost at the discounted settlement amount. Subsequent costs of property, plant and equipment are only additionally capitalised if they result in a higher future economic benefit for CECONOMY.

Property, plant and equipment are subject exclusively to straight-line depreciation using the cost model according to IAS 16.30. The optional revaluation model in accordance with IAS 16.31 is not applied. The useful lives on which the depreciation is based fall within the following ranges, which are standardised throughout the Group:

Buildings	33 to 50 years
Leasehold improvements	15 years or shorter lease term
Business and office equipment	3 to 15 years

Capitalised asset retirement costs are written down proportionately over the useful life of the asset.

If there are indications of impairment of property, plant and equipment, an impairment test is carried out in accordance with IAS 36. Impairment is recognised on the property, plant and equipment if the recoverable amount is less than the amortised cost. If the asset does not generate cash inflows that are largely independent of other assets or groups, the impairment test is performed at the level of the respective cash-generating unit or group of cash-generating units. The carrying amount of the cash-generating unit is compared with its recoverable amount. Impairment is reversed if the reasons for impairment recognised in previous periods cease to apply.

If the reasons for impairment cease to exist, the impairment is reversed to amortised cost.

LEASES

Since 1 October 2019, CECONOMY has accounted for all leases as the lessee using the standardised right-of-use approach under IFRS 16. Under this approach, a liability is recognised for each lease that is equal to the present value of the future lease payments. Lease payments comprise the sum of all fixed lease payments less incentives for the conclusion of the lease and plus all variable lease payments that depend on an index or a rate. Variable payments that constitute fixed payments in substance and amounts expected to be payable under residual value guarantees are also included. Lease payments based on purchase price options and extension options are included if the lessee is reasonably certain to exercise them. Contractually agreed penalties for prematurely terminating the lease are also recognised, if it can be assumed that the lessee will terminate the lease prematurely. With the exception of real estate leasing, the fee is not divided into a lease component and a non-lease component. Variable lease payments are recognised as rental expenses.

In principle, the lease must be measured using the interest rate implicit in the lease. If CECONOMY cannot determine this rate, the incremental borrowing rate is used. Over the term of the lease, the lease is subsequently measured at amortised cost using the effective interest method. The liability must be remeasured in the event of changes to calculation parameters, such as the lease term, the assessment of an extension option or purchase option or the expected lease payments.

The corresponding right-of-use asset is capitalised in the amount of the lease liability, including lease payments already made and directly attributable costs. Payments received from the lessor in connection with the lease are deducted. The measurement also takes restoration obligations from leases into account.

The right-of-use asset is measured at amortised cost in accordance with IAS 16 (Property, Plant and Equipment). According to this, the right-of-use asset is depreciated over the shorter of the expected useful life and the lease term. However, if it is already reasonably certain at the commencement of the lease that ownership will transfer to the lessee, it is depreciated over the expected useful life of the underlying asset. If there are indications that a right-of-use asset is impaired, IAS 36 (Impairment of Assets) is applied.

Remeasurement of the lease liability to reflect changes to the lease payments results in a corresponding adjustment at fair value to the right-of-use asset. Negative adjustments in excess of the carrying amount are recognised immediately through profit or loss.

CECONOMY has decided to recognise the leases relevant under IFRS 16 in a special data management and analysis system. This ensures that the leases are accounted for and measured in accordance with the requirements of IFRS 16 and that analysis is possible at all times.

The right-of-use approach is not applied to short-term leases (terms of no more than twelve months) or to low-value assets. Low-value assets are components of leases that, taken individually, are immaterial for the company's business activities. Instead, lease payments for short-term leases and leases of low-value assets are recognised as rental expenses.

In the case of sale-and-lease-back transactions, CECONOMY initially assesses whether a sale has actually taken place in accordance with IFRS 15. If this is the case, a right-of-use asset is recognised at the proportion of the carrying amount of the asset that relates to the retained right of use. Any gain on disposal is recognised in the amount of the proportion transferred to the lessor. If there is no sale, the transaction is treated as financing, without a disposal of the asset.

Leases for which CECONOMY is the lessor are classified as operating and finance leases. For operating leases, CECONOMY, as the lessor, continues to recognise an asset and reports the lease payments as rental income. For finance leases, CECONOMY recognises a receivable for the lease payments (net investment). The lease payments made are divided into an interest portion and a redemption portion in accordance with the effective interest method.

Previous treatment of leases

Until 30 September 2019, CECONOMY accounted for leases in accordance with IAS 17 (Leases). In accordance with IAS 17, economic ownership of leased assets was attributed to the lessee if the lessee bore all the substantial risks and rewards of ownership of the leased asset (**finance lease**). If a CECONOMY company acted as lessee and economic ownership was attributable to this company, the leased asset was capitalised at the commencement of the lease in the amount of the fair value or lower present value of the minimum lease payments. It was depreciated – like similar items of property, plant and equipment – over the expected useful life or the lease term, if shorter. However, if it was reasonably certain that ownership of the leased asset would pass to the lessee at the end of the term, it was depreciated over the expected useful life. The payment obligations resulting from future lease payments were recognised as liabilities. As lessor, however, CECONOMY recognised a receivable.

If economic ownership of the leased asset did not pass to the lessee, the lease was an **operating lease**. In this case, the lessee did not recognise an asset or liability in its statement of financial position, but merely showed the rental expenses on a straight-line basis over the term of the lease in the income statement, while CECONOMY as lessor recognised an asset and a receivable.

In the case of a lease for a building and accompanying land, these two elements were treated separately and classified as a finance or operating lease.

CONTRACT ASSETS

Contract assets are reported under the "trade receivables and similar claims" balance sheet item. A contract asset represents the right to consideration in the form of payment from the customer if goods or services have been transferred to the customer but the right to consideration still depends on other factors such as the passage of time.

At CECONOMY, contract assets primarily arise from variable commission claims, e.g. from the brokerage of mobile phone contracts that are still linked to certain conditions. To calculate impairment on contract assets, CECONOMY applies the simplified approach according to IFRS 9 (Financial Instruments).

OTHER ASSETS

This means other receivables and assets, such as other entitlements to tax refunds. Prepaid expenses and deferred charges include transitory accruals.

FINANCIAL INSTRUMENTS

Unless they relate to **associates** as defined by IAS 28 (Investments in Associates and Joint Ventures) or **joint ventures** according to IFRS 11 (Joint Arrangements), **financial assets** are recognised according to the measurement categories described below.

On initial recognition, a financial instrument is measured at fair value. Transaction costs are included in all categories apart from "financial assets measured at fair value through profit or loss". They are always recognised as of the trade date.

Financial instruments are subsequently measured at either amortised cost or fair value, depending on their allocation to the measurement categories described below.

Financial assets are derecognised if the contractual rights to cash flows from the item are terminated or expired or the financial asset is transferred. A financial liability is only derecognised if it is extinguished, i.e. when the obligations specified in the contract are settled, cancelled or expired.

"Financial assets measured at amortised cost"

All debt instruments that are held as financial assets to maturity or for which the objective is to realise contractual cash flows ("hold" business model) are measured at amortised cost. In addition, it is necessary that these financial instruments meet the SPPI (solely payments of principal and interest) criterion. The SPPI criterion is met if the contractual cash flows are solely unmodified and unleveraged payments of principal and interest on the principal amount outstanding.

For financial assets measured at amortised cost, impairment must be recognised for expected and incurred credit losses. A distinction is drawn here between the general and the simplified approach. CECONOMY applies the **general approach** unless there is voluntary measurement according to the simplified approach (see below). The impairment is recognised in three stages. Financial instruments whose credit risk has not significantly increased since initial recognition are recognised in stage 1.

On this basis, the impairment is measured at an amount equal to twelve-month expected credit losses. In stage 2, impairment is recognised at an amount equal to the expected credit losses over the lifetime of the financial instrument if the credit risk has significantly increased. Stage 3 relates to incurred losses, which are explained below. The general approach is applied in particular to receivables due from suppliers.

For the following items, the asset is impaired using the **simplified approach**: trade receivables, contract assets in accordance with IFRS 15 and lease receivables. An impairment matrix is created for each region (DACH, Western/Southern Europe, Eastern Europe and Others) for the calculation and recognition of expected credit losses. This recognises the expected credit losses over the lifetime of the financial instrument. It is based on the receivables for which specific bad debt allowances have not yet been recognised. An individual rating is used to calculate the expected credit losses for trade receivables and contract assets due from providers.

At each closing date, financial assets are examined for substantial objective evidence of impairment (incurred credit losses). This evidence includes, for example, delays or defaults in principal or interest payments and significant financial difficulties on the part of the issuer or debtor. If such evidence exists, the amount of the impairment is calculated as the difference between the carrying amount of the asset and the present value of the (still) expected future cash flows. The effective interest rate previously used is used as the discount rate for the expected future cash flows. A specific bad debt allowance must always be recognised for financial assets with loss events.

Within CECONOMY, it is essentially the following financial assets that come under the "hold" business model:

– Loans

– Trade receivables, unless part of a factoring or similar programme

– Receivables due from suppliers: depending on the underlying circumstance, receivables due from suppliers are recognised as a reduction in cost, reimbursement or payment for services rendered. Supplier compensation is recognised on an accrual basis, provided it is contractually agreed and realisation is likely. The accruals are based on projections, provided the supplier compensation is regularly tied to certain calendar year targets.

– Cash and cash equivalents: cash and cash equivalents include cheques, cash on hand, bank deposits and other financial assets that can quickly be converted into cash, such as available balances in lawyer trust accounts or money in transit with an original term of up to three months. They are measured at their nominal values.

– Securities, provided the defined conditions are met

"Financial assets measured at fair value through other comprehensive income with recycling"
This measurement category includes all debt instruments contained within a portfolio for which there are two parallel objectives: firstly, to hold them to maturity and generate contractual cash flows and secondly, to sell the instruments before maturity ("hold and sell" business model).

These financial assets are subsequently measured at fair value, while changes in fair value are recognised through other comprehensive income. This does not include impairment gains and losses (see explanation under "financial assets measured at amortised cost") or gains and losses from currency translation until the financial asset is derecognised or reclassified.

Within CECONOMY, the following financial assets come in general under the "hold and sell" business model:

– Trade receivables if part of a correspondingly structured factoring or similar programme

– Securities that are part of the liquidity reserve and are sold before maturity if liquidity is required

"Financial assets measured at fair value through other comprehensive income without recycling"
Non-derivative equity instruments that are not held for trading can optionally be recognised in this measurement category. The gains and losses associated with the instrument are recognised in other comprehensive income. The amounts recognised in other comprehensive income are never (neither on derecognition nor in the event of impairment) reclassified to the income statement.

The following financial assets can in general be assigned to this category at CECONOMY:

– Investments in corporations

– Securities, provided they meet the equity definition

"Financial assets measured at fair value through profit or loss"
This measurement category, under which measurement is at fair value through profit or loss, comprises the following items:

– Debt instruments that are held in a portfolio with the objective of selling the instruments before maturity ("sell" business model) and that do not meet the SPPI criterion are measured at fair value through profit or loss. At CECONOMY, these include trade receivables if part of a correspondingly structured factoring or similar programme.

– Derivative financial instruments, provided they are not in an effective hedge

– Equity instruments for which there is an intention to sell or for which there is no intention to sell and no optional allocation to the "measured at fair value through other comprehensive income without recycling" category

"Liabilities measured at amortised cost"
All financial liabilities that are not measured at fair value through profit or loss (see below) must be measured at amortised cost. This measurement category primarily includes bond liabilities, liabilities to banks, liabilities from promissory notes, notes payable and trade liabilities.

"Liabilities measured at fair value through profit or loss"
The following financial liabilities, which are held for trading, are measured at fair value through profit or loss:

– Financial liabilities that were entered into with a short-term repurchase intention or that on initial recognition are part of a portfolio of clearly identifiable financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking

– Derivative financial liabilities, provided they are not part of an effective hedge

– Liabilities arising on the transfer of a financial asset that does not meet the criteria for disposal or is recognised according to the continuing involvement approach

The fair value option is not exercised at CECONOMY, so there is no voluntary allocation of other financial liabilities to the category of financial instruments measured at fair value through profit or loss.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are determined in compliance with IAS 12 (Income Taxes) according to the concept of the balance sheet liability method. Deferred taxes result from temporary differences between the carrying amounts stated in the consolidated financial statements and the tax bases of assets and liabilities. Deferred tax assets are also recognised for tax loss and interest carry-forwards not yet used.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable income for the realisation of the corresponding benefit will be generated in the future.

Deferred tax assets and deferred tax liabilities are offset if the income tax claims and liabilities are from/to the same tax authority and relate to the same tax subject or a group of different tax subjects that are assessed jointly for income tax purposes. Deferred tax assets are reassessed at every closing date and adjusted if necessary.

Deferred taxes are calculated on the basis of the tax rates expected in the individual countries on the date of realisation. These are generally based on the statutory regulations in force or already enacted as of the closing date.

The assessment of deferred taxes reflects the tax consequences resulting from CECONOMY's expectations regarding the manner of recovery of the carrying amounts of its assets and fulfilment of its liabilities as of the closing date.

INVENTORIES

Merchandise accounted for as inventories is measured at cost in accordance with IAS 2 (Inventories). Cost is determined either on the basis of separate measurement of additions from the perspective of the procurement market or using the weighted average cost method. Supplier compensation classified as a reduction in cost reduces the carrying amount of inventories. Both internal and external costs are recognised as acquisition-related costs if they are directly attributable to the acquisition process.

Merchandise is measured on the closing date at the lower of cost and net realisable value. Individual deductions are recognised on merchandise if the net realisable value is lower than the carrying amount. Net realisable value is the expected recoverable sale proceeds less the directly attributable selling expenses still to be incurred up to the time of the sale.

If the reasons that resulted in impairment of merchandise no longer exist, the impairment is reversed accordingly.

As CECONOMY's inventories are never qualifying assets, interest expense on borrowings attributable to inventories is not capitalised in accordance with IAS 23 (Borrowing Costs).

The sub-item **"Assets for products to be returned (right of return)"** takes account of a customer's right of return. When products with a right of return are sold, sales are recognised only in the amount of the consideration to which the company is expected to be entitled. Therefore, the proportion of products that the company expects to be returned must be estimated and not included in the calculation of the transaction price.

INCOME TAX ASSETS AND LIABILITIES

The recognised income tax assets and liabilities relate to domestic and foreign income taxes for 2019/20 and from previous years. They are determined in accordance with the tax provisions of the country in question.

The calculation of income tax liabilities also includes the effects of tax risks. The assumptions and estimates on which these risks are based are regularly reviewed and accounted for in the tax calculation.

NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets are classified as **non-current assets held for sale** pursuant to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) if the associated carrying amount is primarily to be realised through sale and not through continued use. A sale must be planned and achievable with high probability within the next twelve months. Immediately before the initial classification as held for sale, the carrying amounts of the asset must be measured in accordance with applicable IFRS. In the event of reclassification, the asset is recognised at the lower of carrying amount and fair value less cost to sell and presented separately in the statement of financial position. Liabilities related to assets held for sale are likewise shown separately in the statement of financial position.

In accordance with IFRS 5, a **discontinued operation** is recognised as such if it is held for sale or has already been sold. An operation is a component of an entity that represents either a separate major line of business or a geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Immediately before the initial classification as held for sale, the carrying amounts of the component must be measured in accordance with applicable IFRS. In the event of reclassification, the discontinued operation is carried at the lower of carrying amount and fair value less cost to sell. In the income statement, statement of financial position, cash flow statement and segment reporting, discontinued operations are presented separately and explained in the notes. The previous year's figures – with the exception of the statement of financial position – are adjusted accordingly. Intra-Group relationships with discontinued operations are not recognised in the statement of financial position up to the date of deconsolidation. In the income statement, trade relationships between continuing and discontinued operations are shown as expenses/income within continuing operations if the trade relationships continue after deconsolidation.

EMPLOYEE BENEFITS

Employee benefits include:

- Short-term employee benefits

- Post-employment benefits

- Obligations similar to pensions

- Termination benefits

– Share-based payments

Short-term employee benefits include, for example, wages, salaries, social security contributions, paid annual leave, and paid sick leave and are recognised as liabilities at the repayment amount as soon as the associated work is performed.

Post-employment benefits are paid in connection with either a defined contribution or a defined benefit plan. For **defined contribution plans**, the periodic contribution obligation to the external pension provider is recognised as a pension expense as the same time as the work is performed. Missed or advance payments to the pension provider are recognised as a liability or a receivable, respectively. Liabilities with a maturity of over twelve months are discounted.

The actuarial calculation of pension provisions for post-employment benefit plans as part of a **defined benefit plan** is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. This benefit/years of service method uses biometric data and takes both the pensions and earned entitlements known at the closing date and the expected future increases in salaries and pensions into account. If the calculated performance obligation or the fair value of plan assets increases or decreases between the start and the end of a financial year due to experience-based adjustments (for example relating to a higher employee turnover rate) or changes in the underlying actuarial assumptions (for example in the discount rate), this results in actuarial gains and losses. These are recognised through other comprehensive income. Effects of plan changes and plan curtailments are recognised through profit or loss in service costs. The interest portion of additions to provisions included in pension expenses is recognised as interest expenses within the financial result. If there are plan assets, the size of the provision is determined by the difference between the present value of defined benefit obligations and the present value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary and death benefits) comprise the present value of future payments to employees or their surviving dependants less any associated assets, measured at fair value. The size of the provisions is determined on the basis of actuarial reports pursuant to IAS 19. Actuarial gains and losses are recognised through profit or loss in the period in which they are incurred.

Termination benefits relate to severance payments to employees. They are recognised through profit or loss as a liability if payments must be made to employees on the termination of the employment relationship on the basis of a contractual or constructive obligation. Such an obligation exists when a formal plan exists for the early termination of the employment relationship and it is not possible to withdraw from this plan. If the payment is due more than twelve months after the closing date, it must be carried at its present value.

The share bonuses granted under the share-based payment system are classified as **"cash-settled share-based payments"** pursuant to IFRS 2 (Share-based Payment). Proportionate provisions measured at the fair value of the obligations entered into are recognised for these bonuses. The provisions are recognised proportionately through profit or loss as personnel expenses spread over the underlying vesting period. The fair value is recalculated using an option pricing model at every closing date during the vesting period up to the exercise date. The provision is adjusted accordingly through profit or loss. If the granted share-based payments were hedged with corresponding hedging transactions, the hedges are measured at fair value and recognised under other financial and non-financial assets. The part of the fluctuation in the fair value of the hedges that corresponds to the fluctuation in the fair value of the share-based payments is recognised through profit or loss as personnel expenses. The part of the fluctuations in the fair value exceeding this is recognised through other comprehensive income.

(OTHER) PROVISIONS

(Other) provisions are recognised in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if there are legal or constructive obligations to third parties that are based on past transactions or events and are expected to lead to an outflow of resources that can be reliably estimated. The provisions reflect all discernible risks relating to the assumed settlement amount. In the case of a single obligation, the assumption is based on the settlement amount with the highest probability of occurrence. If the calculation of the provision for a single item reveals a range of equally likely settlement amounts, the recognised provision must equal the mean of these settlement amounts. In the event of a large population of similar items, the provision is recognised at the expected value obtained by weighting all possible outcomes by their associated probabilities.

Long-term provisions with a term of more than one year are discounted to the closing date at a matched-term interest rate, which reflects the current market expectations with regard to the time value of money. Provisions with a term of more than one year are discounted accordingly, provided the effect of the time value of money is material. Recourse claims are not offset against the provision amount, but are recognised separately as an asset, provided their realisation is virtually certain.

Provisions for restructuring are recognised if the constructive obligation to restructure was formalised at the closing date by the adoption of a detailed restructuring plan and its communication to those affected. Restructuring provisions exclusively contain expenses that are essential for restructuring and not connected to the company's ongoing activities.

Provisions for warranties are recognised at the expected handling costs.

BORROWINGS AND OTHER FINANCIAL LIABILITIES

Financial liabilities designated as an underlying transaction within a fair value hedge are measured at fair value through profit or loss. The fair values of financial liabilities disclosed in the notes are calculated on the basis of the interest rates applicable on the closing date for the corresponding residual maturities and repayment structures.

Financial liabilities from leases are measured at the present value of the future minimum lease payments.

The newly added sub-item "**Refund liability**" within the "Other financial liabilities (current)" balance sheet item takes account of a customer's right of return. When services with a right to a refund are offered, sales are recognised only in the amount of the consideration to which the company is expected to be entitled. Therefore, the proportion of products that the company expects to be returned must be estimated and not included in the calculation of the transaction price.

CONTRACT LIABILITIES

Contract liabilities are reported under the "Trade liabilities and similar liabilities" balance sheet item. A contract liability must be recognised if the customer has already paid but CECONOMY has not yet fulfilled the performance obligation to transfer goods or services to the customer.

At CECONOMY, contract liabilities primarily relate to deferred sales from customer loyalty programmes, the sale of vouchers and extended warranties and to prepayments received on orders.

OTHER LIABILITIES

Other liabilities are carried at their repayment amount.

Deferred income includes transitory accruals.

Other

CONTINGENT LIABILITIES

Contingent liabilities are, firstly, possible obligations that arise from past events but whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Secondly, contingent liabilities constitute present obligations that arise from past events but for which an outflow of resources is considered unlikely or a sufficiently reliable estimate of the amount of the obligation cannot be made. In accordance with IAS 37, such obligations are not recognised in the statement of financial position but rather disclosed in the notes. The calculation of the size of the contingent liabilities is based on the principles of provision measurement.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are used solely to reduce risk. They are used in line with the stipulations of the corresponding Group guideline.

All derivative financial instruments are measured at fair value in accordance with IFRS 9 and recognised under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms, if applicable including the credit margins or stock market prices relevant for CECONOMY using the mean rates on the closing date. If no stock market prices can be consulted, the fair value is calculated using recognised financial models.

In the event of an effective hedge accounting transaction (hedge accounting) according to IAS 39, changes in the fair value of derivatives designated as fair value hedges and fair value changes related to the hedged risk of the associated underlying transaction are recognised through profit or loss. For cash flow hedges, the effective portion of the change in the fair value of the derivative is recognised through other comprehensive income (OCI). It is not reclassified to the income statement through profit or loss until the underlying transaction affects profit or loss. The ineffective portion of the change in value of the hedging instrument is immediately recognised through profit or loss.

Summary of selected measurement methods

Item	Measurement method
Assets	
Goodwill	Cost (subsequent measurement: impairment test)
Other intangible assets	
Purchased other intangible assets	(Amortised) cost
Internally generated intangible assets	Development costs (direct costs and directly attributable overhead)
Property, plant and equipment	(Amortised) cost
Right-of-use assets from leases	(Amortised) cost
Financial assets/other financial assets	
Financial assets measured at amortised cost	(Amortised) cost
Financial assets measured at fair value through other comprehensive income with recycling	At fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income without recycling	At fair value through other comprehensive income
Financial assets measured at fair value through profit or loss	At fair value through profit or loss
Inventories	Lower of cost and net realisable value
Trade receivables and similar claims	
Trade receivables	(Amortised) cost
Contract assets	(Amortised) cost
Receivables due from suppliers	(Amortised) cost
Other assets	(Amortised) cost
Cash and cash equivalents	Nominal value
Assets held for sale	Lower of carrying amount and fair value less cost to sell
Equity and liabilities	
Provisions	
Pension provisions	Projected unit credit method (benefit/years of service method)
Other provisions	Discounted settlement amount (with best-possible estimate)
Financial liabilities	
Liabilities measured at fair value through profit or loss	At fair value through profit or loss
Liabilities measured at amortised cost	(Amortised) cost
Financial lease liabilities	(Amortised) cost
Borrowings and other financial liabilities	At settlement amount or fair value
Other liabilities	At settlement amount or fair value
Trade liabilities and similar liabilities	
Trade liabilities	(Amortised) cost
Contract liabilities	At fair value through profit or loss

Judgements, estimates and assumptions

For the preparation of these consolidated financial statements, **judgements, estimates and assumptions** had to be made that had an impact on the recognition and amount of assets, income, expenses and contingent liabilities.

IMPACT OF COVID-19 ON ACCOUNTING

In preparing the consolidated financial statements, estimates and assumptions were made resulting from the changed business circumstances due to the COVID-19 pandemic.

Since the middle of March 2020, CECONOMY's sales and earnings development has chiefly been influenced by the COVID-19 pandemic and the associated measures in the individual countries. The uncertainties with regard to the further development of the COVID-19 pandemic and the global macroeconomic environment remain high as of the closing date.

The estimates and assumptions have had an impact on the recognition and amount of assets and liabilities, as well as income and expenses. Estimates and underlying assumptions with significant effects were made, particularly for the following items:

On the basis of the provisions of IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment annually. If there are indications that goodwill may be impaired, it is also necessary to perform an impairment test during the year.

In the second quarter, CECONOMY performed an ad hoc goodwill impairment test as of 30 March 2020 as a result of the COVID-19 pandemic. Despite an adverse impact on the earnings position and an adjusted weighted average cost of capital (WACC), this did not provide any indication of impairment on the goodwill recognised. The mandatory annual test as of 30 September 2020 likewise confirmed the value of all goodwill capitalised as of 30 September 2020 (2018/19: €1 million).

In addition, CECONOMY performed an ad hoc impairment test of assets under the scope of IAS 36 as of 30 March 2020, which resulted in impairment of €12 million. The ad hoc impairment test of the investment in Fnac Darty S.A. resulted in an impairment of €268 million. In addition, the annual impairment tests as of 30 September 2020 resulted in the recognition of impairment of €27 million (2018/19: €0 million) on right-of-use assets, €21 million (2018/19) on property, plant and equipment and €1 million (2018/19: €13 million) on other intangible assets.

Furthermore, the age structure of the merchandise was significantly influenced by the temporary store closures. Cumulative impairment of €151 million was recognised as of 30 September 2020 (30/09/2019: €108 million).

JUDGEMENTS

Information on significant judgements that have the greatest material effect on the amounts reported in these consolidated financial statements is included in the following disclosures in the notes:

- Definition of the consolidation group by assessing control opportunities ("Consolidation group" section); this particularly affects investments whereby, due to special provisions in the articles of association, control opportunity is not necessarily associated with a simple majority of the voting rights

- Determination of whether CECONOMY acts as principle or agent in sales transactions (note 1 Sales)

- Allocation of the transaction price on the basis of the relative standalone selling prices in the case of multi-component transactions and the associated sales recognition (note 1 Sales)

ESTIMATES AND ASSUMPTIONS

Information on estimates and underlying assumptions with significant effects for these consolidated financial statements are included in the following disclosures in the notes:

- Group-wide definition of expected useful lives for depreciable assets (note 16 Scheduled depreciation/amortisation and impairment losses, note 20 Other intangible assets and note 21 Property, plant and equipment)

- Ad hoc impairment test of depreciable assets (note 16 Scheduled depreciation/amortisation and impairment losses, note 20 Other intangible assets and note 21 Property, plant and equipment)

- Annual test for indicators of impairment and, if necessary, impairment test of goodwill (note 19 Goodwill – including sensitivity analysis) and investments accounted for using the equity method (note 23 Financial investments and investments accounted for using the equity method)

- Measurement of the lease liability and right-of-use asset from leases – especially to determine the probability of exercise of extension and termination options for leases as well as impairment of the right-of-use asset

- Recoverability and definition of receivables – especially receivables due from suppliers and from commissions (note 24 Receivables due from suppliers, other financial assets and other assets and note 27 Trade receivables and similar claims)

- Recognition of supplier compensation on an accrual basis (note 24 Receivables due from suppliers, Other financial assets and non-financial assets and note 26 Inventories)

- Measurement of contract assets (note 27 Trade receivables and similar claims)

- Measurement of inventories (note 26 Inventories)

- Calculation of provisions for pensions and similar obligations (note 32 Provisions for pensions and similar obligations)

- Calculation of other provisions – e.g. for Operating Model, warranties, taxes and risks from legal proceedings (note 33 Other provisions (non-current)/provisions (current))

- Estimation of expected returns and the associated sales recognition (note 1 Sales)

- Calculation of the fair value less costs to sell of “non-current assets held for sale, liabilities related to assets held for sale and discontinued operations” (note 13 Profit or loss for the period from discontinued operations and note 30 Assets held for sale/liabilities related to assets held for sale)

Although the estimates and assumptions were made with great care, actual figures may differ in individual cases. The estimates and assumptions used for the consolidated financial statements are regularly reviewed. Changes are recognised when better knowledge comes to light.

Capital management

The objectives of CECONOMY's capital management strategy are to secure business operations, increase the value of the company, create a solid capital base for funding future growth and guarantee capital service.

CECONOMY's capital management strategy has not changed compared with the previous year.

EQUITY, LIABILITIES AND NET LIQUIDITY/NET DEBT IN THE CONSOLIDATED FINANCIAL STATEMENTS

Equity amounts to €548 million (30/09/2019: €784 million), while liabilities come to €9,907 million (30/09/2019: €7,320 million).

Net debt amounted to €854 million as of 30 September 2020 (30/09/2019: net liquidity of €882 million). Adjusted for the recognition of lease liabilities in the statement of financial position due to the first-time application of IFRS 16, net liquidity amounted to €1,287 million (30/09/2019 adjusted: €932 million).

€ million	30/09/2019	30/09/2020
Equity	**784**	**548**
Liabilities	**7,320**	**9,907**
Net liquidity (+)/Net debt (–)	**882[1]**	**–854**
Borrowings	302	2,422
Cash and cash equivalents	1,184[1]	1,484
Short-term financial investments[3]	0	85

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".
[3] Included in the statement of financial position under "other financial assets (current)".

LOCAL CAPITAL REQUIREMENTS

CECONOMY's capital management strategy always aims to ensure that the Group companies are capitalised in line with local requirements. In financial year 2019/20, all external capital requirements were met. For example, these include compliance with a certain level of indebtedness or a fixed equity ratio.

Notes to the income statement

1. SALES

Sales (net) primarily result from product sales and break down as follows:

	DACH		Western/ Southern Europe		Eastern Europe		Others		CECONOMY	
€ million	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Product sales	11,762	11,583	6,450	6,122	1,517	1,552	497	445	20,226	19,701
Services & Solutions	803	741	357	309	49	59	19	20	1,229	1,129
Total sales	**12,565**	**12,323**	**6,807**	**6,431**	**1,567**	**1,611**	**516**	**465**	**21,455**	**20,831**

In comparison with the previous year, Group sales decreased by 2.9 per cent to €20,831 million. This is mainly attributable to the negative sales development of the stationary business due to the temporary closure of the majority of its stores in March, April and part of May 2020 as a result of the requirements of national governments against the spread of coronavirus. After the reopening of stores from mid-May, CECONOMY saw a noticeable sales recovery initially driven by catch-up effects, which continued until the end of the financial year thanks to persistently strong customer demand. The successful campaign days around Black Friday in November and December 2019 also had a positive impact on Group sales in the year as a whole. Online business recorded extraordinary sales growth throughout the Group, although this only partially offset the loss of in-store sales caused by the temporary store closures as a result of COVID-19. Of sales totalling €20,831 million (2018/19: €21,455 million), €4,203 million related to online sales (2018/19: €2,935 million).

Three new stores were opened in financial year 2019/20, with Austria, the Netherlands and Italy accounting for one each. A total of ten stores were closed, of which six in Germany, two in Poland and one each in Switzerland and Italy.

Another twelve stores were disposed of as part of the MediaMarkt Greece transaction. The store network decreased to 1,023 stores as of the closing date.

2. COST OF MATERIALS

The cost of sales includes costs of materials for purchased goods of €16,669 million (2018/19: €16,938 million).

3. OTHER OPERATING INCOME

€ million	2018/19	2019/20
Income from rents and subleases incl. reimbursements of subsidiary rental costs	10	9
Cost refunds	57	54
Services rendered to suppliers	34	27
Gains from the disposal of fixed assets and gains from reversal of impairment losses	6	5
Income from deconsolidation	0	10
Miscellaneous	89	94
	196	**199**

Income from cost refunds primarily relates to services rendered for third parties.

The year-on-year decline in services rendered to suppliers resulted mainly from lower service charges in Poland of €6 million (2018/19: €14 million).

The income from deconsolidation resulted from the disposal of the MediaMarkt Greece business.

The miscellaneous other operating income particularly includes income from the capitalisation of the 25 per cent stake in the Greek joint venture PMG Retail Market Ltd. of €28 million and income from claims for damages of €10 million (2018/19: €34 million). It also includes, among other things, income from the derecognition of statute-barred liabilities of €3 million (2018/19: €11 million) and government grants of €7 million (2018/19: €2 million). These include grants in response to the COVID-19 pandemic of €4 million. The latter relate primarily to economic aid in connection with the temporary closure of stores.

4. SELLING EXPENSES

€ million	2018/19	2019/20
Personnel expenses	1,713	1,536
Cost of materials	1,743	1,683
	3,456	**3,219**

Under selling expenses, personnel expenses declined primarily because of lower expenses for wages and salaries as a reaction to the COVID-19 pandemic. Personnel expenses also include government grants in connection with COVID-19 of €19 million.

In addition, the cost of material decreased due to reduced costs of recruitment, lower usage costs, rent reductions in response to the COVID-19 pandemic, and lower consulting costs on the one hand and due to lower lease expenses in connection with the first-time application of IFRS 16 on the other hand, as a portion is now recognised in the net financial result.

5. GENERAL ADMINISTRATIVE EXPENSES

€ million	2018/19	2019/20
Personnel expenses	385	264
Cost of materials	278	269
	663	**533**

General administrative expenses decreased significantly year on year in terms of personnel expenses. The decrease in personnel expenses is due primarily to expenses for severance payments in connection with the reorganization and efficiency program and management changes in the previous year. Personnel expenses also include government grants in response to the COVID-19 pandemic of €2 million.

The cost of material decreased slightly, due primarily to lower expenses for consulting costs.

6. OTHER OPERATING EXPENSES

€ million	2018/19	2019/20
Impairment losses on goodwill	1	0
Losses from the disposal of fixed assets	9	28
Miscellaneous	3	1
	13	**29**

The increase in other operating expenses resulted from the higher losses from the disposal of fixed assets in comparison to the previous year due to the realignment of the IT strategy.

7. EARNINGS SHARE OF OPERATING COMPANIES RECOGNISED AT EQUITY/OTHER INVESTMENT RESULT

The earnings share recognised in operating earnings from operating companies recognised at equity essentially relates to the investment in Fnac Darty S.A. and the investment in the Greek joint venture PMG Retail Market Ltd.

In financial year 2019/20, the subsequent measurement of the investment in Fnac Darty S.A. accounted for using the equity method resulted in an earnings contribution of €−265 million (2018/19: €21 million). The earnings contribution is negative compared with the previous year because, due in particular to the COVID-19 pandemic, the market value of the interest in Fnac Darty S.A. based on the stock exchange price on the reporting date of 31 March 2020 had continued to fall significantly below acquisition cost, so that there was objective evidence of impairment in accordance with IAS 28. To determine the value in use in the sense of a long-term performance value, CECONOMY AG used a DCF method based on free cash flow. With this method, €265 million was determined as the recoverable amount of the investment in Fnac Darty S.A., resulting in an impairment of €268 million which was recognised in EBIT. In addition, €3 million was recognised from the subsequent measurement of the investment accounted for using the equity method (2018/19: €21 million).

In the first quarter of 2019/20, the investment in the Greek joint venture was recognised at cost of €28 million, corresponding to the market value when joint control was obtained. The subsequent measurement of the investment accounted for using the equity method resulted in a change in the investment of €−2 million. As of 30 September 2020, the carrying amount was €26 million.

The other investment result recognised under the net financial result was €20 million (2018/19: €46 million). The €26 million decline in the other investment result is due to a high basis for comparison in the previous year based on a gain from the sale of 5.4 per cent of the shares in METRO AG and higher income from the investments in METRO AG and in METRO PROPERTIES GmbH & Co. KG. A dividend payment from PJSC "M.video" in the past financial year 2019/20 amounting to around €13 million had the opposite effect on the other investment result.

Dividends from METRO AG and investment income from METRO PROPERTIES GmbH & Co. KG also included in the other investment result amounted to €7 million in the financial year 2019/20 (2018/19: €27 million).

↗ Additional information on the investments can be found under note 23 Financial investments and investments accounted for using the equity method.

8. NET IMPAIRMENTS ON OPERATING FINANCIAL ASSETS AND CONTRACT ASSETS

Net impairments came to €10 million in the financial year 2019/20 (2018/19: €9 million).

↗ Additional information on net impairments can be found under note 28 Impairments of capitalised financial instruments and contract assets.

9. INTEREST INCOME/INTEREST EXPENSES

Interest income and interest expenses from financial instruments are allocated to the measurement categories pursuant to IFRS 9 according to the underlying transactions. The net interest result comprises the following:

€ million	2018/19	2019/20
Interest income	26	9
thereof finance leases	(0)	(0)
thereof post-employment benefit plans	(1)	(0)
thereof from financial instruments of the measurement categories according to IFRS 9:		
Loans and receivables incl. cash and cash equivalents	(0)	(0)
Financial instruments measured at amortised cost	(13)	(6)
Financial instruments measured at fair value through other comprehensive income	(0)	(0)
Financial instruments measured at fair value through profit or loss	(0)	(0)
Interest expenses	−40	−60
thereof (finance) leases	(−1)	(−19)
thereof post-employment benefit plans	(−10)	(−4)
thereof from financial instruments of the measurement categories according to IFRS 9:		
Financial instruments measured at fair value through profit or loss	(0)	(0)
Financial instruments measured at amortised cost	(−7)	(−14)
	−14	**−51**

The decline in interest income is primarily the result of the reversal of provisions in the previous year. Interest expenses increased due to the first-time application of IFRS 16.

10. OTHER FINANCIAL RESULT

Other financial income and expenses from financial instruments are allocated to the measurement categories pursuant to FRS 9 according to the underlying transactions. In addition to income and expenses from the measurement of financial instruments in accordance with IFRS 9, this also takes into account measurements of foreign currency items under IAS 21.

€ million	2018/19	2019/20
Other financial income	12	37
thereof currency effects	(8)	(16)
thereof from currency hedges	(0)	(8)
Other financial expenses	−33	−51
thereof currency effects	(−15)	(−29)
thereof from currency hedges	(−2)	(−0)
Other financial result	**−21**	**−14**
thereof from financial instruments of the measurement categories/standards according to IFRS 9		
Loans and receivables incl. cash and cash equivalents	(0)	(0)
Financial instruments measured at amortised cost	(−19)	(−20)
Financial instruments measured at fair value through other comprehensive income	(0)	(0)
Financial instruments measured at fair value through profit or loss	(0)	(7)

Total comprehensive income from currency effects and measurement results of currency hedging transactions and currency hedging relationships comes to €−6 million (2018/19: €−9 million) and essentially relates to MediaMarkt Turkey.

Besides currency effects, the increase in other financial expenses also results from expenses for credit and commitment fees for adjusted credit facilities in the past financial year 2019/20 of €13 million.

↗ Additional information on the potential impact of currency risks can be found under note 43 Management of financial risks.

11. NET GAINS/LOSSES BY MEASUREMENT CATEGORY

The main effects on earnings from financial instruments are as follows:

2018/19

€ million	Dividends paid	Interest income/interest expenses	Changes in market value	Net impairments	Currency translation	Other	Net gains/losses
Financial assets at amortised cost	0	13	0	–9	–7	0	–3
Financial assets at fair value through other comprehensive income (with recycling)	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income (without recycling)	27	0	0	0	0	0	27
Financial assets/liabilities at fair value through profit or loss	0	0	17	0	0	0	17
Financial liabilities at amortised cost	0	–6	0	0	–1	0	–7
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0
	28	**6**	**17**	**–9**	**–8**	**1**	**34**

2019/20

€ million	Dividends paid	Interest income/interest expenses	Changes in market value	Net impairments	Currency translation	Other	Net gains/losses
Financial assets at amortised cost	0	1	0	–10	–2	0	–11
Financial assets at fair value through other comprehensive income (with recycling)	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income (without recycling)	20	0	0	0	0	0	20
Financial assets/liabilities at fair value through profit or loss	0	0	7	0	0	0	7
Financial liabilities at amortised cost	0	–8	0	0	–11	–4	–23
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0
	20	**–7**	**7**	**–10**	**–13**	**–4**	**–7**

Income and expenses from financial instruments are allocated to the measurement categories pursuant to IFRS 9 according to the underlying transactions.

Net results from the measurement of investments in the fair value category – through profit or loss and the dividends for investments in the fair value category – through other comprehensive income (without recycling) are included in the other investment result. Income and expenses from interest form part of the net interest result. Fair value measurements and the effects of other financial expenses and of currency translation for financial assets are recognised under other financial result. Earnings effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). Earnings effects from the disposal of assets that were classified at fair value – through other comprehensive income (with recycling) are recognised under the other financial result, unless these are operating receivables. Expenses from impairments of operating financial instruments are included in earnings before interest and taxes (EBIT).

↗ A detailed description of impairments can be found under note 28 Impairments of capitalised financial instruments and contract assets.

The remaining financial income and expenses that are recognised under the other financial result relate primarily to bank commission and similar expenses associated with financial assets and liabilities.

12. INCOME TAXES

Expected income taxes and deferred taxes for the individual countries are to be recognised as income taxes.

€ million	2018/19	2019/20
Current taxes	**84**	**111**
thereof Germany	(49)	(82)
thereof international	(35)	(29)
thereof tax expenses/income of current period	(88)	(105)
thereof tax expenses/income of previous periods	(−4)	(7)
Deferred taxes	**−7**	**−19**
thereof Germany	(−16)	(−6)
thereof international	(9)	(−13)
	77	**93**

The German income tax rate applicable to CECONOMY AG is made up of the corporate income tax of 15 per cent plus the solidarity surcharge of 5.5 per cent and the trade tax of 14.7 per cent with an average assessment rate of 420.15 per cent. This gives a total tax rate of 30.53 per cent, in line with the previous year's rates. Foreign income tax rates applied are based on the laws and regulations in place in each country and range from between 9 per cent and 29.6 per cent (2018/19: 9 per cent and 29 per cent).

€ million	2018/19	2019/20
Deferred taxes in the income statement	**−7**	**−19**
thereof from temporary differences	(10)	(−23)
thereof from loss and interest carry-forwards	(−17)	(4)

In addition to the recognised income taxes, there are contingent liabilities in connection with uncertain income tax items for cross-border transfer pricing. Despite extensive documentation on cross-border transfer pricing, there is a minor residual risk that the local tax authorities do not permit the allocated costs to be deducted, even if the German tax law demands an cost allocation. This can result in potential backpayments of taxes, which could amount to around €5 million for all past and not yet statute-barred periods.

Income tax expenses of €93 million (2018/19: €77 million) are €131 million higher (2018/19: €5 million) than expected income tax expenses of €−38 million (2018/19: €72 million), calculated by applying the Group tax rate (30.53 per cent) to earnings before taxes.

The reconciliation of expected to recognised income tax expenses is as follows:

€ million	2018/19	2019/20
Earnings before taxes	**235**	**−125**
Expected income tax expenses (30.53%)	72	−38
Tax rate changes	1[1]	0
Effects of differing national tax rates	−8	5
Tax expenses and income relating to other periods	−3	8
Non-deductible business expenses for tax purposes	20	20
Effects of not recognised or impaired deferred taxes	17	42
Additions and reductions for local taxes	6	1
Tax holidays	−4	−11
Permanent differences	−21[1]	68
Other deviations	−1	−2
Income tax expenses according to the income statement	**77**	**93**
Group tax rate (in %)	**32.7**	**−74.0**

[1] Formerly recognised under "Other deviations".

The permanent differences essentially relate to changes in carrying amounts of the investments in the amount of €70 million (2018/19: €−20 million), which primarily result from the impairment of the investment in Fnac Darty S.A.

Current income tax expenses were reduced only immaterially by the use of previously unrecognised tax losses in financial year 2019/20 (2018/19: €2 million). Reversal of impairment losses for deferred taxes on loss carry-forwards and temporary differences also resulted in deferred tax income of €10 million (2018/19: €31 million).

13. PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES

The financial year 2019/20 includes income of €6 million from discontinued operations in connection with the disposal of the Russian MediaMarkt business in financial year 2017/18 (2018/19: €1 million). In the current financial year, this results mainly from currency effects and the reversal of other provisions.

14. PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit or loss for the period attributable to non-controlling interests includes €54 million (2018/19: €64 million) in profit shares and €33 million (2018/19: €27 million) in loss shares. Discontinued operations accounted for profit shares of €1 million (2018/19: €0 million) and loss shares of €0 million (2018/19: €0 million). These were chiefly profit/loss shares of non-controlling shareholders of the MediaMarktSaturn Retail Group.

15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss for the period attributable to shareholders of CECONOMY AG by the number of shares outstanding. When calculating earnings per share, an additional dividend is subtracted from the profit or loss for the period attributable to the shareholders of CECONOMY AG. There was no dilution effect, which may result from potential shares, in the reporting period or in the previous year.

	2018/19	2019/20
Number of no-par-value shares outstanding	359,421,084	359,421,084
Profit or loss for the period attributable to shareholders of CECONOMY AG (€ million)	122	−232
Earnings per share in € (basic = diluted)	**0.34**	**−0.65**
from continuing operations	(0.34)	(−0.66)
from discontinued operations	(0.00)	(0.01)

Earnings per share from continuing operations amounted to €−0.66 (2018/19: €0.34).

Earnings per share including discontinued operations amounts to €−0.65 (2018/19: €0.34).

16. SCHEDULED DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES

Scheduled depreciation/amortisation and impairments recognised in EBIT of €1,071 million (2018/19: €241 million) included impairments of €316 million (2018/19: €19 million). €268 million of this related to the impairment of the share in Fnac Darty S.A., €27 million (2018/19: €0 million) to right-of-use assets, €21 million (2018/19: €5 million) to property, plant and equipment and €1 million (2018/19: €13 million) to other intangible assets. Goodwill was not impaired (2018/19: €1 million). Impairment of right-of-use assets essentially relates to the DACH, Eastern Europe and Others segments. Impairment of property, plant and equipment essentially relates to the Western/Southern Europe and Eastern Europe segments.

The breakdown of amounts of depreciation/amortisation in the income statement and into the relevant asset categories is as follows:

2018/19

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	2	1	2
thereof scheduled depreciation/amortisation	(0)	(2)	(1)	(2)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	21	178	200
thereof scheduled depreciation/amortisation	(0)	(13)	(174)	(188)
thereof impairment losses	(0)	(8)	(4)	(12)
General administrative expenses	0	20	17	38
thereof scheduled depreciation/amortisation	(0)	(16)	(17)	(33)
thereof impairment losses	(0)	(4)	(1)	(5)
Other operating expenses	1	0	0	1
thereof impairment losses	(1)	(0)	(0)	(1)
Total	**1**	**43**	**197**	**241**
thereof scheduled depreciation/amortisation	(0)	(31)	(192)	(223)
thereof impairment losses	(1)	(13)	(5)	(19)

2019/20

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Investments accounted for using the equity method	Total
Cost of sales	0	1	0	3	0	4
thereof scheduled depreciation/amortisation	(0)	(1)	(0)	(3)	(0)	(4)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	12	180	558	0	750
thereof scheduled depreciation/amortisation	(0)	(12)	(160)	(531)	(0)	(702)
thereof impairment losses	(0)	(0)	(21)	(27)	(0)	(47)
General administrative expenses	0	16	18	15	0	49
thereof scheduled depreciation/amortisation	(0)	(15)	(18)	(15)	(0)	(48)
thereof impairment losses	(0)	(1)	(0)	(0)	(0)	(1)
Other operating expenses	0	0	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of operating companies recognised at equity	0	0	0	0	268	268
thereof impairment losses	(0)	(0)	(0)	(0)	(268)	(268)
Total	**0**	**29**	**199**	**576**	**268**	**1,071**
thereof scheduled depreciation/amortisation	(0)	(28)	(178)	(549)	(0)	(755)
thereof impairment losses	(0)	(1)	(21)	(27)	(268)	(316)

Of impairment totalling €316 million (2018/19: €19 million), DACH accounted for €11 million (2018/19: €14 million), Western/Southern Europe for €12 million (2018/19: €2 million), Eastern Europe for €15 million (2018/19: €0 million) and the Others segment for €278 million (2018/19: €4 million).

17. PERSONNEL EXPENSES

Personnel expenses comprise the following:

€ million	2018/19	2019/20
Wages and salaries	1,969	1,610
Social security expenses, expenses for post-employment benefit plans and related employee benefits	406	358
thereof post-employment benefits	(29)	(28)
	2,375	**1,969**

Wages and salaries listed under personnel expenses include expenses associated with non-recurring effects from human resources measures amounting to €66 million (2018/19: €157 million). Variable remuneration decreased from €83 million in the previous year to €62 million in the financial year 2019/20.

The decline in personnel expenses was mainly due to state support, savings in personnel expenses in connection with COVID-19, positive effects from the implementation of the reorganization and efficiency program as well as higher personnel expenses efficiency in the stores.

Personnel expenses include cost-reducing government grants in connection with COVID-19 totalling €22 million.

Average number of employees at the Group during the year[1]:

Workforce by headcount	2018/19	2019/20
Wage-/salary-earning employees	59,780	55,174
Trainees	2,777	2,565
	62,556	**57,739**

This includes 17,852 part-time employees (2018/19: 18,541). 4,522 of the wage/salary earning employees are in management positions (2018/19: 5,119) and 50,651 are non-executive staff (2018/19: 54,661). 31,333 members of staff were employed outside Germany (2018/19: 33,303).

18. OTHER TAXES

Other taxes (such as land tax, vehicle tax, excise and transfer tax) break down as follows:

€ million	2018/19	2019/20
Other taxes	**10**	**10**
thereof from selling expenses	(9)	(9)
thereof from general administrative expenses	(1)	(1)

[1] Senior executives have now been included, and there were minor adjustments regarding trainees. The previous year's figures have been adjusted accordingly. All figures and disclosures relate exclusively to continuing operations.

Notes to the statement of financial position

19. GOODWILL

Goodwill was €524 million (30/09/2019: €524 million).

As of the reporting date, material goodwill was broken down among the following groups of cash-generating units:

	30/09/2019		30/09/2020	
		WACC		WACC
	€ million	%	€ million	%
Germany	314	5.3	314	5.5
Italy	72	7.7	72	7.1
Netherlands	51	5.4	51	5.7
Spain	49	6.2	49	6.4
Other countries	38		38	
	524		**524**	

On the basis of the provisions of IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment annually. However, if there are indications that an asset may be impaired, it is also necessary to perform an impairment test during the year. This test is performed at the level of a group of cash-generating units. This group is usually each country's organisational unit.

The impairment test compares the total carrying amounts of the group of cash-generating units against the recoverable amount. The recoverable amount is the fair value minus selling expenses, which is calculated from the discounted future cash flow using inputs for level 3 of the fair value hierarchy.

↗ The fair value hierarchy is described under note 40 Carrying amounts and fair values according to measurement categories.

Expected cash flows are based on a qualified planning process, taking into account past figures within the company and external economic data. The detailed planning period is three years. As in the previous year, a growth rate of 1.00 per cent is assumed following the detailed planning period. The weighted average cost of capital (WACC) is calculated as the capitalisation rate using the capital asset pricing model. An individual peer group of comparable companies is assumed for all groups of cash-generating units operating in the same business unit. The capitalisation rates are also determined under the assumption of a basic interest rate of 0.00 per cent (30/09/2019: 0.25 per cent) and a market risk premium of 7.10 per cent (30/09/2019: 6.85 per cent) in Germany and a beta factor of 1.08 (30/09/2019: 1.03). Country-specific risks premiums are charged both for the cost of equity and for borrowing costs. Capitalisation rates after taxes, calculated individually for each group of cash-generating units, range from 5.5 per cent to 7.1 per cent (30/09/2019: 5.3 per cent to 7.7 per cent).

Since mid-March 2020, the economic environment in which CECONOMY operates has been influenced by the COVID-19 pandemic. Therefore, an ad hoc goodwill impairment test was performed as of 31 March 2020, which confirmed the value of the goodwill in this special situation.

In addition – as in the previous year – the annual impairment tests of goodwill in financial year 2019/20 were performed as of 30 September 2020.

For goodwill considered to be material, the mandatory annual impairment test as of 30 September 2020 made the following assumptions regarding sales, EBIT and the target EBIT margin for the purpose of valuation during the detailed planning period. The EBIT margin represents the ratio of EBIT to sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
Germany	Slight growth	Solid growth	Solid growth	3
Italy	Slight growth	Significant growth	Significant growth	3
Netherlands	Slight growth	Significant growth	Significant growth	3
Spain	Slight growth	Solid growth	Solid growth	3

The mandatory annual test likewise confirmed the value of all goodwill capitalised as of 30 September 2020.

In addition to the impairment test, three sensitivity analyses were conducted for each group of cash-generating units. In the first sensitivity analysis, the growth rate was set at one percentage point lower. In the second sensitivity analysis, the capitalisation rate for each group of cash-generating units was raised by ten per cent. The third sensitivity analysis applied a flat-rate ten per cent reduction to the assumed perpetual EBIT. These changes to the underlying assumptions would also not result in impairment for any of the groups of cash-generating units.

€ million	Goodwill
Cost	
As of 01/10/2018	532
Currency translation	0
Additions to consolidation group	0
Disposals	−1
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09 or 01/10/2019	531
Currency translation	0
Additions to consolidation group	0
Disposals	0
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09/2020	531
Impairment	
As of 01/10/2018	7
Currency translation	0
Additions	0
Additions to impairment	1
Disposals	−1
Reclassifications to IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/09 or 01/10/2019	7
Currency translation	0
Additions	0
Additions to impairment	0
Disposals	0
Reclassifications to IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/09/2020	7
Carrying amount as of 01/10/2018	525
Carrying amount as of 30/09/2019	524
Carrying amount as of 30/09/2020	**524**

20. OTHER INTANGIBLE ASSETS

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Cost		
As of 01/10/2018	414	(85)
Currency translation	0	(0)
Additions to consolidation group	0	(0)
Additions	39	(3)
Disposals	–61	(–2)
Reclassifications to IFRS 5	–2	(–1)
Transfers	2	(6)
As of 30/09/2019	391	(92)
As of 01/10/2019 adjusted	391	(152)[1]
Currency translation	–2	(0)
Additions to consolidation group	0	(0)
Additions	37	(23)
Disposals	–25	(–24)
Reclassifications to IFRS 5	0	(0)
Transfers	0	(–1)
As of 30/09/2020	400	(150)
Scheduled depreciation/amortisation and impairment losses		
As of 01/10/2018	289	(55)
Currency translation	0	(0)
Additions	31	(11)
Additions to impairment	13	(4)
Disposals	–56	(–1)
Reclassifications to IFRS 5	–2	(–1)
Reversals of impairment losses	0	(0)
Transfers	0	(–1)
As of 30/09/2019	276	(67)
As of 01/10/2019 adjusted	276	(75)[1]
Currency translation	–1	(0)
Additions	28	(11)
Additions to impairment	1	(0)
Disposals	–5	(–4)
Reclassifications to IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/09/2020	298	(83)
Carrying amount as of 01/10/2018	124	(30)
Carrying amount as of 30/09/2019	115	(25)
Carrying amount as of 30/09/2020	**102**	**(68)**

[1] Reclassification as of 1 October 2019 due to a material change in the character of internally generated software over time of €60 million to cost and of €8 million to depreciation, amortisation and impairment losses.

Other intangible assets include exclusively intangible assets with a limited useful life. These are thus amortised and subject to an impairment test only when necessary.

Additions came to €37 million (2018/19: €39 million), of which €1 million (2018/19: €2 million) relates to internally generated software, €11 million (2018/19: €7 million) to purchased concessions, rights and licenses and €24 million (2018/19: €30 million) to software under development.

Disposals came to €20 million (2018/19: €5 million), of which €20 million (2018/19: €2 million) relates to software under development.

Depreciation and amortisation amounted to €28 million (2018/19: €31 million). Of this, €15 million (2018/19: €16 million) was recognised in general administrative expenses, €12 million (2018/19: €13 million) in selling expenses and €1 million (2018/19: €2 million) in the cost of sales.

Of impairment of €1 million (2018/19: €13 million), €1 million (2018/19: €0 million) relates to software under development. In this financial year, there was no impairment of purchased concessions, rights and licenses (2018/19: €8 million) or internally generated software (2018/19: €4 million).

As in the previous year, there are no restrictions on ownership or title for intangible assets. Purchase obligations of €2 million (30/09/2019: €2 million) were concluded for intangible assets.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of €567 million (30/09/2019: €736 million) was recognised as of 30 September 2020. Changes in property, plant and equipment can be seen in the following table.

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Cost				
As of 01/10/2018	58	2,911	17	2,986
Currency translation	1	5	0	6
Additions to consolidation group	0	0	0	0
Additions	0	143	13	156
Disposals	–9	–138	–1	–148
Reclassifications to IFRS 5	0	–52	0	–52
Transfers	0	11	–16	–4
As of 30/09 or 01/10/2019	50	2,882	13	2,944
Adjustment for IFRS 16	–45	–16	0	–61
As of 01/10/2019 adjusted	5	2,865	13	2,884
Currency translation	0	–29	–1	–30
Additions to consolidation group	0	0	0	0
Additions	0	100	8	109
Disposals	0	–129	–1	–129
Reclassifications to IFRS 5	0	0	0	0
Transfers	0	9	–9	0
As of 30/09/2020	5	2,817	10	2,833
Scheduled depreciation/amortisation and impairment losses				
As of 01/10/2018	19	2,158	0	2,177
Currency translation	0	3	0	4
Additions	4	188	0	192
Additions to impairment	0	5	0	5
Disposals	–5	–115	0	–120
Reclassifications to IFRS 5	0	–45	0	–45
Reversals of impairment losses	0	0	0	0
Transfers	0	–3	0	–3
As of 30/09 or 01/10/2019	18	2,190	0	2,208
Adjustment for IFRS 16	–13	–2	0	–16
As of 01/10/2019 adjusted	5	2,188	0	2,193
Currency translation	0	–21	0	–21
Additions	0	178	0	178
Additions to impairment	0	21	0	21
Disposals	0	–104	0	–104
Reclassifications to IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/09/2020	5	2,261	0	2,266
Carrying amount as of 01/10/2018	39	753	17	809
Carrying amount as of 30/09/2019	32	691	13	736
Carrying amount as of 30/09/2020	**0**	**557**	**10**	**567**

Property, plant and equipment decreased by €169 million from €736 million to €567 million as depreciation exceeded investments and leases for land and buildings previously classified as finance leases were now recognised as right-of-use assets in connection with IFRS 16.

Depreciation amounted to €178 million (2018/19: €192 million). Of this, €18 million (2018/19: €17 million) was recognised in general administrative expenses, €160 million (2018/19: €174 million) in selling expenses and €0 million (2018/19: €1 million) in the cost of sales.

In the past financial year, impairment totalling €21 million (2018/19: €5 million) was recognised on property, plant and equipment. Here, sustained losses of stores allocated to property, plant and equipment resulted in impairment tests at the level of the respective store as cash-generating unit. In this impairment test, the carrying amount of the cash-generating unit was compared with its recoverable amount. The recoverable amount was calculated as the fair value minus selling expenses, which is calculated from the discounted future cash flow using inputs for level 3 of the fair value hierarchy. The comparison of the carrying amounts of these cash-generating units with the recoverable amounts resulted in the impairment stated.

The stores for which impairment was recognised on property, plant and equipment due to sustained losses in the previous year underwent a test in the reporting period to determine whether the reasons for the impairment had ceased to exist. In the past financial year 2019/20, this test did not result in the reversal of impairment losses on property, plant and equipment. In the previous year, the test resulted in an immaterial reversal of impairment losses.

There were no restrictions on title in the form of liens or encumbrances for property, plant and equipment in either the financial year 2019/20 or in the previous year.

Purchase obligations of €12 million (30/09/2019: €8 million) were concluded for property, plant and equipment.

22. RIGHT-OF-USE ASSETS

On conclusion of a contract, CECONOMY determines whether the contract is, or contains, a lease in accordance with IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease conveys the right to control the use of an identified asset if the lessee has the right to draw substantially all the economic benefits from using the asset throughout the period of use and to make decisions about the use of the identified asset during the lease term.

All stores (retail outlets) in the Group are leased. These comprise land and buildings for the electronics stores as well as additional warehouse space. These real estate leases are generally concluded for a non-cancellable basic rental period of between five and ten years, but generally always include extension or termination options for reasons of operational flexibility. Some leases contain additional rent adjustments based on the development of the consumer price index. The lease conditions are agreed individually; there are leases with fixed lease payments as well as variable rental conditions depending on sales. Leases for movable assets largely relate to leased vehicles and IT equipment, as well as some leases for electronic shelf labels.

The carrying amount of the right-of-use assets from leases developed as follows in the current financial year:

€ million	Real estate	Vehicle fleet	IT infrastructure	Business and office equipment	Total
Right-of-use assets as of 01/10/2019	**2,247**	**4**	**30**	**20**	**2,300**
Currency translation	−18	0	0	0	−18
Additions	376	5	4	1	386
Disposals	−67	0	−4	−1	−71
Depreciation of the current financial year	−557	−3	−11	−5	−576
Right-of-use assets as of 30/09/2020	**1,982**	**6**	**19**	**15**	**2,021**

In the past financial year 2019/20, the profit or loss for the period includes the following lease expenses beyond depreciation:

€ million	2019/20
Interest expenses	19
Expenses for short-term leases accounted for in accordance with IFRS 16.6	4
Expenses for leases for low-value assets accounted for in accordance with IFRS 16.6	10
Expenses for variable lease payments	14

Right-of-use assets were tested for impairment at the level of the cash-generating unit. The carrying amount of the cash-generating unit was compared with its recoverable amount. The recoverable amount of the right-of-use asset for real estate was calculated on the basis of indexed benchmark rents for each store. In addition, the benchmark rents determined by experts were discounted by the current incremental borrowing rate over the remaining non-cancellable rental period. Store-related risk assessments and contract-specific circumstances were also included in the calculation. The comparison of the carrying amounts of these cash-generating units with the recoverable amounts resulted in impairment of €27 million.

In financial year 2019/20, the total cash outflow for leases amounted to €576 million.

As of 30 September 2019, the assets used by CECONOMY as part of a finance lease were measured according to the requirements of IAS 17 as applied in financial year 2018/19. As of 30 September 2019, leases of €45 million were capitalised, of which €31 million was attributable to buildings and €14 million to other plant, business and office equipment.

The profit or loss for financial year 2018/19 included lease expenses of €612 million. In addition, profit or loss for the period also included income from rentals of €10 million.

Variable lease payments
As well as fixed lease payments, real estate leases for retail spaces can also or exclusively include sales-based lease payments. The expected future variable lease payments of sales-based rents amount to €73 million over a planning period of three years.

Extension and termination options
Many real estate leases contain extension and termination options, which the Group can in some cases exercise up to one year before the end of the non-cancellable lease term. Where possible, the Group seeks to include extension options in new leases in order to ensure operational flexibility. The options are used to limit the duration of the contract commitment as far as possible for individual contracts and thus to maximise operational flexibility with regard to duration and the closure of stores. These options can usually only be exercised by the Group and not by the lessor. At the commencement date, the Group assesses whether the exercise of extension or termination options is reasonably certain. The Group reassesses whether the exercise of extension or termination options is reasonably certain upon the occurrence of either a significant event or a significant change in circumstances that is within its control.

The potential future lease payments from contractual options that could be exercised before 30 September 2030 but are not recognised in the statement of financial position amount to €2,404 million. These unilateral options, which can only be exercised by CECONOMY, give the company more freedom in store decisions, but do not constitute a financial obligation as of the current closing date.

Future cash outflows from leases already concluded
The previous year figures in the following table relate to obligations from finance and operating leases calculated in accordance with IAS 17 and are provided for the purpose of comparability.

€ million	Up to 1 year	1 to 5 years	Over 5 years	Total
Finance leases 30/09/2019				
Future lease payments due (nominal)	8	26	18	53
Discount	−1	−2	0	−3
Net present value	**8**	**24**	**18**	**50**
Operating leases 30/09/2019				
Future lease payments due (nominal)	589	1,474	388	2,451

As of 30 September 2020, there are future payment obligations of €7 million for leases that had not yet commenced and were therefore not included in the measurement of lease liabilities.

There are no lease payments from subleases that CECONOMY will receive from properties in the future and that are classified as finance leases (30/09/2019: €0 million).

Lease payments from subleases that are classified as operating leases and that CECONOMY will receive in the future amount to €8 million nominally (30/09/2019: €7 million).

As of the current closing date, they broke down as follows:

€ million	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Lease payments from subleases 30/09/2020	2	2	2	1	1	0

23. FINANCIAL INVESTMENTS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Financial assets
Financial assets of €280 million (30/09/2019: €278 million) were recognised as of 30 September 2020.

Financial assets include €268 million (30/09/2019: €266 million) in investments and €13 million (30/09/2019: €12 million) in loans.

As well as the PJSC "M.video" investment, included in financial assets in the amount of €200 million as of 30 September 2020 (30/09/2019: €161 million), an approximately one per cent share in METRO AG amounting to €31 million (30/09/2019: €53 million) and a 6.61 per cent interest in METRO PROPERTIES GmbH & Co. KG of €35 million (30/09/2019: €51 million) are also recognised under financial assets.

The approximately one per cent share held directly by CECONOMY AG in METRO AG is subject to a seven-year tax vesting period, meaning that it cannot be sold without incurring negative tax consequences. The vesting period ends on 30 September 2023. On 19 September 2016, CECONOMY AG and the current METRO AG entered into an option agreement on the remaining partnership interest in METRO PROPERTIES GmbH&. KG. Under this agreement, CECONOMY AG grants METRO AG a call option and METRO AG grants CECONOMY AG a put option in relation to this partnership interest in CECONOMY AG. Each of the options can be exercised only in certain time-frames of six months in each case. The call option cannot be exercised until three years after the spin-off takes effect and the put option until seven years after the spin-off takes effect. The disposal, transfer and pledging of company shares is linked to approval requirements in the company agreement.

These investments are recognised at fair value through other comprehensive income in accordance with exercising the option. Information on other investments recognised at fair value through other comprehensive income is given in the following table.

€ million	Fair value as of 30/09/2019	Investment income recognised in 2018/19	Fair value as of 30/09/2020	Investment income recognised in 2019/20
METRO AG	53	16	31	3
PJSC "M.video"	161	–	200	13
METRO PROPERTIES GmbH & Co. KG	51	11	35	4
Others	1	0	2	0
Total	**266**	**27**	**268**	**20**

€1 million (2018/19: €17 million) was reported in other comprehensive income in the financial year 2019/20.

Investments accounted for using the equity method
The investment in the associate Fnac Darty S.A. is a material investment accounted for using the equity method.

Fnac Darty S.A., the leading French retailer for consumer electronics and household appliances, is classified as an associate within the meaning of IAS 28 and is included in CECONOMY's consolidated financial statements using the equity method. The shareholding as of 30 September 2020 was 24.44 per cent.

CECONOMY reported profit for the period of €–265 million in the financial year 2019/20 (2018/19: €21 million). This includes impairments, pro rata net income recognised through profit or loss, and write-downs on hidden reserves.

Due to the COVID-19 pandemic, the market value of the interest in Fnac Darty S.A. based on the stock exchange price on the reporting date of 31 March 2020 fell significantly below acquisition cost, so there was objective evidence of impairment in accordance with IAS 28. To determine the value in use in the sense of a long-term performance value, CECONOMY AG used a DCF method based on free cash flow. With this method, €265 million was determined as the recoverable amount of the investment in Fnac Darty S.A., resulting in an impairment of €268 million which was recognised in EBIT.

€–7 million was reported in other comprehensive income in the financial year 2019/20 (2018/19: €–11 million).

Reconciliation of financial market information for Fnac Darty S.A. with the carrying amounts of the investments

€ million	30/09/2019	30/09/2020
Net assets 100%	1,177	1,271
CECONOMY's share in net assets	286	311
Impairment on the carrying amounts of the investments	0	–268
Adjusted goodwill from purchase price allocation	211	198
Carrying amount of the investment	**497**	**241**

Fnac Darty S.A. publishes information on profit or loss for the period only in the second and fourth quarters of a calendar year. This information forms the basis of the adjustment to the equity investment.

The following table provides information about Fnac Darty S.A.:

	Fnac Darty S.A.	
€ million	30/09/2019	30/09/2020
Size of share (in %)	24.33	24.44
Pro rata stock market value	373	251
Carrying amount	497	240
Disclosures on the income statement	**2018/19[1]**	**2019/20[2]**
Sales	3,285	2,849
Post-tax earnings from continuing operations	–39	–77
Post-tax earnings from discontinued operations	0	–42
Other comprehensive income	–36	–10
Total comprehensive income	–76	–131
Dividends paid to the Group	0	0
Disclosures on the statement of financial position	**30/06/2019[1]**	**30/06/2020[2]**
Non-current assets	3,692	3,825
Current assets	2,059	2,333
Non-current liabilities	2,165	2,227
Current liabilities	2,409	2,698

[1] Information according to the interim financial report as of 30 June 2019 for the period 1 January 2019–30 June 2019
[2] Information according to the interim financial report as of 30 June 2020 for the period 1 January 2020–30 June 2020

In addition to Fnac Darty S.A., CECONOMY holds the investment in the Greek joint venture PMG Retail Market Ltd. 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 the Greek joint venture PMG Retail Market Ltd. 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 joint venture.

In the first quarter of 2019/20, the investment in the Greek joint venture was recognised at cost of €28 million, corresponding to the market value when joint control was obtained. The subsequent measurement of the investment accounted for using the equity method resulted in a change in the investment of €–2 million. The subsequent measurement is based on unpublished financial information from PMG Retail Market Ltd. As of 30 September 2020, the carrying amount was €26 million.

24. RECEIVABLES DUE FROM SUPPLIERS, OTHER FINANCIAL ASSETS AND OTHER ASSETS

	30/09/2019			30/09/2020		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Receivables due from suppliers	**1,295**	**1,295**	**0**	**1,302**	**1,302**	**0**
Securities	0	0	0	85	85	0
Miscellaneous financial assets	68	65	3	68	66	2
Other financial assets	**68**	**65**[1]	**3**	**153**	**151**	**2**
Other entitlements to tax refunds	66	66	0	101	101	0
Prepaid expenses and deferred charges	60	53	7	61	51	10
Miscellaneous other assets	1	1	0	2	2	0
Other assets	**127**	**120**	**7**	**164**	**154**	**11**

[1] Adjustment due to a change in presentation. Information on this is provided under "Notes to the Group accounting principles and methods".

Receivables due from suppliers in the amount of €1,302 million (30/09/2019: €1,295 million) essentially include invoiced receivables and accruals for subsequent supplier compensation (such as costs of bonuses and advertising).

The €85 million recognised under short-term securities relates to purchased commercial paper.

Miscellaneous financial assets are on a par with the previous year at €68 million (30/09/2019: €68 million). Commission receivables from brokering financing agreements are a key component of miscellaneous financial assets.

Other entitlements to tax refunds include input taxes that cannot yet be offset of €75 million (30/09/2019: €50 million), entitlements to VAT refunds of €17 million (30/09/2019: €13 million) and other entitlements to tax refunds of €9 million (30/09/2019: €3 million).

Prepaid expenses include accrued rent, lease and interest prepayments and other deferred assets.

25. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

Deferred tax assets on loss carry-forwards and temporary differences before offsetting were recognised at €145 million (30/09/2019: €133 million), representing a rise of €12 million against the figure as of 30 September 2019. Deferred tax liabilities before offsetting came to €94 million (30/09/2019: €96 million) and decreased by €2 million in comparison to 30 September 2019. After offsetting, €84 million in deferred tax assets and €33 million in deferred tax liabilities were recognised as of the closing date. Deferred tax assets and liabilities are offset within each company or tax group.

Deferred taxes relate to the following balance sheet items:

	30/09/2019		30/09/2020	
€ million	Assets	Liabilities	Assets	Liabilities
Goodwill	0	3	0	3
Other intangible assets	1	6	18	11
Property, plant and equipment	10	26	16	14
Inventories	16	4	24	1
Receivables and other assets	3	30	5	32
Provisions for pensions and similar obligations	53	5	40	9
Other provisions	9	5	12	5
Borrowings	9	0	0	0
Other financial and non-financial liabilities	21	13	26	16
Outside basis differences	0	4	0	3
Write-downs of temporary differences	–54	0	–58	0
Loss carry-forwards	64	0	60	0
Subtotal before offsetting	**133**	**96**	**145**	**94**
Offsetting	–60	–60	–61	–61
Carrying amount of deferred taxes	**73**	**35**	**84**	**33**

The table below shows the loss and interest carry-forwards in the Group as a whole:

€ million	30/09/2019	30/09/2020
Corporate tax losses	2,049	2,159
Trade tax losses	1,640	1,798
Interest carry-forwards/other carry-forwards	88	84

€1,353 million (30/09/2019: €1,217 million) of corporate income tax loss carry-forwards as of 30 September 2020 is attributable to German companies and €806 million (30/09/2019: €832 million) to foreign companies. Trade tax loss carry-forwards include €132 million (30/09/2019: €145 million) of loss carry-forwards relating to local taxation of companies outside Germany.

In addition to the interest carry-forward of €40 million (30/09/2019: €40 million), a carry-forward item within the meaning of Sec. 4f of the German Income Tax Act (EStG) arose in the financial year 2017/18 in connection with the disposal of certain pension obligations. This item is reversed over 15 years and totalled €44 million (30/09/2019: €48 million) as of 30 September 2020.

With regard to the loss and interest carry-forwards and temporary differences in the Group as a whole (see table above), no deferred tax assets are recognised on the basis of a current five-year plan in the following amounts, as it is unlikely that the claims will be realised in the short to medium term:

€ million	30/09/2019	30/09/2020
Corporate tax losses	1,790	1,927
Trade tax losses	1,456	1,617
Interest carry-forwards/other carry-forwards	88	84
Temporary differences	191	234

In accordance with IAS 12 (Income Taxes), deferred tax liabilities are to be recognised for the difference between the pro rata equity of a subsidiary recognised in the consolidated statement of financial position and the carrying amount of the investment for this subsidiary on the parent company's tax balance sheet (known as outside basis differences), if realisation is expected. These differences are chiefly the result of retained earnings of German and foreign subsidiaries. No deferred taxes were calculated on these retained earnings because they are reinvested indefinitely or are not subject to taxation. Dividend taxation would have to be paid on any dividends from subsidiary corporations. In addition, dividends from countries outside Germany could trigger a withholding tax. As of 30 September 2020, €3 million (30/09/2019: €4 million) was recognised in deferred tax liabilities from outside basis differences.

The table below shows the tax effects on components of other comprehensive income:

€ million	2018/19 Before taxes	2018/19 Taxes	2018/19 After taxes	2019/20 Before taxes	2019/20 Taxes	2019/20 After taxes
Currency translation differences from translating the financial statements of foreign operations	20	0	20	−11	0	−11
thereof currency translation differences of net investments in foreign operations	(0)	(0)	(0)	(0)	(0)	(0)
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	17	0	17	1	0	1
Remeasurement of defined benefit pension plans	−47	1	−46	3	−1	1
Subsequent measurement of associates/joint ventures accounted for using the equity method	−11	0	−11	−7	0	−7
	−21	**1**	**−20**	**−14**	**−1**	**−15**

26. INVENTORIES

Inventories rose by €402 million in comparison to the previous period, from €2,548 million to €2,949 million.

The increase was mainly attributable to the DACH segment at €277 million and the Western/Southern Europe segment at €110 million.

Inventories take into account impairments of €151 million (30/09/2019: €108 million).

CECONOMY's inventories are subject to retentions of title customary under industry standards.

Assets in connection with right of return are recognised under inventories in the amount of €15 million (30/09/2019: €17 million).

27. TRADE RECEIVABLES AND SIMILAR CLAIMS

Trade receivables and similar claims increased from €455 million to €488 million.

€ million	30/09/2019	30/09/2020
Trade receivables	139	212
Contract assets	316	276
Trade receivables and similar claims	**455**	**488**
thereof remaining term ≤12 months	(352)	(380)
thereof remaining term > 12 months	(103)	(108)

The €73 million rise in CECONOMY's trade receivables against the previous period from €139 million to €212 million relates for the most part to the DACH segment at €42 million and the Western/Southern Europe segment at €21 million.

Contract assets of €276 million (30/09/2019: €316 million) primarily represent claims from mobile communications providers. As soon as the claim arising from a contract asset is substantiated, it is transferred to trade receivables.

The item Trade receivables and similar claims recognised under current assets includes items with a remaining term of over one year in the amount of €108 million (30/09/2019: €103 million), which result primarily from claims from mobile communications providers.

Both trade receivables and contract assets contain a continuing involvement from factoring programmes.

As part of the revolving sale of receivables from the Swiss customer financing programme, PayRed Card Services AG guarantees to service a limited number of customer defaults. A continuing involvement in the amount of the nominal volume of the default guarantees provided of €15 million was recognised as a liability, and the customer receivables in the same amount were not fully derecognised. As of 30 September 2020, the carrying amount of the original asset was €91 million (30/09/2019: €94 million).

The risk that a high default on receivables from Swiss customer receivables that have already been sold will impact CECONOMY's earnings is limited to the cumulative nominal volume of the default guarantee. Opportunities are presented by a low default rate leading to low utilisation of the default guarantees.

There are no restrictions regarding the transferred assets.

Revolving commission receivables due from a contract partner in the mobile communications area were sold as part of another factoring programme. Here, CECONOMY provides guarantees for partial defaults by the end customer of up to a maximum of €30 million. A continuing involvement was thus recognised as a liability and the customer receivables in the same amount were not fully derecognised. The carrying amount of the original asset as of 30 September 2020 was €98 million (30/09/2019: €113 million).

The risk that a high default on receivables from receivables that have already been sold will impact CECONOMY's earnings is limited to the cumulative nominal volume of the default guarantee. Opportunities are presented by a low default rate leading to low utilisation of the default guarantees.

There are no restrictions regarding the transferred assets.

28. IMPAIRMENTS OF CAPITALISED FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

Capitalised financial instruments are impaired via an allowance account and reduce the carrying amount of the financial assets.

General approach

Impairment is to be calculated in accordance with the general approach for all financial instruments measured at amortised cost or at fair value through other comprehensive income with recycling and that do not fall under the simplified approach.

In the financial year 2019/20, CECONOMY applied the general approach, including stages 1 and 2 for the expected credit risk, exclusively for receivables due from suppliers. For all other financial instruments covered by the general approach, only impairment that has already occurred within the meaning of stage 3 is recognised. This is immaterial in terms of risk provisioning.

The following table shows the gross carrying amounts of the impairments on receivables due from suppliers:

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit impaired	30/09/2019 Total
Suppliers with investment grade credit ratings	627	0	0	627
Other suppliers	503	155	25	683
	1,130	**155**	**25**	**1,310**

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit impaired	30/09/2020 Total
Suppliers with investment grade credit ratings	704	0	0	704
Other suppliers	491	105	20	616
	1,195	**105**	**20**	**1,320**

The "other suppliers" category includes suppliers with a non-investment grade credit rating and suppliers for which an industry average was used as the basis of the calculation due to immateriality or a lack of credit rating.

Impairments in 2019/20 for expected losses and losses already incurred for receivables due from suppliers correspond to the general approach and are presented below.

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit impaired	Total
Risk provisions as of 30 September 2019	**2**	**1**	**13**	**15**
Newly granted/purchased financial assets	1	0	5	6
Remeasurement of impairment	0	0	0	0
Transfer to stage 1	0	−1	0	−1
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Sold financial assets	0	0	−2	−2
Other changes[1]	0	0	0	0
Risk provisions as of 30 September 2020	**2**	**1**	**16**	**18**

[1] Other changes include currency translation differences, changes to the consolidation group and changes to model parameters/assumptions.

Receivables due from suppliers that were written down in the financial year 2019/20 and that are not yet subject to enforcement measures amount to €12 million.

Simplified approach
In the financial year 2019/20, the simplified approach was used for trade receivables measured at amortised cost and for contract assets, in each case excluding the part relating to a continuing involvement.

Risk provisions for this item are measured on the basis of impairment matrices. Receivables were pooled together in various portfolios with similar risk elements in order to calculate the expected credit losses. These portfolios correspond to CECONOMY's operating segments and are based on similar economic conditions and business activities of the operations.

The impairment is recognised for a portion of the trade receivables with the impairment matrix applied. If an individual approach is not taken, the impairment matrix is applied. The following table shows the gross carrying amounts:

			Thereof past due, not impaired				
€ million	Total carrying amount as of 30/09/2019	Thereof not past due, not impaired	Due within the last 90 days	91 to 180 days past due	181 to 270 days past due	271 to 360 days past due	More than 360 days past due
Expected default rate (in %)	4.3	1.4	5.1	19.3	28.9	44.7	51.9
Gross carrying amount excluding impaired receivables	86	61	18	3	1	1	1
Risk provision	**4**	**1**	**1**	**1**	**0**	**0**	**1**

			Thereof past due, not impaired				
€ million	Total carrying amount as of 30/09/2020	Thereof not past due, not impaired	Due within the last 90 days	91 to 180 days past due	181 to 270 days past due	271 to 360 days past due	More than 360 days past due
Expected default rate (in %)	3.1	1.2	2.5	7.1	18.8	18.0	24.6
Gross carrying amount excluding impaired receivables	87	60	17	3	2	2	3
Risk provision	**3**	**1**	**0**	**0**	**0**	**0**	**1**

In addition to the risk provisions shown in the table above, €12 million (30/09/2019: €10 million) in specific bad debt allowances was recognised on the gross carrying amount of €117 million (30/09/2019: €137 million).

Trade receivables that were written down in the financial year 2019/20 and that are not yet subject to enforcement measures amount to €11 million.

Trade receivables and contract assets from mobile communications providers are measured individually using the individual providers' credit risks. As in the previous year, minor risk provisions were made on a gross carrying amount of €342 million (30/09/2019: €326 million). Of the gross carrying amount, 96.2 per cent (30/09/2019: 98.6 per cent) of the mobile communications providers meet investment grade criteria and thus have a good to very good credit rating.

In addition to the risk provisions shown above, as in the previous year, €0 million in specific bad debt allowances was recognised on a gross carrying amount of the trade receivables and contract assets from mobile communications providers.

€ million	2019/20
Impairments as of 30/09/2019 as per IFRS 9	**14**
Currency translation	0
Additions	11
Reversal	–7
Reclassifications to IFRS 5	0
Utilisation	–2
Transfers	0
Impairments as of 30/09/2020 as per IFRS 9	**15**

↗ Additional information on crediting rating and credit risks can be found under note 43 Management of financial risks and in the notes to the Group accounting principles and methods.

29. CASH AND CASH EQUIVALENTS

€ million	30/09/2019	30/09/2020
Cheques and cash on hand	55	51
Bank deposits and other financial assets that can quickly be converted into cash	1,129[1]	1,433
	1,184	**1,484**

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".

In accordance with IAS 7, cash and cash equivalents include units in money market funds, which due to their top credit ratings and investment in extremely short-term money market securities are subject only to minor value fluctuations and can be converted into cash and cash equivalents at any time within one day.

↗ For details, please refer to the cash flow statement and note 41 Notes to the cash flow statement.

30. ASSETS HELD FOR SALE/LIABILITIES RELATED TO ASSETS HELD FOR SALE

On 29 November 2019, the 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 resulted in a gain on deconsolidation of €33 million, which was recognised in the Western/Southern Europe segment. This comprised the addition of the 25 per cent investment accounted for using the equity method in the amount of €28 million, the disposal of assets and liabilities of €10 million, and with the opposite effect a risk provision of €5 million.

The assets and liabilities held for sale as a result of the deconsolidation are made up of the following items:

€ million	30/11/2019
Non-current assets	**21**
Property, plant and equipment	6
Right-of-use assets	13
Deferred tax assets	1
Current assets	**82**
Inventories	36
Trade receivables and similar claims	1
Receivable due from suppliers	14
Other assets	1
Cash and cash equivalents	29
	102
Non-current liabilities	**11**
Provisions for pensions and similar obligations	1
Other provisions	3
Borrowings	7
Deferred tax liabilities	1
Current liabilities	**101**
Trade liabilities and similar liabilities	90
Provisions	1
Borrowings	7
Other financial liabilities	3
	112

31. EQUITY

Share capital has not changed in terms of its amount or breakdown into ordinary and preference shares in comparison to 30 September 2019 and comes to €918,845,410.90. It is divided as follows:

No-par-value bearer shares, accounting par value approx. €2.56		30/09/2019	30/09/2020
Ordinary shares	Number	356,743,118	356,743,118
	€ approx.	911,999,300	911,999,300
Preference shares	Number	2,677,966	2,677,966
	€ approx.	6,846,111	6,846,111
Total shares	**Number**	**359,421,084**	**359,421,084**
Total share capital	**€ approx.**	**918,845,411**	**918,845,411**

Each ordinary share carries one vote. In particular, ordinary shares also entitle the holder to receive dividends. Unlike ordinary shares, preference shares do not generally grant voting rights and provide a preferential right to profits in accordance with Sec. 21 of CECONOMY AG’s articles of association. These state that:

“(1) Holders of preference shares without voting rights receive an advance dividend from annual balance sheet profit to be paid subsequently of €0.17 per preference share.

(2) If the distributable balance sheet profit in a financial year is not sufficient to pay the advance dividend, the arrears are payable without interest from the balance sheet profit for the following financial years in such a way that the older arrears are settled before the more recent ones and the preferred dividends payable for the financial year from this same year’s profits are not paid until after all arrears have been repaid.

(3) After advance dividends have been distributed, holders of ordinary shares receive a dividend of €0.17 per ordinary share. An additional dividend of €0.06 per preference share, which may not be paid retroactively, is then paid to the holders of preference shares without voting rights. The additional dividend amounts to 10 per cent of dividends paid to holders of ordinary shares, taking into account para. 4, if this reaches or exceeds €1.02 per ordinary share.

(4) Holders of preference shares without voting rights and holders of ordinary shares participate in a further profit distribution equally in accordance with their share in share capital.”

Authorised capital

The General Meeting held on 13 February 2019 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 12 February 2024 up to a maximum of €321,600,000 by issuing new no-par value ordinary bearer shares against cash or non-cash contributions (Authorised Capital). The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in certain, pre-defined cases. Authorised Capital has not yet been utilised.

Contingent capital

The General Meeting held on 13 February 2019 resolved to contingently increase share capital by up to €127,825,000, divided into up to 50,000,000 no-par value ordinary bearer shares (contingent capital). This contingent capital increase relates to a Management Board authorisation, with the approval of the Supervisory Board, to issue bearer warrant or convertible bonds (jointly "bonds") on one or more occasions until 12 February 2024 in a total nominal amount of up to €1,000,000,000, and to grant or impose warrant rights or obligations on the holders of warrant bonds and conversion rights or obligations on the holders of convertible bonds for the ordinary bearer shares of CECONOMY AG with a pro rata amount of the share capital totalling up to €127,825,000, in accordance with the provisions of the conditions for the respective warrant or convertible bond, or to grant CECONOMY AG the right to grant shares in CECONOMY AG or another listed company in full or in part instead of repaying the bonds in cash. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in certain, pre-defined cases. No warrant and/or convertible bonds have yet been issued on the basis of the authorisation described above.

Acquisition of treasury shares

On the basis of Sec. 71 para. 1 no. 8 AktG, the General Meeting held on 13 February 2019 authorised the company to purchase treasury shares of any share class until 12 February 2024 that represent a total of no more than ten per cent of the share capital at the time this authorisation becomes effective or – if this value is lower – of the share capital at the time such authorisation is exercised. This authorisation has not yet been exercised by the company or by an independent business or a business in which the company holds a majority interest, or by another business acting on behalf of the company or on behalf of an independent business or a business in which the company holds a majority interest.

↗ Further information on Authorised Capital, Contingent Capital and the authorisation to issue warrant and/or convertible bonds and to purchase treasury shares can be found in the combined management report – Disclosures pursuant to Sec. 315a para. 1 and Sec. 289a para. 1 of the German Commercial Code and explanatory report by the Management Board.

Capital reserve

The capital reserve amounts to €321 million (30/09/2019: €321 million).

Reserves retained from earnings

Reserves retained from earnings include cumulative other comprehensive income and other reserves retained from earnings.

€ million	30/09/2019	30/09/2020
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	23	15
Currency translation differences from translating the financial statements of foreign operations	−5	−14
Remeasurement of defined benefit pension plans	−309	−306
Subsequent measurement of associates/joint ventures accounted for using the equity method	39[1]	−222
Income tax attributable to items of other comprehensive income	0	−1
Other reserves retained from earnings	−226[1]	−226
	−478	**−753**

[1] Adjustment of previous year due to the reclassification of profit or loss for the period from companies accounted for using the equity method from other reserves retained from earnings to subsequent measurement of associates/joint ventures accounted for using the equity method.

Reserves retained from earnings decreased by €275 million year on year from €−478 million to €−753 million as of 30 September 2020, due chiefly to the development in the subsequent measurement of associates/joint ventures accounted for using the equity method. This was essentially influenced by the impairment of the investment in Fnac Darty S.A. of €268 million.

The changes to the financial instruments shown above and the related deferred tax effects break down as follows:

€ million	2018/19	2019/20
Initial or subsequent measurement of derivative financial instruments	0	0
Derecognition of cash flow hedges	0	0
thereof in inventories	(0)	(0)
thereof in net financial result	(0)	(0)
Effective portion of gains/losses from cash flow hedges	0	0
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	14	–7
	14	**–7**

Losses of €–7 million on remeasuring financial instruments measured at fair value through other comprehensive income in the amount of €–7 million (2018/19: gains of €14 million) relate entirely to the financial year 2019/20.

↗ An overview of the tax effects on components of other comprehensive income can be found under note 25 Deferred tax assets/deferred tax liabilities.

Non-controlling interests
Non-controlling interests include third party interests in the equity of consolidated subsidiaries. These amounted to €61 million at the end of the financial year (30/09/2019: €22 million). The change resulted primarily from the profit or loss for the period of €21 million and from capital transactions with change in equity interest without loss of control of €18 million. Material non-controlling interests are held only in Media-Saturn-Holding GmbH.

Appropriation of the balance sheet profit, dividend
The dividend distribution of CECONOMY AG is based on the annual financial statements of CECONOMY AG in accordance with German commercial law.

No dividend was distributed for financial year 2018/19 on account of CECONOMY AG's net loss under German commercial law. The balance sheet loss of €53 million was carried forward to new account as a loss carry-forward.

No dividend is planned for financial year 2019/20. The net loss under commercial law of €91 million is carried forward to new account as a loss carry-forward.

32. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognised in accordance with IAS 19 (Employee Benefits).

Provisions for pensions and similar obligations include obligations that mostly relate to benefits from provisions for post-employment benefit plans. These are defined benefit claims from direct commitments (employer's commitments) and from external pension providers (benevolent funds in Germany and pension funds or insurance companies outside Germany). The external provider's assets serve exclusively to finance pension claims and quality as plan assets. In accordance with the respective benefit plans, pension benefits are based on income and length of employment. Pension benefits based on the length of employment at the company are granted on the basis of fixed amounts.

The most important defined benefit pension plans are described below:

- CECONOMY provides many of its employees in **Germany** with commitments for retirement, disability and surviving dependants' benefits. New commitments are granted in the form of defined benefit commitments within the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which include payment contribution and employer-matching components. The contributions are paid into a pension liability policy, which provides the benefits due in the event of entitlement. A provision is recognised for claims not covered by the pension liability policy.

- In addition, there are also various pension plans that can no longer be taken out that generally provide for life-time pensions from retirement or from the time of a recognised disability. Benefits are for the most part defined as a fixed amount or as an annual increase. In special cases, benefits are calculated taking into account statutory pensions. These commitments provide for widows' benefits at varying levels depending on the benefit that the former employee received or would have received in the case of disability. The old commitments are partially funded by assets held in benevolent funds. Parts not funded by assets are funded by provisions. The bodies (Management Board and general meeting) of the benevolent funds are composed of both employer and employee representatives. The Management Board is responsible for deciding on the use of funds and investments. It can engage third parties to manage the fund assets. There are no statutory minimum funding requirements. In the event that agreed benefits cannot be provided from the benevolent fund's assets, the employer must provide these benefits directly.

- In **Switzerland**, the Federal Law on Occupational Old-Age, Survivors' and Disability Benefit Plans (BVG) legally requires the employer to insure employees in a benefit plan. The statutory minimum benefits set out a defined pension plan with a guaranteed interest rate. The BVG also sets minimum contributions. Contributions are paid into a pension fund as a percentage of the pensionable salary and converted into retirement benefits upon retirement using conversion rates. The retirement plans are available to new employees. The pension fund takes the legal form of a foundation.

- Pension plans in Switzerland are recognised as defined benefit plans. In addition to statutory minimum entitlements, CECONOMY also grants employees in Switzerland additional pension commitments.

- Further pension schemes are recognised as a total under **Other countries**.

The following table gives an overview of the percentage breakdown of the present value of defined benefit obligations for CECONOMY countries with material obligations:

%	30/09/2019	30/09/2020
Germany	86	85
Switzerland	11	12
Other countries	3	3
	100	**100**

CECONOMY's plan assets are split in percentage terms between the following countries:

%	30/09/2019	30/09/2020
Germany	56	59
Switzerland	44	41
Other countries	0	0
	100	**100**

The obligations stated are measured on the basis of actuarial calculations in accordance with the relevant IAS 19 principles. Measurements are based on the legal, economic and tax situation in each country.

The average assumptions for the key parameters shown below were based on measurements calculated on the basis of actuarial calculations.

			30/09/2019			30/09/2020
%	Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	0.60 to 1.10	0.20	1.76	0.70 to 1.20	0.19	1.89
Inflation rate	1.50	0.00	0.00	1.50	0.00	0.00

The present value of defined benefit obligations for the material share of the obligation in Germany (CECONOMY AG and CECONOMY Retail GmbH) is measured using an actuarial interest rate of 0.7 per cent. This rate is determined on the basis of the yield on premium corporate bonds and the term of the underlying obligations. A standardised actuarial interest rate of 1.20 per cent is applied for the MediaMarktSaturn Retail Group companies in the eurozone (Germany, Austria and Italy). This rate is based on the corresponding average duration of the obligations in these countries. For countries without a liquid market to set interest rates of suitable corporate bonds, yields on government bonds were used as a reference when setting the actuarial interest rate instead.

As well as the actuarial interest rate, inflation represents another key actuarial parameter. The expected inflation rate and a real rate of increase were used to calculate the nominal rate of increase for salaries and wages. The rate of pension growth in Germany is based directly on inflation, to the extent that pension adjustments are to be determined with the rise in costs of living. Pension adjustments in companies outside Germany are also generally set depending on inflation.

The other immaterial parameters used when measuring pension obligations correspond to CECONOMY's long-term expectations. The influence of changes in fluctuation and mortality assumptions was analysed for the material plans. Calculations of the mortality rate for the German Group companies are based on Professor Klaus Heubeck's 2018G mortality tables.

Measurements on the basis of actuarial calculations for outside Germany are based on country-specific mortality tables. The resulting effects from fluctuation and mortality assumptions were assessed as immaterial and were not shown as separate components.

A sensitivity analysis is shown below for the material measurement parameters regarding the present value of defined benefit obligations. The actuarial interest rate and the inflation rate were identified as material parameters for the present value of defined benefit obligations. The sensitivity analysis used the same methods as in the previous year. Changes to the parameters that are considered reasonably possible were taken into consideration. The sensitivity analysis does not include stress tests or worst-case scenarios. The range of potential parameter changes was selected based on past observations over a number of years. The fact that potential future developments were inferred almost exclusively on the basis of past figures represents a methodological limitation.

The impact on the present value of defined benefit obligations of the actuarial interest rate increasing/decreasing by 100 basis points or the inflation rate increasing/decreasing by 25 basis points is shown below:

				30/09/2019			30/09/2020
€ million		Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	Increase by 100 basis points	−51.90	−10.70	−2.80	−46.20	−9.80	−2.50
	Decline by 100 basis points	60.90	14.20	3.40	53.50	12.90	3.00
Inflation rate	Increase by 25 basis points	13.00	2.20	0.00	11.50	1.80	0.00
	Decline by 25 basis points	−12.50	−2.10	0.00	−11.20	−1.90	0.00

CECONOMY is exposed to various risks as a result of its commitments to defined benefit pension claims. These risks include general actuarial risks on the basis of measuring the pension obligation (such as interest rate risks) and capital and investment risks for the plan assets.

With regard to financing future pension payments from indirect commitments and stable policy reserves, CECONOMY invests plan assets mostly in low-risk types of investment. Financing for direct pension commitments is secured by CECONOMY's operating cash flow.

The percentage breakdown of the fair value of plan assets among the individual asset categories is as follows:

		30/09/2019		30/09/2020
	%	€ million	%	€ million
Fixed-interest securities	16	30	16	32
Shares, funds	18	35	16	32
Real estate	44	85	44	88
Other assets	22	42	24	48
	100	**192**	**100**	**200**

Fixed-interest securities, shares and funds are regularly traded on active markets. Market prices are thus available. Within the "fixed-interest securities" asset category, investments are made only in investment grade corporate bonds, government bonds and German covered bonds. Geographical diversification minimises the risk in the "shares and funds" category.

Property assets not used by the company itself are not traded on an active market.

Other assets essentially include receivables from insurance companies in Germany. These are top insurance companies.

The actual gain on plan assets came to €–0.5 million in the reporting period (2018/19: €12 million). In financial year 2019/20, the market valuation of plan assets resulted in an expense that was not offset by interest income generated.

For financial year 2020/21, employer payments to external pension providers of €3 million and employee contributions of €3 million to plan assets are expected, with the majority of these contributions attributable to contribution payments in Switzerland and Germany. The expected contributions from payment contribution commitments in Germany are not included in the expected payment amounts.

The changes in the present value of defined benefit obligations are as follows:

€ million	2018/19	2019/20
Present value of defined benefit obligations		
At beginning of period	726	748
Recognised through profit or loss	**15**	**7**
Interest expenses	11	4
Current service cost	3	3
Past service cost (incl. curtailments and amendments)	1	0
Income from settlement	0	0
Recognised through other comprehensive income under "remeasurement of defined benefit pension plans"	**61**	**–5**
Actuarial gains/losses from change		
in demographic assumptions (–/+)	0	0
in financial assumptions (–/+)	64	–6
due to experience adjustments (–/+)	–3	1
Other effects	**–54**	**–55**
Benefit payments (incl. tax payment)	–61	–59
Contributions from plan participants	5	4
Change in consolidation group/transfers	–1	0
Currency effects	3	0
At end of period	**748**	**695**

Overall, changes in actuarial parameters resulted in a reduction in the present value of defined benefit obligations of €6 million (2018/19: increase of €64 million). The effects mostly resulted from the increase in the actuarial interest rates used.

The weighted average term of defined benefit obligation for the countries with material pension obligations was:

Years	30/09/2019	30/09/2020
Germany	9	9
Switzerland	14	14
Other countries	13	13

The present value of defined benefit obligations is allocated to the individual groups of beneficiaries as follows:

%	30/09/2019	30/09/2020
Active members	13	12
Former claimants	8	9
Pensioners	79	79

The fair value of plan assets developed as follows:

€ million	2018/19	2019/20
Change in plan assets		
Fair value of plan assets as of beginning of period	200	192
Recognised through profit or loss	**2**	**1**
Interest income	2	1
Recognised through other comprehensive income under "remeasurement of defined benefit pension plans"	**10**	**−1**
Gains/losses on plan assets not including return on plan assets (+/−)	10	−1
Other effects	**−20**	**8**
Benefit payments (incl. tax payment)	−39	−38
Settlement payments	0	0
Employer contributions	10	42
Contributions from plan participants	5	4
Change in consolidation group/transfers	0	0
Currency effects	4	0
Fair value of plan assets as of end of period	**192**	**200**

€ million	30/09/2019	30/09/2020
Financing status		
Present value of defined benefit obligations	748	695
Fair value of plan assets	−192	−200
Asset adjustment (asset ceiling)	0	1
Net liability/asset	**556**	**496**
thereof recognised as provision	(−556)	(−496)
thereof recognised as net assets	(0)	(0)

At the company in Switzerland, the plan assets exceeded the value of the obligation at the closing date. As the company could not draw any economic benefit from the overfunding, the balance sheet figure was reduced to €0 in application of IAS19.64 (b). The change in the effect of the asset ceiling of around €1 million (2018/19: €0 million) was recognised in other comprehensive income.

The pension expenses from direct and indirect commitments of the post-employment benefit plans break down as follows:

€ million	2018/19	2019/20
Current service cost[1]	3	3
Net interest expenses	9	4
Past service cost (incl. curtailments and amendments)	1	0
Settlements	0	0
Other pension expenses	0	0
Pension expenses	**13**	**7**

[1] Contributions from employees are set off here.

In addition to the expenses from defined benefit commitments, there were expenses for payments to external pension providers in the financial year of €22 million (2018/19: €23 million) and payments to statutory pension insurance providers of €144 million (2018/19: €158 million) for defined contribution pension commitments.

Media-Saturn Netherlands participates in a multi-employer plan classified as a defined contribution pension plan. The plan is typical for the Netherlands and is subject to strict regulation. In the event of deficient cover, Media-Saturn Netherlands is not obliged to compensate for this deficient cover with higher contributions in the future. In the event of a surplus, Media-Saturn Netherlands has no claim to this income. Over 30,000 companies in the retail industry participate in the plan, with contributions collected for a total of more than 310,000 employees from all companies. Media-Saturn Netherlands currently contributes to the plan for 5,537 employees. The contributions are calculated for five years and correspond to a fixed percentage of an employee's salary (currently 22.5 per cent), whereby employees make a portion of the contributions for salaries above €14,034 and no more contributions have to be made for salaries above €57,232. In financial year 2019/20, contributions to "Bedrijfspensioenfonds voor de Detailhandel" are expected to amount to around €10.1 million. In September 2020, the coverage ratio was 104.2 per cent (September 2019: 109.1 per cent). On dissolution of or withdrawal from the plan, Media-Saturn Netherlands is not obliged to compensate for deficits and will not participate in any asset surplus.

Provisions for obligations similar to pensions primarily include obligations from anniversary and death benefits, continued salary payments in the event of death and partial retirement arrangements. Provisions of €18 million (30/09/2019: €18 million) were recognised for these obligations. The obligations are measured on the basis of actuarial reports. The measurement parameters used are essentially identical to those of the post-employment benefit plans.

33. OTHER PROVISIONS (NON-CURRENT)/PROVISIONS (CURRENT)

Other provisions (non-current)/provisions (current) developed as follows in the reporting period:

€ million	Real estate related obligations	Obligations from trade transactions	Taxes	Miscellaneous	Total
As of 30/09 or 01/10/2019	**49**	**15**	**39**	**95**	**199**
Adjustment for IFRS 16	–29	0	0	0	–29
As of 01/10/2019 adjusted	**20**	**15**	**39**	**95**	**170**
Currency translation	0	0	–2	0	–2
Addition	10	18	3	75	106
Reversal	–5	–1	0	–26	–32
Utilisation	–6	–15	0	–42	–63
Interest portion in addition/change in interest rate	0	0	0	0	0
Reclassifications to IFRS 5	0	0	0	0	0
Transfer	0	0	0	0	0
As of 30/09/2020	**19**	**18**	**40**	**102**	**179**
Long-term	5	0	1	23	28
Short-term	14	18	40	79	151
As of 30/09/2020	**19**	**18**	**40**	**102**	**179**

Provisions for real estate-related obligations relate to rental obligations of €14 million (30/09/2019: €14 million) and asset retirement obligations of €5 million (30/09/2019: €4 million). Due to the first-time application of IFRS 16, there are no longer provisions for location-related risks (30/09/2019: €27 million) and deficient rental cover (30/09/2019: €4 million).

Provisions for warranties of €18 million (30/09/2019: €15 million) are a significant component of the provisions for obligations from trade transactions.

As in the previous year, the provisions for tax risks of €40 million (30/09/2019: €39 million) mainly include provisions for VAT matters.

The miscellaneous provisions include provisions for severance payments of €47 million (30/09/2019: €42 million), which in financial year 2019/20 mainly resulted from the new organisational structure ("Operating Model") and related in particular to the DACH segment. In addition, provisions of €13 million (30/09/2019: €30 million) are recognised in connection with discontinued operations. There are also provisions for legal risks of €8 million (30/09/2019: €6 million) and for interest on tax provisions of €12 million (30/09/2019: €11 million). The reversals include around €7 million for provisions from restructuring, which are primarily attributable to the DACH segment.

It is assumed that the majority of the provisions (€151 million of a total of €179 million) will result in payouts within a year. Of the non-current portion of the provisions of €28 million, €12 million is attributable to interest on tax provisions, €8 million to provisions for severance payments and €5 million to real estate-related obligations. This relates to provisions for asset retirement obligations. For these types of provisions, the payout dates are related to the respective remaining terms of the rental agreements.

↗ Additional information on provisions for share-based payments included in miscellaneous provisions can be found under note 49 Executives' long-term incentive.

The interest rates for non-interest-bearing non-current provisions range between 0.00 and 0.68 per cent depending on the term, country and currency.

34. LIABILITIES

€ million	30/09/2019 Total	Remaining term Up to 1 year	1 to 5 years	Over 5 years	30/09/2020 Total	Remaining term Up to 1 year	1 to 5 years	Over 5 years
Trade liabilities and similar liabilities	**5,321**	**5,162**	**160**	**0**	**5,996**	**5,890**	**106**	**0**
thereof bills of exchange liabilities (non-interest-bearing)	310	310	0	0	463	463	0	0
Bonds	0	0	0	0	0	0	0	0
Liabilities to banks	1	1	0	0	30	30	0	0
Promissory note loans	251	1	239	12	251	1	239	12
Finance leases/lease liabilities	50	8	24	18	2,141	541	1,301	298
Borrowings	**302**	**10**	**262**	**30**	**2,422**	**573**	**1,540**	**310**
Payroll liabilities	285	285	0	0	227	227	0	0
Liabilities from other financial transactions	2	2	0	0	1	1	0	0
Miscellaneous financial liabilities	211	158	38	15	186	150	20	16
Other financial liabilities	**498**	**445**	**38**	**15**	**414**	**378**	**20**	**16**
Other tax liabilities	159	159	0	0	194	194	0	0
Deferred income	82	47	26	9	46	35	11	0
Miscellaneous non-financial liabilities	29	8	17	4	3	3	0	0
Other liabilities	**270**	**215**	**43**	**13**	**243**	**231**	**11**	**0**
Income tax liabilities	**51**	**51**	**0**	**0**	**106**	**106**	**0**	**0**
	6,442	**5,883**	**502**	**57**	**9,181**	**7,178**	**1,677**	**326**

35. TRADE LIABILITIES AND SIMILAR LIABILITIES

The trade liabilities and similar liabilities item increased from €5,321 million in the previous year to €5,996 million.

€ million	30/09/2019	30/09/2020
Trade liabilities	4,878	5,587
Contract liabilities	407	365
Liabilities from continuing involvement	36	44
Trade liabilities and similar liabilities	**5,321**	**5,996**
thereof remaining term ≤12 months	(5,161)	(5,890)
thereof remaining term > 12 months	(160)	(106)

The increase in trade liabilities was due mainly to the DACH segment at €329 million and the Western/Southern Europe segment at €307 million.

Contract liabilities totalled €365 million (30/09/2019: €407 million). These resulted from payments received that were not yet recognised as sales. The contract liabilities primarily include deferred sales from extended warranties of €143 million (30/09/2019: €229 million) and deferred sales from the sale of vouchers of €119 million (30/09/2019: €128 million). The sales recognised in financial year 2019/20 from performance obligations satisfied (or partially satisfied) in previous periods amounted to €339 million.

The "trade liabilities and similar liabilities" item recognised under current liabilities includes items with a remaining term of over one year in the amount of €106 million (30/09/2019: €160 million), which primarily include deferred sales from extended warranties.

The liabilities from continuing involvement were recognised in connection with two factoring programmes. The corresponding assets are reported under the "trade receivables and similar claims" item.

36. BORROWINGS

Borrowings comprise liabilities from bonds, liabilities to banks, promissory notes and lease liabilities. In total, borrowings increased by €2,120 million from €302 million in the previous year to €2,422 million. The increase is primarily attributable to the first-time application of IFRS 16.

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 one to six years.

For obtaining short-term financial funding, CECONOMY AG has a multi-currency commercial paper programme (bonds) with a maximum volume of up to €500 million. There was no outstanding commercial paper as of 30 September 2020 or 30 September 2019.

In addition, multi-year, syndicated credit facilities are available to CECONOMY AG in a total amount of €2,680 million. The syndicated credit facilities had not been utilised as of 30 September 2020.

Undrawn credit facilities of CECONOMY AG

	30/09/2019			30/09/2020		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	431	1	430	9	9	0
Utilisation	−1	−1	0	−9	−9	0
Undrawn bilateral credit facilities	**430**	**0**	**430**	**0**	**0**	**0**
Syndicated credit facilities	550	0	550	2,680	0	2,680
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**2,680**	**0**	**2,680**
Total credit facilities	981	1	980	2,689	9	2,680
Total utilisation	−1	−1	0	−9	−9	0
Total undrawn credit facilities	**980**	**0**	**980**	**2,680**	**0**	**2,680**

The default of a creditor can be covered at all times by the existing unutilised credit facilities or the available money and capital market programmes. CECONOMY therefore bears no creditor default risk.

CECONOMY generally does not provide collateral for borrowings.

The tables below outline the maturity structure of borrowings from promissory note loans. In addition to current account liabilities, the liabilities to banks resulted mainly from the temporary utilisation of local credit facilities. The stated carrying amounts and fair values include accrued interest, the remaining term of which is less than one year in each case.

Promissory note loans

		30/09/2019				30/09/2020			
		Nominal value	Nominal value	Carrying amount	Fair value	Nominal value	Nominal value	Carrying amount	Fair value
Currency	Remaining term	Million currency	€ million	€ million	€ million	Million currency	€ million	€ million	€ million
EUR	Up to 1 year	0	0	1		0	0	1	
	1 to 5 years	239	239	239		239	239	239	
	Over 5 years	12	12	12		12	12	12	
	Total	**250**	**250**	**251**	**255**	**250**	**250**	**251**	**248**

Amortising loans, which are recognised under liabilities to banks, are presented in the remaining terms according to their repayment dates.

The table below shows the interest rate structure of the borrowings from promissory note loans:

Promissory note loans

			30/09/2019	30/09/2020
Interest rate structure	Currency	Remaining term	Nominal value € million	Nominal value € million
Fixed interest	EUR	Up to 1 year	0	0
		1 to 5 years	148	148
		Over 5 years	12	12
Variable interest	EUR	Up to 1 year	0	0
		1 to 5 years	91	91
		Over 5 years	0	0

The fixed interest rates of the short- and medium-term borrowings and the interest reset dates of all fixed interest borrowings primarily correspond to the remaining terms shown. The interest reset periods of variable interest rates are less than one year.

↗ The effects of interest rate changes in the variable portion of the borrowings on CECONOMY's profit or loss for the period and equity are described in detail under note 43 Management of financial risks.

37. OTHER FINANCIAL LIABILITIES AND NON-FINANCIAL LIABILITIES

Material items in miscellaneous financial liabilities are liabilities from the acquisition of assets of €20 million (30/09/2019: €24 million), liabilities from non-Group shareholders' put options of €52 million (30/09/2019: €60 million), liabilities from multi-year compensation payments to minority interests on the basis of profit and loss transfer agreements concluded with selected market companies of €28 million (30/09/2019: €44 million) and real estate-related liabilities of €17 million (30/09/2019: €6 million).

The other tax liabilities mainly comprise value added tax, payroll and church tax and land tax.

Deferred income includes deferred rent and advertising subsidies as well as other deferred items.

	30/09/2019			30/09/2020		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Payroll liabilities	285	285	0	227	227	0
Miscellaneous financial liabilities	178	125	53	142	106	36
Refund liabilities	35	35	0	45	45	0
Other financial liabilities	**498**	**445**	**53**	**414**	**378**	**36**
Other tax liabilities	159	159	0	194	194	0
Deferred income	82	47	34	46	35	11
Miscellaneous non-financial liabilities	29	8	21	3	3	0
Other liabilities	**270**	**215**	**56**	**243**	**231**	**11**

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting agreements, enforceable master netting arrangements and other agreements were as follows:

						30/09/2019
	(a)	(b)	(c) = (a) – (b)	(d)		(e) = (c) – (d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the statement of financial position	Net amounts of financial assets/liabilities that are shown in the statement of financial position	Corresponding amounts that are not netted in the statement of financial position		
€ million				Financial instruments	Collateral received/provided	Net amount
Financial assets						
Receivables due from suppliers	1,437	142	1,295	60	0	1,235
Trade receivables and similar claims[1]	147	8	139	8	0	131
Further financial assets[2]	346	0	346	0	0	346
Cash and cash equivalents[2]	1,184	0	1,184	0	0	1,184
	3,114	**150**	**2,964**	**67**	**0**	**2,897**
Financial liabilities						
Trade liabilities and similar liabilities[3]	5,028	114	4,914	40	0	4,874
Further financial liabilities[4]	836	36	800	27	0	773
	5,864	**150**	**5,714**	**67**	**0**	**5,647**

[1] Not including contract assets of €316 million.
[2] Adjustment due to revised disclosure. Information on this is provided under “Notes to the Group accounting principles and methods”.
[3] Not including contract liabilities of €407 million.
[4] Adjustment due to elimination of contract liabilities in connection with IFRS 15.

						30/09/2020
	(a)	(b)	(c)=(a)–(b)	(d)		(e)=(c)–(d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the statement of financial position	Net amounts of financial assets/liabilities that are shown in the statement of financial position	Corresponding amounts that are not netted in the statement of financial position		
€ million				Financial instruments	Collateral received/provided	Net amount
Financial assets						
Receivables due from suppliers	1,494	191	1,302	108	0	1,195
Trade receivables and similar claims[1]	231	19	212	0	0	212
Further financial assets	433	0	433	0	0	433
Cash and cash equivalents	1,484	0	1,484	0	0	1,484
	3,641	**210**	**3,431**	**108**	**0**	**3,324**
Financial liabilities						
Trade liabilities and similar liabilities[2]	5,765	134	5,631	60	0	5,571
Further financial liabilities	2,912	76	2,836	48	0	2,788
	8,677	**210**	**8,467**	**108**	**0**	**8,360**

[1] Not including contract assets of €276 million.
[2] Not including contract liabilities of €365 million.

The financial instruments not offset would be offsettable on the basis of the underlying framework agreements, but do not meet the offsetting criteria of IAS 32 (Financial Instruments: Presentation).

39. UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES

The undiscounted cash flows of borrowings, trade liabilities and derivatives carried as liabilities are as follows:

		Contractual cash flows			
€ million	Carrying amount as of 30/09/2019	Total amount	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities					
Liabilities to banks	1	1	1	0	0
Promissory note loans	251	262	4	245	13
Finance leases	50	53	9	26	18
Trade liabilities and similar liabilities[1]	4,914	4,914	4,894	20	0
Currency derivatives carried as liabilities	1	1	1	0	0

		Contractual cash flows			
€ million	Carrying amount as of 30/09/2020	Total amount	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities					
Liabilities to banks	30	30	30	0	0
Promissory note loans	251	258	3	242	13
Lease liabilities	2,141	2,197	557	1,336	304
Trade liabilities and similar liabilities[1]	5,631	5,922	5,892	30	0
Currency derivatives carried as liabilities	0	0	0	0	0

[1] This item does not include contract liabilities of €365 million (30/09/2019: €407 million).

40. CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

As of financial year 2018/19, financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate categories as follows:

	30/09/2019				
		Value in statement of financial position			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortised cost	**2,682**	**2,682**	**0**	**0**	**2,682**
Cash and cash equivalents[1]	1,184	1,184	0	0	1,184
Receivables due from suppliers	1,295	1,295	0	0	1,295
Trade receivables and similar claims[2]	124	124	0	0	124
Loans and advance credit granted	12	12	0	0	12
Miscellaneous assets[1]	67	67	0	0	67
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**	**1**
Equity instruments	0	0	0	0	0
Trade receivables and similar claims	0	0	0	0	0
Derivative financial instruments	1	0	1	0	1
Measured at fair value through other comprehensive income	**266**	**0**	**0**	**266**	**266**
Equity instruments	266	0	0	266	266
Debt instruments	0	0	0	0	0
Equity and liabilities					
Measured at amortised cost	**5,627**	**5,627**	**0**	**0**	**5,627**
Borrowings[3]	252	252	0	0	256
Trade liabilities and similar liabilities[4]	4,878	4,878	0	0	4,878
Miscellaneous liabilities	497	497	0	0	497
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**	**1**
Derivative financial instruments	1	0	1	0	1
Miscellaneous liabilities	0	0	0	0	0

[1] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".
[2] Not including continuing involvement of €15 million and contract assets of €316 million
[3] Not including liabilities from finance leases of €50 million
[4] Not including continuing involvement of €36 million and contract liabilities of €407 million

€ million	Carrying amount	Value in statement of financial position: (Amortised) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
					30/09/2020
Assets					
Measured at amortised cost	**2,641**	**2,641**	**0**	**0**	**2,641**
Cash and cash equivalents	984	984	0	0	984
Receivables due from suppliers	1,302	1,302	0	0	1,302
Trade receivables and similar claims[1]	197	197	0	0	197
Loans and advance credit granted	13	13	0	0	13
Miscellaneous assets	145	145	0	0	145
Measured at fair value through profit or loss	**508**	**0**	**508**	**0**	**508**
Cash and cash equivalents	500	0	500	0	500
Equity instruments	0	0	0	0	0
Trade receivables and similar claims	0	0	0	0	0
Derivative financial instruments	8	0	8	0	8
Measured at fair value through other comprehensive income	**268**	**0**	**0**	**268**	**268**
Equity instruments	268	0	0	268	268
Debt instruments	0	0	0	0	0
Equity and liabilities					
Measured at amortised cost	**6,282**	**6,282**	**0**	**0**	**6,282**
Borrowings[2]	281	281	0	0	279
Trade liabilities and similar liabilities[3]	5,587	5,587	0	0	5,587
Miscellaneous liabilities	414	414	0	0	414
Measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments	0	0	0	0	0
Miscellaneous liabilities	0	0	0	0	0

[1] Not including continuing involvement of €15 million and contract assets of €276 million
[2] Not including lease liabilities of €2,141 million
[3] Not including continuing involvement of €44 million and contract liabilities of €365 million

The classes are formed on the basis of similar risks and characteristics corresponding to the nature of the respective financial instruments. Further subdivision for individual financial assets and liabilities is shown the table above.

The fair value hierarchy consists of three levels and is determined based on the market proximity of the inputs used in the measurement method. In cases where various different inputs are critical for the measurement, the fair value is allocated to the hierarchy level corresponding to the lowest-level input that is relevant for the measurement.

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs: unobservable inputs for the asset or liability

Equity instruments of €268 million are subsequently measured at fair value through other comprehensive income. €231 million of this relates to listed companies, with €200 million attributable to the 15 per cent investment in Russia's leading consumer electronics retailer Public Joint-Stock Company "M.video" and €31 million attributable to the roughly 1 per cent share in METRO AG.

Equity instruments of €37 million which are not listed on the stock exchange and for which there is no active market are recognised at fair value through other comprehensive income. These equity instruments are not planned to be sold. The main component at €35 million is the 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG.

The financial instruments measured at fair value in accordance with IFRS 9 are allocated as follows within the three-level fair value hierarchy:

	30/09/2019			
€ million	Total	Level 1	Level 2	Level 3
Assets	**267**	**214**	**1**	**52**
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**
Equity instruments	0	0	0	0
Derivative financial instruments	1	0	1	0
Measured at fair value through other comprehensive income	**266**	**214**	**0**	**52**
Equity instruments[1]	266	214	0	52
Equity and liabilities	**1**	**0**	**1**	**0**
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**
Derivative financial instruments	1	0	1	0
Total	**266**	**214**	**0**	**52**

[1] Change in presentation

	30/09/2020			
€ million	Total	Level 1	Level 2	Level 3
Assets	**776**	**731**	**8**	**37**
Measured at fair value through profit or loss	**508**	**500**	**8**	**0**
Cash and cash equivalents	500	500	0	0
Equity instruments	0	0	0	0
Derivative financial instruments	8	0	8	0
Measured at fair value through other comprehensive income	**268**	**231**	**0**	**37**
Equity instruments	268	231	0	37
Equity and liabilities	**0**	**0**	**0**	**0**
Measured at fair value through profit or loss	**0**	**0**	**0**	**0**
Derivative financial instruments	0	0	0	0
Total	**776**	**731**	**8**	**37**

Equity instruments (level 1) are measured on the basis of quoted market prices in active markets.

For interest rate swaps and currency transactions (all level 2), there is a mark-to-market measurement on the basis of quoted exchange rates and yield curves available on the market.

The non-listed equity instruments without an active market reported as assets totalling €37 million (30/09/2019: €52 million) as of 30 September 2020 are allocated to fair value level 3.

The fair value of the shares in METRO PROPERTIES GmbH & Co. KG declined by €16 million from €51 million to €35 million. This change was recognised through other comprehensive income. The change in fair value was determined mainly on the basis of selling prices from sales of land. The fair value of the shares in determined by the value of the real estate behind the investment, so higher or lower real estate values result in a higher or lower fair value, respectively.

During the past reporting period and in the previous year, no transfers were made between levels 1 and 2.

There were no transfers to or from level 3 in the 2019/20 financial year or in the previous year.

Financial instruments that are recognised at amortised cost in the statement of financial position, but whose fair values are stated in the notes, are also classified within a three-level fair value hierarchy.

Due to their generally short terms, the fair values of receivables due from suppliers, trade receivables and similar claims, trade liabilities and similar liabilities and cash and cash equivalents largely correspond to their carrying amounts.

The fair values of bonds, liabilities to banks and promissory note loans are calculated based on the market interest curve in line with the zero-coupon method, taking account of credit spreads (level 2). The values include accrued interest as of the closing date.

The fair values of all miscellaneous financial assets and financial liabilities that are not listed on the stock exchange correspond to the net present values of the payments associated with these items of the statement of financial position. The country-specific yield curves applicable as of the closing date (level 2) were used in the calculation.

Other notes

41. NOTES TO THE CASH FLOW STATEMENT

The statement of cash flows in accordance with IAS 7 (Statement of Cash Flows) shows how the Group's cash and cash equivalents have changed as a result of cash inflows and outflows over the course of the financial year.

Cash and cash equivalents comprise cheques, cash on hand, money in transit, bank deposits and other financial assets that can quickly be converted into cash with a term of up to three months.

The statement of cash flows distinguishes between changes in cash resulting from operating activities, investing activities and financing activities. Cash flows from discontinued operations are reported separately.

The information below relates to continuing operations.

Cash flows from operating activities amounted to €1,166 million (2018/19: €65 million). The €1,102 million higher cash flow from operating activities is primarily due to the introduction of IFRS 16, the associated change in the recognition of lease expenses and the positive development of net working capital. There was also a cash inflow in income taxes in the past financial year. This resulted in particular from tax refunds relating to previous years. Moreover, reductions in tax prepayments for financial year 2019/20 as a result of the COVID-19 pandemic resulted in comparatively lower cash outflows. A cash outflow from other operating activities had the opposite effect.

Of the scheduled depreciation, amortisation, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method totalling €1,071 million (2018/19: €241 million), property, plant and equipment accounted for €199 million (2018/19: €197 million), other intangible assets and goodwill for €29 million (2018/19: €45 million), right-of-use assets for €576 million (2018/19: €0 million) and impairment on investments accounted for using the equity method for €268 million (2018/19: €0 million).

The change in net working capital amounted to €297 million (2018/19: €–392 million). This positive development is especially attributable to the significant increase in trade liabilities with a comparatively much lower increase in inventories, which is predominantly due to the positive sales trend in the fourth quarter. Following the changed definition of net working capital since financial year 2019/20, the changes in inventories, trade receivables and similar claims, and receivables due from suppliers and the change in trade liabilities and similar liabilities are all included here.

Other operating activities generated a total cash outflow of €110 million (2018/19: cash inflow of €157 million). The change as against the previous year is attributable on the one hand to severance payments that predominantly relate to the reorganization and efficiency program and the management changes. On the other hand, this development was driven by the absence of cash receivables reductions of the previous year, which were due to the utilisation of retained net working capital. In addition, the year-on-year change is influenced by unrealised effects of currency translation and by corrections of non-cash EBIT effects from altered activities in Greece.

Besides the items named above, other operating activities also include the change in other assets and liabilities, prepaid expenses and deferred charges, deferred income and other taxes.

Investing activities generated a cash outflow of €248 million (2018/19: cash inflow of €118 million). The positive cash flow from investing activities of the previous year is primarily attributable to the sale of a 5.4 per cent share in METRO AG in the third quarter of 2018/19. This year's cash outflow includes a cash investment in shares in PMG Retail Market Ltd. In addition, at €245 million (2018/19: €152 million), more was invested in financial investments and securities than in the previous year. In contrast, the expenses for expansion and modernisation were also lower than in the previous year due to the effects of the COVID-19 pandemic.

The amount of the investments in property, plant and equipment shown as a cash outflow differs from the addition shown in the asset reconciliation by the amount of the non-cash transactions. These essentially relate to changes in liabilities from the acquisition of property, plant and equipment and effects of currency translation.

The cash outflow from financing activities amounted to €589 million in the financial year 2019/20 (2018/19: €178 million). The change is chiefly attributable to the redemption of lease liabilities, which in financial year 2019/20 amounted to €530 million (2018/19: €5 million). Bonds borrowed during the year and the credit facilities utilised in particular against the backdrop of the COVID-19 pandemic mainly influence the cash inflow from borrowings of €1,447 million (2018/19: €155 million). However, nearly all intra-year borrowings were repaid by 30 September 2020, so the redemption of other borrowings of €1,415 million (2018/19: €300 million) is likewise considerably higher than the previous year's figure. As a result of the temporary utilisation of the committed credit facilities and lease accounting in accordance with IFRS 16, the current year's interest payments are also higher than those of the previous year at €54 million (2018/19: €29 million). In financial year 2019/20, €19 million of this is attributable to interest payments in connection with lease liabilities (2018/19: €1 million).

The cash outflows from profit and loss transfers and other financing activities particularly include credit and commitment fees of €27 million (2018/19: €2 million). This was offset by the cash inflow from investment income from PJSC "M.video", METRO AG and METRO PROPERTIES GmbH & Co. KG of €20 million (2018/19: €27 million).

Cash and cash equivalents were subject to restrictions on title in the amount of €3 million (2018/19: €0 million).

The following table shows the reconciliation of changes from liabilities from financing activities.

		Cash flows	Non-cash changes				
€ million	01/10/2019	Cash change	Due to exchange rate movements	Acquisition or disposal of companies	Fair values	Miscellaneous	30/09/2020
Bonds	0	0	0	0	0	0	0
Liabilities to banks	1	32	−3	0	0	0	30
Promissory note loans	251	0	0	0	0	0	251
Lease liabilities	2,397	−530	−14	0	0	288	2,141
Other liabilities in connection with financing activities[1]	105	−22	0	0	0	−11	73
Liabilities from financing activities	**2,754**	**−519**	**−17**	**0**	**0**	**277**	**2,495**

[1] Contains other balance sheet items affecting the cash flow from financing activities. Key components include liabilities from put options and compensation payment obligations to non-controlling interests (component of "Other financial liabilities") plus asset and liability derivatives for currency hedging (component of "Other financial assets" and component of "Other financial liabilities").

The non-cash changes reported under "Miscellaneous" primarily relate to net additions to lease liabilities, whose counterpart is in the "right-of-use assets" balance sheet item. In addition, the other liabilities in connection with financing activities include effects that arose on the annual revaluation of multi-year obligations to non-controlling interests. These obligations result from profit and loss transfer agreements and are owed to selected market shareholders.

The cash flows from discontinued operations are calculated as follows:

€ million	2018/19	2019/20
EBIT	1	3
Other	−1	−3
Cash flow from operating activities of discontinued operations	**0**	**0**
Cash flow from investing activities of discontinued operations	**0**	**0**
Cash flow from financing activities of discontinued operations	**0**	**0**

In both financial years, the amounts recognised in EBIT from discontinued operations relate to the Russian MediaMarkt business sold in financial year 2017/18. The corresponding correction of cash flow from operating activities of discontinued operations is shown under "Other".

42. SEGMENT REPORTING

Segmentation is in line with the Group's internal management and reporting.

The chief operating decision maker (CODM) in accordance with CECONOMY's IFRS 8 segment reporting is the Management Board of CECONOMY AG. The Management Board members have joint responsibility for allocating resources and assessing the Group's operating profitability. At CECONOMY, management is generally performed at a national level. The CODM of CECONOMY therefore manages the company's activities on the basis of internal reporting that generally includes key figures for each country. Resource allocation and performance measurement accordingly take place at a national level.

CECONOMY operates in a single business sector, the electronics sector. Combined with a relatively homogeneous alignment, its products, services, customer groups and sales methods are similar in all countries. Based on similar economic conditions and business activities of the operations, individual countries are aggregated to form the following reportable operating segments:

- DACH (Germany, Austria, Switzerland, Hungary)

- Western/Southern Europe (Belgium, Greece (until 29 November 2019), Italy, Luxembourg, Netherlands, Portugal, Spain)

- Eastern Europe (Poland, Turkey)

All non-reportable operating segments as well as business activities that do not meet the criteria to be defined as an operating segment are grouped together under "Others". This particularly includes Sweden and smaller operating companies.

↗ Further information on the segments can be found in the combined management report.

The main components of segment reporting are described below:

- External sales represent the operating segments' sales with non-Group parties.

- Internal sales show sales with other operating segments.

- Segment EBIT refers to the earnings for the period before net financial result and income taxes. Intragroup rental contracts are presented as operating leases in the segments. The properties are leased at market terms. Impairment risks of non-current assets are generally shown in the segments only if they represent risks for the Group. The same applies to deferred assets and liabilities, which are shown at segment level only if this would also be required in the consolidated statement of financial position.

- Segment EBITDA comprises EBIT before depreciation, amortisation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method.

- In financial year 2019/20, adjusted EBIT and adjusted EBITDA are adjusted for non-recurring effects and earnings effects from companies recognised at equity and portfolio changes. 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 are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current year or in the previous year. Non-recurring earnings effects include the reorganization and efficiency program, COVID-19 related store closures and effects in connection with the introduction of a harmonised group-wide organisational structure ("Operating Model"). This adjustment also affects the previous year's figures, in which expenses were incurred in connection with the reorganization and efficiency program as well as management changes. For the reorganization and efficiency program, EBIT includes income of €31 million (2018/19: expenses of €165 million) and EBITDA income of €24 million (2018/19: expenses of €151 million). 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 port-folio companies. Expenses for store closures in response to COVID-19 are recognised in EBIT in the amount of €8 million and in EBITDA in the amount of €6 million. 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. Expenses for the Operating Model are included in EBIT in the amount of €72 million and in EBITDA in the amount of €63 million. 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. In financial year 2019/20, the expenses for non-recurring effects total €49 million (2018/19: €200 million) in EBIT and €44 million (2018/19: €186 million) in EBITDA. EBIT includes expenses of €267 million (2018/19: income of €20 million) and EBITDA includes income of €1 million (2018/19: €21 million) for companies recognised at equity and portfolio changes.

The reconciliation of adjusted EBIT to EBIT and the reconciliation of adjusted EBITDA to EBITDA for the financial year 2019/20 are presented below:

€ million	2018/19	2019/20
Adjusted EBIT	**403**[1]	**236**
Management changes	–34	–
Reorganization and efficiency program	–165	31
Store closures due to COVID-19	–	–8
Introduction of the Operating Model	–	–72
Companies accounted for using the equity method and portfolio changes	20	–267
EBIT	**224**	**–80**

[1] Adjustment of previous year of earnings effects from companies accounted for using the equity method and portfolio changes.

€ million	2018/19	2019/20
Adjusted EBITDA	**629**[1]	**1,034**
Management changes	–34	–
Reorganization and efficiency program	–151	24
Store closures due to COVID-19	–	–6
Introduction of the Operating Model	–	–63
Companies accounted for using the equity method and portfolio changes	21	1
EBITDA	**465**	**991**

[1] Adjustment of previous year of earnings effects from companies accounted for using the equity method and portfolio changes.

↗ Further information on adjusted EBIT and adjusted EBITDA can be found under "Management system".

- Segment investments comprises additions (including additions to consolidation group) to non-current intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method. Excluded here are additions as a result of reclassifying assets held for sale as non-current assets.

- Non-current segment assets generally comprise all the non-current assets. They particularly do not include financial assets or tax items.

The reconciliation of non-current segment assets to the Group's assets is shown below:

€ million	30/09/2019	30/09/2020
Non-current segment assets	**1,891**[1]	**3,493**
Financial assets	278	280
Cash and cash equivalents	1,184[2]	1,484
Deferred tax assets	73	84
Income tax assets	142	69
Other entitlements to tax refunds[3]	66	101
Inventories	2,548	2,949
Trade receivables and similar claims	455	488
Receivables due from suppliers	1,295	1,302
Prepaid expenses and deferred charges[3]	53	51
Receivables from other financial transactions[4,5]	1	93
Assets held for sale (not including non-current segment assets)	52	0
Other[3,4,5,6]	65	60
Group assets	**8,103**	**10,455**

[1] Adjustment of previous year of investments accounted for using the equity method
[2] Adjustment due to revised disclosure. Information on this is provided under "Notes to the Group accounting principles and methods".
[3] Included in the "Other assets (current)" balance sheet item
[4] Included in the "Other financial assets (current)" balance sheet item
[5] Included in the "Other financial assets (non-current)" balance sheet item
[6] Included in the "Other assets (non-current)" balance sheet item

– The transfer pricing system between the segments is based on licence allocation on a cost-plus basis, which comprises cost relief in connection with routine services. The licence allocation, which is calculated on the basis of the segments' sales, covers the use of brands in the Group, among other things.

43. MANAGEMENT OF FINANCIAL RISKS

The CECONOMY AG Treasury department manages CECONOMY's financial risks. Specifically, these include:

– Price risks

– Liquidity risks

– Credit risks

– Cash flow risks

↗ Further details on the risk management system are included in the combined management report under economic report – earnings, financial and asset position – financial and asset position – financial management and in the opportunity and risk report.

Price risks

CECONOMY's price risks arise from the fact that the value of a financial instrument is influenced by changes in market interest rates, exchange rates and share prices.

Interest rate risks

Interest rate risks result from changes in interest rates. Interest rate derivatives can be used to mitigate these risks if necessary.

CECONOMY's residual interest rate risk is calculated using sensitivity analyses in accordance with IFRS 7. The following assumptions are applied in analysing changes in interest rates:

– The total impact calculated by sensitivity analyses relates to holdings as of the closing date and expresses the effect for a year.

– Variable interest, primary financial instruments whose interest payments are not designated as a hedged item in cash flow hedges against changes in interest rates affect the net interest result in profit or loss in sensitivity analyses. Sensitivity to a change of ten basis points is calculated.

– Fixed interest primary financial instruments are not included in sensitivity analyses.

– Financial instruments designated as a hedge in a cash flow hedge against variable interest flows only affect the net interest result when the cash flows are triggered. However, the measurement of the hedge at fair value affects reserves retained from earnings in equity.

– Interest rate derivatives that are not part of a qualified hedging relationship in accordance with IAS 39 affect other financial result through measurement at fair value through profit or loss and the net interest result through the interest flows that arise.

The residual interest rate risk as of the closing date essentially results from variable interest receivables from and liabilities to banks, and from other short-term liquid financial assets (reported under "Cash and cash equivalents") at a net total amount taking hedges into account of €1,304 million (30/09/2019: €986 million).

Given this net total, a rise in interest rates of ten basis points would increase income in the net interest result by €1 million (2018/19: €1 million) per year. A reduction in interest rates of ten basis points would have an opposite effect of €–1 million (2018/19: €–1 million).

CECONOMY is exposed to **currency risks** as a result of the international procurement of goods and as a result of costs and financing incurred in a currency other than that of the respective country or linked to the performance of another currency. The foreign currency items that arise as a result must be hedged in accordance with the Group's "Foreign Currency Transactions" policy. Exceptions are permitted where hedging is not economically reasonable and where there are statutory and regulatory restrictions in the respective countries. Forward currency contracts/options and interest rate and currency swaps can be used for hedging purposes.

The foreign currency risk arising as a result of the exceptions is also presented using sensitivity analyses in accordance with IFRS 7. The following assumptions are applied in analysing the depreciation or appreciation of the euro against foreign currencies:

The total impact presented by sensitivity analyses, in terms of its amount and earnings effects, relates to the foreign currencies held within the consolidated subsidiaries of CECONOMY and expresses the effect in the event of the depreciation or appreciation of the euro.

The depreciation of the euro has a positive effect if a subsidiary whose functional currency is the euro has a foreign currency receivable, or if a subsidiary whose functional currency is not the euro has a liability in euro. The table below shows the nominal volumes of currency pairs in this category with a positive sign.

The depreciation of the euro has a negative effect if a subsidiary whose functional currency is not the euro has a receivable in euro, or if a subsidiary whose functional currency is the euro has a foreign currency liability. Accordingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro has the opposite effect for all currency pairs shown above.

The effects of the measurement of non-equity foreign currency positions translated using the closing rate in accordance with IAS 21 are recognised in the income statement in the sensitivity analyses. In the event of a net equity investment in a foreign operation, the effects of measurement using the closing rate are recognised in equity through other comprehensive income (OCI).

Forward currency contracts/options and interest rate and currency swaps that are not part of a qualified hedging relationship in accordance with IAS 39 affect the income statement through measurement at fair value. This is countered by the effects of the measurement of the hedged item held in foreign currency, hence the opposing effects are cancelled out if the hedge is fully effective.

CECONOMY has exercised the option to continue applying the hedge accounting regulations of IAS 39. This option can be exercised until the IASB has completed its macro hedging project. This project is not expected to be finalised in the near future.

The effects of the currency translation of financial statements whose functional currency is not the reporting currency of CECONOMY do not affect cash flows in local currency and are therefore not included in sensitivity analyses.

CECONOMY's residual currency risk, which essentially relates to an inability to hedge certain currencies for legal reasons or owing to insufficient market depth, was as follows as at the closing date:

		Effect if euro depreciates/appreciates by 10%			
€ million	Currency pair	Volume	30/09/2019	Volume	30/09/2020
Profit or loss for the period			+/–		+/–
	CHF/EUR	−45	−5	+4	0
	HUF/EUR	+2	0	+28	+3
	NOK/EUR	−9	−1	−8	−1
	PLN/EUR	+30	+3	+146	+15
	SEK/EUR	+29	+3	+28	+3
	USD/EUR	0	0	−6	−1

Interest rate and currency risks are significantly reduced and limited by the principles set out in CECONOMY's internal Treasury policies. These stipulate for the Group as a whole that any hedging operation must remain within predefined limits and must not increase risk exposure under any circumstances. CECONOMY realises and accepts that this greatly limits its ability to leverage current or expected interest rate or exchange rate movements to optimise its earnings.

In addition, only standard derivative financial instruments for which the correct financial and accounting presentation and measurement are guaranteed in Treasury's systems can be used for hedging purposes.

The following derivative financial instruments were used to reduce risk at the closing date:

	30/09/2019			30/09/2020		
		Fair values			Fair values	
€ million	Nominal volume[1]	Financial assets	Financial liabilities	Nominal volume[1]	Financial assets	Financial liabilities
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not in a hedge	−393	1	1	352	8	0
	−393	**1**	**1**	**352**	**8**	**0**

[1] Positive sign = forward purchase of foreign currency; negative sign = forward sale of foreign currency

The nominal volume of forward currency contracts/options is determined by the net position of the foreign currency amounts bought and sold in the individual transactions, translated using the corresponding exchange rate as at the closing date. All fair values represent the theoretical value of these instruments on the reversal of transactions as at the closing date. Assuming that the transactions will be held to maturity, these are unrealised gains and losses that will be fully offset against the gains and losses of the hedged items by the time they mature if the hedges are fully effective.

In order to show this offsetting on an accrual basis, relationships are created between hedges and hedged items and presented as follows:

– In a fair value hedge, both the hedge and the hedged risk of the hedged item are recognised at fair value. The fluctuations in the fair value of both transactions are recognised in the income statement, where they offset each other if the hedge is fully effective.

– In a cash flow hedge, the hedges are also recognised at fair value. If the hedge is fully effective, the changes in value are recognised in equity until the hedged cash flows or expected transactions are recognised in profit or loss, at which time they are recognised in the income statement.

– Hedging transactions that are not part of a hedge in accordance with IAS 39 are recognised at fair value. Changes in their value are recognised in the income statement. Even if no formal hedge was established, these are hedging transactions in a close relationship with the hedged item whose impact on profit or loss is offset by that of the hedged item (natural hedge).

The currency derivatives used mainly relate to the Swedish krona and the Polish złoty.

The maturity dates of the derivative financial instruments are as follows:

			30/09/2019			30/09/2020
			Maturity dates			Maturity dates
€ million	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not in a hedge	0	0	0	8	0	0
	0	**0**	**0**	**8**	**0**	**0**

The fair values of the financial assets and liabilities that mature during these time bands are shown under the maturity dates.

Liquidity risks

Liquidity risk describes the risk of being unable to obtain or provide cash, or of only being able to do so at higher cost. Liquidity risks arise, for example, as a result of temporary capital market disruptions, creditor default, insufficient credit facilities or failure of anticipated incoming payments to arise. Treasury always ensures sufficient funds to cover the financial requirements for operating and investing activities as cost-efficiently as possible. The information necessary is provided by rolling three-month Group financial planning by the individual Group companies issued after the end of the financial year, and undergoes deviation analysis. This financial planning is supplemented by short-term liquidity planning and updated on a rolling basis. The information necessary is provided by means of a rolling group financial plan for the individual group companies, which is based on a three-month period after the end of the fiscal year and is subject to a deviation analysis.

Financing instruments include money market and capital market products (term and demand deposits, promissory note loans, commercial papers) and multi-year syndicated credit facilities. In the spring of the past fiscal year, due to the intensifying development of COVID-19 and the associated uncertainty about the development of liquidity, CECONOMY concluded an additional credit line of € 1,700 million with the participation of the Kreditanstalt für Wiederaufbau (KfW) as a precautionary measure, which supplements the confirmed committed credit lines of € 980 million already existing at that time. The standard covenants specified in the loan agreement, including financial ratios, were complied with at all times and are expected to be complied with in the future. With committed undrawn credit lines now totaling € 2,680 million, CECONOMY continues to have sufficient liquidity reserves, ensuring that liquidity risks do not arise even if unexpected events have a negative financial impact on the liquidity situation. Please refer to the information on the corresponding balance sheet items for details of financing instruments and credit facilities.

↗ Further details can be found under note 29 "Cash and cash equivalents" and note 36 "Borrowings".

Intra-Group cash pooling allows Group companies to use the surplus liquidity of other company units to cover their liquidity requirements. This reduces the Group's amount of debt and thus its interest expenses. Furthermore, the expertise bundled in CECONOMY AG's Treasury department is used to advise and assist Group companies in all relevant financial matters. This extends from planning financing of investment projects to assisting the financial officers of the individual Group companies in their talks with local banks and financial service providers. This firstly ensures the optimised use of CECONOMY's financial resources and secondly that all Group companies benefit from CECONOMY's financial standing in terms of their financing conditions.

Credit risks

Credit risks arise from a full or partial default by a counterparty, for instance as a result of insolvency, or in the context of financial investments and asset-side derivative financial instruments. CECONOMY's maximum default exposure as at the closing date is reflected by the carrying amounts of its financial assets and totals €3,417 million (30/09/2019: €2,949 million).

There was no material collateral for financial assets as at the closing date.

The cash holdings included in "Cash and cash equivalents" of €51 million (30/09/2019: €55 million) are not subject to any significant risk of default.

In the context of the management of financial investments of €1,377 million (30/09/2019: €1,025 million) and asset-side derivative financial instruments of €8 million (30/09/2019: €1 million), minimum credit requirements and individual maximum exposures have been defined for all business partners of CECONOMY. Cheques and money in transit are not included in the calculation of credit risks. The basis for this is a system of limits set out in Treasury policies, which are essentially based on ratings provided by international rating agencies, the development of the credit default swap or internal credit checks. Every counterparty of CECONOMY is assigned an individual limit, compliance with which is monitored on an ongoing basis.

As at 30 September 2020, as in the previous year, around 98 per cent of the investment volume was placed with investment grade counterparties, in other words, those with good or very good credit ratings. The counterparties that do not yet have an internationally recognised rating are renowned financial institutions whose credit can be considered impeccable on the basis on analyses. CECONOMY also operates in countries whose financial institutions do not have an investment grade on account of their country's rating. It is necessary and reasonable to cooperate with these institutions for reasons specific to the countries in question and in terms of cost and efficiency considerations. These institutions account for around 1 per cent of the total volume (30/09/2019: around 2 per cent).

CECONOMY's exposure to credit risks from financial investments is therefore very low.

CECONOMY considers the probability of default when recognising an asset for the first time, and determines whether the credit risk has increased steadily in each reporting period. In order to assess whether the credit risk has increased significantly, the company compares the asset's risk of default as at the closing date to its risk of default as at the date of first-time recognition. All available, appropriate and forward-looking information is taken into account, including the following indicators in particular:

- Internal rating models
- External credit information (if available)
- Actual or anticipated substantial negative changes in a borrower's business situation or financial position that are expected to substantially alter its ability to settle its obligations
- Significant increases in credit risk on other financial instruments of the same borrower
- Material changes in the borrower's expected performance and behaviour, including changes in the borrower's payment status within the Group and changes in the borrower's operating results

Macroeconomic information (such as market interest rates or growth rates) and other forward-looking information are taken into account in the internal rating model. For trade and provider receivables, these are taken into account in the corresponding operating segment by means of a forecast for the subsequent year of the annual change in company insolvencies.

The above analysis notwithstanding, a significant increase in credit risk is presumed if an obligor's contractual payment is more than 30 days past due. Financial assets are transferred from level 1 or 2 to level 3 as soon as there is objective evidence of impairment. The CECONOMY Group also uses indicators including the following:

- Significant financial difficulty of the debtor
- A breach of contract, such as default or delinquency in interest and/or principal payment
- Disappearance of an active market for the financial asset in question
- Concessions granted for economic or contractual reasons due to the financial difficulty of the debtor
- Increased probability of bankruptcy or forfeiture procedures

It is also considered whether a financial asset is in default if the counterparty makes no contractual payments within 90 days of the due date. Financial assets are derecognised if there is no reasonable expectation of repayments, for example if an obligor does not agree a repayment plan with the company. The company still undertakes enforcement measures when loans or receivables are derecognised to attempt to collect the amount due. If amounts are claimed in return, these are recognised through profit or loss.

No significant changes were made to estimation techniques or assumptions in the reporting period.

Cash flow risks
A change in future interest rates can cause cash flows from variable interest asset and liability items to fluctuate. Stress tests are used to determine the impact interest rate changes could have on cash flows and how they can be limited by hedges in line with internal Treasury policies.

44. CONTINGENT LIABILITIES

CECONOMY's contingent liabilities amount to €10 million as at the end of the financial year 2019/20 (2018/19: €2 million).

45. OTHER FINANCIAL LIABILITIES

The nominal value of other financial liabilities is €184 million as at 30 September 2020 (30/09/2019: €153 million) and essentially includes purchase obligations for service agreements.

The demerger of the former METRO GROUP has resulted in a legal contingent liability under extended liability lasting five and ten years in accordance with Sec. 133 para. 1 and 3 of the Umwandlungsgesetz (UmwG – German Transformation Act). As the transferring entity, the legal entities involved in the demerger are jointly and severally liable for CECONOMY AG's liabilities and pension obligations established before the demerger became effective, until 2022 and 2027 respectively. CECONOMY AG rates the risk of these contingent liabilities being utilised as unlikely.

↗ Please see note 20 "Other intangible assets", note 21 "Property, plant and equipment" and note 22 "Right-of-use assets" for details of purchase obligations for other intangible assets, property, plant and equipment and lease obligations.

46. OTHER LEGAL MATTERS

Legal disputes in relation to Media-Saturn-Holding GmbH
Through its wholly owned subsidiary CECONOMY Retail GmbH (CE Retail), CECONOMY AG indirectly holds 78.38 per cent of the shares in Media-Saturn-Holding GmbH (MSH).

By way of an action for annulment and a positive action for a declaratory judgement against the dismissive resolutions of the shareholders' meeting of MSH in December 2015 brought by the minority shareholder before the Ingolstadt Regional Court on 28 January 2016, the minority shareholder of MSH sought the dismissal and suspension of the Managing Director of MSH appointed at the time by CE Retail (still operating as METRO Kaufhaus und Fachmarkt Holding GmbH at that time). The Ingolstadt Regional Court dismissed the minority shareholder's action by way of judgement dated 7 March 2017. The Munich Higher Regional Court rejected the minority shareholder's appeal on 29 November 2017 and refused further leave to appeal. The minority shareholder appealed to the Federal Court against the refusal of further leave to appeal on 22 December 2017. In response to a joint motion by the parties involved, the Federal Court ordered the suspension of the proceedings on 26 February 2018. CECONOMY is of the opinion that the appeal against the refusal of further leave to appeal has little chance of success.

By way of a further legal challenge brought before the Ingolstadt Regional Court on 10 February 2016, also against the dismissive resolutions of the shareholders' meeting of MSH in December 2015, the minority shareholder of MSH sought damages against the management of MSH at the time that the minority shareholder felt were owed over supposed breaches of duty. The Ingolstadt Regional Court dismissed the action by way of judgement dated 18 November 2016. The Munich Higher Regional Court rejected the minority shareholder's appeal on 18 July 2017 and refused further leave to appeal. The minority shareholder appealed to the Federal Court against the refusal of further leave to appeal on 24 August 2017. In response to a joint motion by the parties involved, the Federal Court ordered the suspension of the proceedings on 26 February 2018. CECONOMY is of the opinion that the appeal against the refusal of further leave to appeal has little chance of success.

Legal disputes in relation to the General Meeting of CECONOMY AG
On 6 February 2017, the General Meeting of CECONOMY AG (operating as METRO AG at the time) approved the hive-down and spin-off agreement between CECONOMY AG, which was still operating as METRO AG at the time, and the current METRO AG, then still operating as METRO Wholesale & Food Specialist AG. The hive-down and the spin-off were entered into the commercial register of CECONOMY AG – which was operating as METRO AG at the time – on 12 July 2017 and thus became legally effective. The legal proceedings described below and their outcome do not have any impact on the effectiveness of the hive-down and the spin-off.

In connection with the split of the former METRO GROUP, several shareholders, including the minority shareholder of MSH, filed avoidance, annulment and/or declaratory actions due to the resolutions adopted by the Annual General Meeting of CECONOMY AG – which was operating as METRO AG at the time – on 6 February 2017 under items 3 and 4 of the agenda regarding granting discharge of the members of the Management Board and the Supervisory Board for the 2015/16 financial year, the resolutions adopted under items 9 and 10 of the agenda regarding the amendment of Article 1 of the articles of association (Company name) as well as other amendments to the articles of association, and because of the resolution adopted under item 11 of the agenda regarding the approval of the hive-down and spin-off agreement. Furthermore, several shareholders filed general declaratory actions against CECONOMY AG and requested to have the hive-down and spin-off agreement declared null and void, or at least provisionally invalid. All the actions were pending before the Düsseldorf Regional Court (LG). The LG Düsseldorf dismissed all these actions in its rulings of 24 January 2018. Appeals were filed in all proceedings. By way of rulings of 4 April 2019, the Higher Regional Court of Düsseldorf (OLG) rejected all appeals. In the appeal ruling in the action for annulment of the resolutions by the General Meeting, an appeal to the Federal Court was allowed and filed. In the proceedings for the declaration of avoidance or to have the hive-down and spin-off agreement declared provisionally invalid, the Düsseldorf Higher Regional Court refused further leave to appeal. The claimants have filed an appeal with the Federal Court against one of these proceedings for declaratory judgement. The judgement in the other proceedings for declaratory judgement is final. In the reporting period, there were no material new developments in relation to the appeal pending at the Federal Court and the appeal against the refusal of further leave to appeal. CECONOMY is of the opinion that the appeal and the appeal against the refusal of further leave to appeal have little chance of success.

On 13 February 2019, the General Meeting granted formal approval for the actions of the members of the Management Board for the 2017/18 financial year under item 2 of the agenda. Several shareholders brought an action for annulment before the Düsseldorf Regional Court against the individual approval for the actions of the former members of the Management Board Pieter Haas and Mark Frese. By way of a ruling of 17 December 2019, the Higher Regional Court of Düsseldorf dismissed the action for annulment. All claimants have appealed against the ruling. CECONOMY AG is of the opinion that the appeal has little chance of success.

Assertion of antitrust claims for damages
CECONOMY companies had brought an action against Toshiba and Panasonic companies before a London court. They claimed damages on the basis of the EU Commission's ruling that seven manufacturers of cathode ray tubes (CRTs), including Toshiba and Panasonic, engaged in price fixing, divided up markets and customers amongst themselves and limited their production, thereby violating European antitrust law. These CRTs were installed in televisions and computer monitors that were also sold to CECONOMY companies. The proceedings have since been terminated as part of settlements.

Other legal issues
On 3 November 2017, the Düsseldorf public prosecutor's office conducted a search of the business premises of what is today METRO AG. The search was based on suspected violations of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) against former and then members of corporate bodies at what was then METRO AG (now CECONOMY AG). The Düsseldorf public prosecutor's office's investigations concerned the suspicion that the former METRO AG should have released the ad hoc disclosure on the break-up of the former METRO AG published on 30 March 2016 at an earlier date. By way of letter dated 21 November 2018, the Düsseldorf public prosecutor's office informed CECONOMY AG that it is initiating non-compliance procedures against CECONOMY AG on the basis of suspicions concerning an offence by (former) corporate bodies of CECONOMY AG. By way of letter dated 25 June 2019, the Düsseldorf public prosecutor's office informed the relevant parties of its intention to suspend the proceedings against the former members of the Management Board in question in return for payment of monetary fines in the mid-four-figure and the low five-figure range and to fine CECONOMY AG €100,000. Accordingly the proceedings against the former members of the Management Board were discontinued. By way of a ruling of 9 March 2020, the Higher Regional Court of Düsseldorf imposed a corresponding fine for CECONOMY AG. We are still of the opinion that METRO GROUP acted in accordance with the statutory provisions at all times when it was divided into two independent companies. However, after an extensive examination of the options for action, on the basis of

pragmatic and procedurally economic considerations the CECONOMY AG Management Board decided to waive legal remedies in the interest of the company and to accept the court ruling which concludes the case against the imposition of a fine of €100,000. CECONOMY AG paid the fine in full.

47. EVENTS AFTER THE CLOSING DATE

The following events, which are relevant for the assessment of the earnings, financial and asset position of CECONOMY AG and of CECONOMY, occurred between the closing date (30 September 2020) and the date of the preparation of the consolidated financial statements (1 December 2020).

On 12 October 2020, CECONOMY AG announced in an ad hoc disclosure that the company expects adjusted Group EBIT for the past financial year 2019/20 to be significantly above the forecast corridor and the market's expectations on the basis of provisional figures. In the outlook updated on 16 July 2020, CECONOMY anticipated adjusted Group EBIT of between €165 million and €185 million for financial year 2019/20 based on the business development of the first nine months. The median of the analyst consensus, which was ascertained for the company by an external service provider on 11 September 2020, was adjusted EBIT of €176 million for financial year 2019/20.

On 11 November 2020, CECONOMY published a "COVID-19 Business Update" on the development of the COVID-19 restrictions in each of the countries in which CECONOMY operates, with the following wording: Under strict compliance with all required and recommended hygiene and safety standards, the vast majority (92 per cent) of MediaMarkt and Saturn stores in Europe remain open. Belgium is the only country in which all stores are temporarily closed. In Poland, all stores located inside a shopping centre are also temporarily closed at present in response to COVID-19. In both countries, the stores remain open for the collection of goods ordered online ("pick-up"), for the return or exchange of goods and for repair requests. In addition, there are restricted opening hours in other countries, such as Austria and Italy (relating to stores in shopping centres at the weekend) and some capacity limits, including in Germany.

Since publication of the "COVID-19 Business Update", further restrictions have been imposed by the authorities in individual countries, including a temporary closure of Austrian MediaMarkt stores in response to COVID-19.

On 26 November 2020, CECONOMY AG announced that the Supervisory Board of CECONOMY AG had arranged a succession to the Chairman of the Supervisory Board Mr Jürgen Fitschen. Mr Thomas Dannenfeldt will be proposed to the shareholders as a new member of the Supervisory Board at the General Meeting on 17 February 2021. In case of his election, he is then to be 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 left the Supervisory Board on 17 October 2020 following his appointment for another twelve months as CEO of CECONOMY AG.

48. NOTES ON RELATED PARTIES

Related parties with significant influence

As the parent company of CECONOMY, CECONOMY AG is not controlled by any company. However, the Haniel Group has significant influence on CECONOMY AG, which is disclosed as an associate in Haniel's consolidated financial statements.

CECONOMY received services from the Haniel Group in the amount of €0 million (2018/19: €0 million) in the financial year 2019/20. Existing liabilities from services received in the previous year also amount to €0 million in the financial year 2019/20 (2018/19: €0 million).

Business relations with related parties are contractually agreed at arm's-length conditions.

Key management personnel

In accordance with IAS 24, management in key positions at CECONOMY comprises the Management Board and the Supervisory Board of CECONOMY AG. Other than their remuneration, no further services were granted or received between CECONOMY and management in key positions. The reportable remuneration of management in key positions within the Group according to IAS 24 comprises that paid to active Management Board and Supervisory Board members.

Remuneration for active members of the Management Board and the Supervisory Board in accordance with IAS 24 in the financial year 2019/20 totalled €8.0 million (2018/19: €29.0 million). €4.7 million (2018/19: €5.4 million) of this relates to short-term benefits (not including share-based payment), €0.1 million (2018/19: €0.3 million) to post-service benefits, €3.1 million (2018/19: €23.1 million) to termination benefits and €0.1 million (2018/19: €0.2 million) to share-based payment.

↗ The basic features of the remuneration system and the amount of remuneration for the members of the Management Board and the Supervisory Board are presented in note 50 "Management Board and Supervisory Board".

Other transactions with related parties in the form of associates
As in the previous year, there were no material transactions with Fnac Darty S.A. in financial year 2019/20. There were no transactions with related parties other than those referred to above in the 2019/20 financial year (2018/19: €0 million).

49. EXECUTIVES' LONG-TERM INCENTIVE

Peak performance plan (PPP)
The long-term incentive (LTI) is aimed at sustainable company development and therefore has a multi-year assessment basis. The LTI incentivises sustainable and long-term company development taking account of internal and external value development and the concerns of the shareholders and the other stakeholders associated with the company.

The annually granted tranches of the LTI plan have a three-year performance period. Every entitled executive is initially assigned a target value in euros. The payment amount is given by multiplying the target amount by the overall target attainment factor and depends on the fulfilment of two performance targets, which are equally weighted in the LTI target amount:

– Earnings per share – EPS

– Total shareholder return – TSR

EPS component: usually at the beginning of the financial year in which the tranche of the **peak performance plan** is granted, the Management Board resolves a lower threshold (first hurdle) for target attainment and an EPS target for 100 per cent target fulfilment. A factor is assigned to the respective degree of target attainment: If the degree of target attainment at the end of the performance period is smaller than or equal to the first hurdle, the factor is 0. If target attainment is 100 per cent, the factor is 1.0. The factor for all other values (including above factor 1.0) is calculated by linear interpolation.

TSR component: the target attainment factor of the TSR component is calculated on the basis of the development of the shareholder return on the company's ordinary share in the performance period relative to a defined benchmark index or certain peer groups. Usually at the beginning of the financial year in which the **peak performance plan** is granted, the Management Board resolves a lower threshold (first hurdle) and a TSR target for 100 per cent target fulfilment. A factor is assigned to the respective degree of target attainment: if the degree of target attainment at the end of the performance period is smaller than or equal to the first hurdle, the factor is 0; in the event of 100 per cent target attainment the factor is 1.0. The factor for all other values (including above factor 1.0) is calculated by linear interpolation.

The starting price of the ordinary share is calculated on the grant date by taking the average of the Xetra closing prices over a period of 40 consecutive trading days immediately following the company's Annual General Meeting. Three years later, the end price is also calculated using the Xetra closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately following the Annual General Meeting. The TSR is calculated as a percentage from the change in the end price plus the sum of the hypothetically reinvested dividends at the starting price compared with the change in the peer groups.

The company's TSR thus calculated is compared with the TSR of a defined benchmark index or a defined peer group (index TSR) in the performance period.

Calculation of the payment amount
The payment amount is calculated as follows: a target attainment factor rounded to two decimal places is calculated for each performance target. The arithmetic mean of these factors, likewise rounded to two decimal places, gives the overall target attainment factor. The individual payment amount is then calculated by multiplying the respective

target amount by the overall target attainment factor. The payment amount is limited to a maximum of 250 per cent of the agreed individual target amount (payment cap).

The LTI is paid out no later than four months after the Annual General Meeting that resolves on the appropriation of the balance sheet profit of the last financial year of the performance period, but not before all annual and consolidated financial statements for the financial years of the performance period are approved.

Pre-existing tranches of older plans in the financial year
The total payment amount from the LTI tranche ended in financial year 2019/20 amounted to €0.61 million for twelve CECONOMY AG beneficiaries.

Expenses of €0.02 million (2018/19: €0.17 million) were incurred from ongoing tranches of share-based payment programmes in the financial year.

The provisions associated with the programmes amounted to €0.24 million as of 30 September 2020 (30/09/2019: €0.32 million). They are allocated to the ongoing programmes as follows:

€ million	Provision as of 30 September 2019	Provision as of 30 September 2020
PPP 2018	0.18	0.01
PPP 2019	0.14	0.15
PPP 2020	0.00	0.08
	0.32	**0.24**

Due to the effects of the COVID-19 pandemic, the CECONOMY Management Board has decided to adjust the 2018/19 and 2019/20 tranches of the LTI with regard to the target for the EPS component to the adjusted mid-term planning and to maintain the incentive effect. The change in the target for the share-based long-term variable remuneration (peak performance plan) granted in financial year 2018/19 and in financial year 2019/20 results in a difference of €0.11 million against the recognised amount.

50. MANAGEMENT BOARD AND SUPERVISORY BOARD

Remuneration of members of the Management Board in financial year 2019/20
The remuneration of the active members of the Management Board essentially consists of a fixed salary, short-term performance-based compensation (short-term incentive and special bonuses, where applicable), and performance-based remuneration (long-term incentive). Because of CEO Dr Bernhard Düttmann's interim role, his remuneration for financial year 2019/20 exclusively comprises a fixed salary.

The short-term incentive for members of the Management Board is composed of defined financial goals and the achievement of individual goals.

There are three defined financial performance targets, which are based on key performance indicators (KPIs) and for which the Supervisory Board defines the respective target values, thresholds and maximum target achievement in advance on the basis of corporate planning:

- Earnings before interest and taxes (EBIT) on the basis of absolute EBIT values adjusted for effects of defined portfolio changes

- Sales growth adjusted for currency effects and effects of defined portfolio changes

- Net working capital (NWC) on the basis of absolute NWC values (four-quarter average) adjusted for effects of defined portfolio changes

Remuneration for members of the Management Board active in the financial year 2019/20 amounts to €3.3 million (2018/19: €4.8 million). €2.7 million (2018/19: €2.4 million) of this relates to fixed salary (including supplemental benefits), €0 million (2018/19: €0.9 million) to short-term performance-based remuneration and €0.6 million (2018/19: €1.5 million) to performance-based remuneration with long-term incentive effect. The figures shown for the previous year relate to members of the Management Board in office in the 2019/20 financial year.

For the tranche of performance-based remuneration with long-term incentive effect (performance share plan) granted in the 2019/20 financial year, the target amount for Ms Sonnenmoser is €0.6 million. The number of initially conditionally allocated performance shares for Ms Sonnenmoser is 184,050. At the grant date, the value of the tranche of the performance share plan granted in financial year 2019/20 was calculated by external assessors according to a recognised actuarial method.

Apart from the tranche of the performance share plan issued in the reporting period, Ms Sonnenmoser has grants from the 2018/19 tranche. There were changes in the current tranches of performance-based remuneration programmes with long-term incentive effect in the 2019/20 financial year. The expense of the performance share plan for Ms Sonnenmoser is €0.12 million, of which €0.08 million from the 2019/20 tranche and €0.04 million from the 2018/19 tranche. As of 30 September 2020, the provisions for this totalled €0.21 million.

Due to the effects of the COVID-19 pandemic, the Supervisory Board has decided to adjust the 2018/19 and 2019/20 tranches of the LTI with regard to the target for the EPS component to the adjusted mid-term planning in order to adjust the effects on the Management Board remuneration and to maintain the incentive effect. The share-based long-term variable remuneration (performance share plan) granted in financial year 2018/19 and in financial year 2019/20 resulted in a difference of €0.10 million against the recognised amount.

In addition, there are post-service benefit plans for members of the Management Board in the form of a commitment of a defined contribution and a defined benefit component. The defined contribution component is funded jointly by the Management Board and the company. If Management Board members contribute seven per cent of their own defined assessment basis, the company adds double that amount.

The other remuneration is attributable to non-cash benefits.

Total remuneration of former members of the Management Board
Benefits of €3.0 million (2018/19: €3.0 million) were paid for former members of the Management Board of CECONOMY AG and of companies merged into CECONOMY AG and their surviving dependants in financial year 2019/20. Dr Dieter Haag Molkenteller received termination benefits totalling €0.7 million and Mr Jörn Werner termination benefits totalling €3.2 million in financial year 2019/20. The present value of obligations for ongoing pensions and entitlements to pensions in accordance with IFRS is €50.8 million (30/09/2019: €48.0 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €44.8 million (30/09/2019: €39.1 million).

↗ The disclosures pursuant to Sec. 314 para. 1 no. 6 a sent. 5 to 8 HGB can be found in the remuneration report in the combined management report.

Remuneration of Supervisory Board members
The total remuneration of all members of the Supervisory Board for the 2019/20 financial year amounts to €2.0 million (2018/19: €2.2 million).

↗ Further information on the remuneration of Supervisory Board members can be found in the remuneration report in the combined management report.

51. GROUP AUDITOR'S FEES
The total fee shown below was charged for services provided by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft.

€ million	2018/19	2019/20
Audit of financial statements	6	6
Other assurance and audit-related services	0	0
Tax consultation services	0	0
Other services	0	1
Group auditor's fees	**6**	**7**

Only services in compliance with the engagement of the auditor of the annual financial statements and the consolidated financial statements of CECONOMY AG were performed.

KPMG's fee for audits of financial statements relates to the audit of the consolidated financial statements, the annual financial statements and various audits of annual financial statements and audits of IFRS Reporting Packages to include CECONOMY's subsidiaries in its consolidated financial statements, including statutory extensions of scope. Integrated reviews of interim financial statements, project audits in the context of the introduction of new financial reporting standards and ISAE 3402 audit services were also performed.

Other assurance services include agreed assurance services in relation to, for example, sales-based rental agreements and compliance certificates. Other services mainly relate to fees for project-related advisory services.

52. DECLARATION OF CONFORMITY REGARDING THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

CECONOMY AG makes the declaration of conformity pursuant to Sec. 161 para. 1 AktG with the recommendations of the Commission of the German Corporate Governance Code submitted jointly by the Management Board and Supervisory Board in November 2020 and previous declarations of conformity and supplements permanently available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

53. EXEMPTIONS ACCORDING TO SEC. 264 PARA. 3 AND SEC. 264 B HGB

The following domestic subsidiaries in the legal form of a corporation or partnership have exercised the simplification options according to Sec. 264 para. 3 and Sec. 264 b HGB and therefore refrain from disclosing their 2019/20 annual financial statement documentation and mostly from preparing the (HGB) notes and management report.

Operating companies and service entities	
CECONOMY Data GmbH	Düsseldorf
CECONOMY Digital GmbH	Düsseldorf
CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung mbH	Ingolstadt
CECONOMY Erste Vermögensverwaltungs GmbH	Düsseldorf
CECONOMY Invest GmbH	Düsseldorf
CECONOMY Pensionssicherungs GmbH	Düsseldorf
CECONOMY Retail GmbH	Düsseldorf
CECONOMY Retail International GmbH	Düsseldorf
MWFS Zwischenholding GmbH & Co. KG	Düsseldorf
MWFS Zwischenholding Management GmbH	Düsseldorf

54. OVERVIEW OF MATERIAL FULLY CONSOLIDATED GROUP COMPANIES

			30/09/2019	30/09/2020
Name	**Country**	**Registered office**	**Share in %**	**Share in %**
CECONOMY AG	Germany	Düsseldorf		
Media-Saturn-Holding GmbH	Germany	Ingolstadt	78.4	78.4
Media-Saturn Deutschland GmbH	Germany	Ingolstadt	100.0	100.0
Media - Saturn Beteiligungsges.m.b.H.	Austria	Vösendorf	100.0	100.0
MEDIA MARKT SATURN, S.A. UNIPERSONAL	Spain	El Prat de Llobregat	100.0	100.0
Mediamarket S.p.A.con Socio Unico	Italy	Curno	100.0	100.0
Media Markt Saturn Holding Nederland B.V.	Netherlands	Rotterdam	100.0	100.0
Media Saturn Holding Polska Sp.z.o.o.	Poland	Warsaw	100.0	100.0
MEDİA MARKT TURKEY TİCARET LİMİTED ŞİRKETİ	Turkey	Istanbul	100.0	100.0

55. CORPORATE BODIES OF CECONOMY AG AND THEIR MANDATES

Members of the Supervisory Board[1]

Juergen Fitschen (Chairman of the Supervisory Board)
Senior Advisor, Deutsche Bank AG
a) Vonovia SE, Bochum
Syntellix AG, Hanover
b) Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co. KG, Hamburg

Sylvia Woelke (Vice Chairwoman since 12 February 2020)
Chairwoman of the Works Council, Media-Saturn-Holding GmbH
Manager Corporate Risk Management & Internal Controls, Media-Saturn-Holding GmbH, Ingolstadt
a) None
b) None

Wolfgang Baur
Logistics Department Manager, Saturn Techno-Electro-Handelsgesellschaft mbH, Cologne
Chairman of the Works Council, Saturn Techno-Electro-Handelsgesellschaft mbH, Cologne
a) None
b) None

Kirsten Joachim Breuer
Deputy Managing Director, IG Metall Geschäftsstelle Erfurt
a) None
b) None

Karin Dohm
Global Program Director, Deutsche Bank AG
a) Deutsche EuroShop AG, Hamburg
DB Europe GmbH, Frankfurt am Main (until 30 April 2020)
b) Deutsche Bank Luxembourg S.A., Luxembourg (until 27 March 2020)

Dr Bernhard Düttmann (1 October 2019 to 17 October 2019)
Interim Chief Executive Officer and Labour Director of CECONOMY AG
a) Alstria Office Reit AG, Hamburg
Vossloh AG, Werdohl (until 31 December 2019)
b) Media-Saturn-Holding GmbH, Ingolstadt – Chairman of the Advisory Board (since 7 November 2019) and Member of the Advisory Board (since 4 November 2019)

Daniela Eckardt
Member of the checkout/information team, Saturn Alexanderplatz Berlin
Vice Chairwoman of the Works Council, Saturn Alexanderplatz Berlin
a) None
b) None

Sabine Eckhardt (since 27 October 2020)
Chief Executive Officer Central Europe of Jones Lang LaSalle SE, Frankfurt
Member of the Advisory Board Digital Businiess, Heinrich Bauer Verkag KG, Hamburg
a) None
b) Media4Planet GmbH, Hamburg – Chairwoman of the Advisory Board

[1] As of 1 December 2020
a) Memberships in other supervisory boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Memberships in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

Dr Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH
a) METRO AG, Düsseldorf (until 7 December 2019)
TAKKT AG, Stuttgart
Vonovia SE, Bochum
b) None

Ludwig Glosser
Service Manager and Lead Problem Manager Process Management, Media-Saturn IT Services GmbH
Chairman of the Works Council, Media-Saturn IT Services GmbH
a) None
b) None

Julia Goldin
Executive Vice President & Chief Marketing Officer, Lego Group
a) None
b) None

Jo Harlow
Self-employed entrepreneur
a) None
b) Intercontinental Hotels Group plc, Denham, UK
Halma plc, Amersham, UK
J Sainsbury's plc, London, UK

Rainer Kuschewski
Self-employed entrepreneur
a) None
b) None

Stefanie Nutzenberger
Member of the Executive Committee of the Trade Union ver.di
a) None
b) None

Claudia Plath
Chief Financial Officer
ECE Projektmanagement G.m.b.H. & Co. KG
a) Deutsche EuroShop AG, Hamburg
b) MEC METRO-ECE Centermanagement GmbH & Co. KG, Düsseldorf

Jens Ploog
Senior Consultant Organisation, Processes and Projects, Media-Saturn Deutschland GmbH
Chairman of the Works Council, Media-Saturn Deutschland GmbH
a) None
b) None

Birgit Popp
Department Manager HR People Development & Learning Germany and
responsible for the Corporate HR Function People Development & Learning (since 1 October 2019)
a) None
b) None

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland,
Managing Director of Beisheim Group GmbH & Co. KG, Düsseldorf (until 31 December 2019)
a) METRO AG, Düsseldorf
b) Arisco Holding AG, Baar, Switzerland
HUWA Finanz und Beteiligungs AG, Au, Switzerland

Juergen Schulz (Vice Chairman until 12 February 2020)
Service Department Manager, Saturn Bielefeld
Chairman of the Works Council, Saturn Bielefeld
a) None
b) None

Regine Stachelhaus
Self-employed entrepreneur
a) Covestro AG, Leverkusen
Covestro Deutschland AG, Leverkusen
SPIE Deutschland und Zentraleuropa GmbH, Ratingen
LEONI AG, Nuremberg (since 12 November 2019)
b) SPIE SA, Cergy-Pontoise Cedex, France

Christoph Vilanek
CEO of freenet AG, Büdelsdorf
a) Ströer Management SE and Ströer SE & Co. KGaA, Cologne
EXARING AG, Munich
VNR Verlag für die Deutsche Wirtschaft AG, Bonn (since 17 June 2019)
b) Sunrise Communications AG, Zurich, Switzerland

Committees of the Supervisory Board and their composition

Presidential Committee
Jürgen Fitschen (Chairman)
Jürgen Schulz (until 12 February 2020)
Sylvia Woelke (since 12 February 2020)
Regine Stachelhaus
Jens Ploog

Audit Committee
Karin Dohm (Chairwoman)
Sylvia Woelke (Vice Chairwoman)
Dr Bernhard Düttmann (until 30 November 2019, suspended from 17 October 2019)
Claudia Plath (since 1 December 2019)
Dr Florian Funck
Ludwig Glosser
Rainer Kuschewski

Nomination Committee
Jürgen Fitschen (Chairman)
Dr Bernhard Düttmann (until 14 November 2019, suspended from 17 October 2019)
Claudia Plath
Regine Stachelhaus

Conciliation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act (MitbestG)
Jürgen Fitschen (Chairman)
Jürgen Schulz (until 12 February 2020)
Sylvia Woelke (since 12 February 2020)
Dr Bernhard Düttmann (until 30 November 2019, suspended from 17 October 2019)
Ludwig Glosser
Claudia Plath (since 1 December 2019)

Members of the Management Board[2]

Jörn Werner (Chief Executive Officer and Labour Director until 17 October 2019)
a) Christophorus Holding GmbH (A.T.U. Group), Weiden
Pieroth Wein AG, Rümmelsheim
b) Media-Saturn-Holding GmbH, Ingolstadt – Chairman of the Advisory Board (until 4 November 2019) and Member of the Advisory Board (until 31 January 2020)
VELUX A/S, Copenhagen, Denmark

Karin Sonnenmoser (Chief Financial Officer)
a) None
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (since 13 May 2019)
Vivantes - Netzwerk für Gesundheit GmbH, Berlin (until 22 April 2020)
SCHMOLZ + BICKENBACH AG, Lucerne, Switzerland (since 28 April 2020)

Dr Bernhard Düttmann (Chief Executive Officer and Labour Director since 17 October 2019)
a) Alstria Office Reit AG, Hamburg
Vossloh AG, Werdohl (until 31 December 2019)
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (since 4 November 2019) and Chairman of the Advisory Board (since 7 November 2019)

56. SHAREHOLDINGS OF CECONOMY AG AS OF 30 SEPTEMBER 2020 IN ACCORDANCE WITH SEC. 313 HGB

The disclosures on the shareholdings of CECONOMY AG and the CECONOMY Group, which are part of these financial statements, can be found in a separate appendix to the notes.

↗ The full list of all Group companies and associates in accordance with Sec. 313 HGB is available on the website www.ceconomy.de/en/ under Investor Relations – Publications.

[2] As of 1 December 2020
a) Memberships in other supervisory boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Memberships in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

1 December 2020

The Management Board

Dr Bernhard Düttmann

Karin Sonnenmoser

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

1 December 2020

The Management Board

Dr Bernhard Düttmann

Karin Sonnenmoser

INDEPENDENT AUDITOR'S REPORT

TO CECONOMY AG, DÜSSELDORF

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of CECONOMY AG and its subsidiaries (the Group or CECONOMY), which comprise the statement of financial position as at 30 September 2020, the income statement, the reconciliation of profit or loss for the period to total comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from 1 October 2019 to 30 September 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of CECONOMY for the financial year from 1 October 2019 to 30 September 2020. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2020, and of its financial performance for the financial year from 1 October 2019 to 30 September 2020, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

RECOVERABILITY OF INVENTORIES

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the Group accounting principles and methods" concerning inventories. In addition, we refer to note 26 ('Inventories').

The financial statement risk

The statement of financial position as at 30 September 2020 reports inventories in the amount of EUR 2,949 million, which includes EUR 151 million in write-downs.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition due to subsequent compensation) must be reduced in value if their expected net realisable values no longer cover cost due to damage, obsolescence or reduced marketability. The determination of net realisable values as an upper limit is subject to judgement. Net realisable value requires in part forward-looking estimates with regard to the amounts that are expected to be realised when selling the inventories. The Covid-19 pandemic, which has been spreading worldwide since January 2020, can have a bearing on the application of empirical values for forward-looking estimates of net realisable values compared to prior years.

There is the risk for the consolidated financial statements that inventories are overvalued due to unidentified write-down requirements.

Our audit approach

Based on our understanding of the process used to test the recoverability of inventories, we assessed the setup, design and functionality of the identified internal controls, especially in terms of the calculation of expected net realisable values.

We verified the computational accuracy of the calculations to determine net realisable value and write-downs for inventory items selected according to risk and size. We assessed the appropriateness of the expected net realisable values and write-down rates applied using CECONOMY's empirical values and CECONOMY's business-specific knowledge associated with the Covid-19 pandemic.

Our observations

The assumptions underlying the net realisable values and the judgements exercised by the Management Board are appropriate and reasonable.

RECOGNITION OF COMPENSATION FROM SUPPLIERS

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods" on financial instruments. In addition, we refer to note 24 "Receivables from suppliers, other financial and other assets".

The financial statement risk

The Group's statement of financial position as at 30 September 2020 reported receivables from suppliers of EUR 1,302 million.

CECONOMY Group companies conclude agreements with suppliers on purchasing terms and conditions. These include agreements on subsequent discounts, rebates and other compensation granted by suppliers to CECONOMY. Presentation of these agreements in the statement of financial position and statement of profit or loss requires some judgements and assumptions, such as on achieving calendar year targets due to the reporting date deviating from the calendar year, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements. There is the risk for the consolidated financial statements that compensation from suppliers is recognised without an underlying agreement or that compensation from suppliers is not recognised in the correct amount and the receivables from suppliers are not appropriately stated.

Our audit approach

We examined the process for recognising and documenting supplier agreements and the establishment and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount and accuracy of supplier compensation.

We confirmed the underlying supplier agreements for a selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the statement of financial position and statement of profit or loss by evaluating the contractual arrangements. To that end, we scrutinised factors such as the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

Our observations
The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

FIRST-TIME APPLICATION OF THE NEW FINANCIAL REPORTING STANDARD "IFRS 16 – LEASES"
For the accounting policies applied, we refer to the disclosure on the application of new financial reporting standards in the section "Notes to the Group accounting principles and methods" and to note 22 Right-of-use assets, note 34 Liabilities and note 36 Borrowings.

The financial statement risk
As at 30 September 2020, right-of-use assets of EUR 2,021 million and lease liabilities of EUR 2,141 million are recognised in the consolidated financial statements of CECONOMY. Lease liabilities account for 20.5% of total equity and liabilities and thus have a material effect on the Company's financial position.

CECONOMY uses the modified retrospective approach for the application of the new financial reporting standard "IFRS 16 – Leases". The first-time application had an effect on the opening statement of financial position figures for the financial year and how they were updated as at the reporting date. As at 1 October 2019, right-of-use assets and lease liabilities of EUR 2,300 million were recognised. As CECONOMY recognised all right-of-use assets in the amount of the lease liabilities, there was no effect on group equity on initial application.

The Company has established group-wide processes and controls for the complete and accurate compilation of leases. Determination of the lease term, the amount of the lease payments and the discount rate may require judgement and be based on estimates. Furthermore, determining the effects of first-time adoption of IFRS 16 and carrying forward lease liabilities and right-of-use assets in accordance with the standard requires the compilation of extensive data from the lease agreements.

There is the risk for the consolidated financial statements that the right-of-use assets and lease liabilities arising from leases are not fully recorded in the statement of financial position. In addition, there is the risk that the right-of-use assets and lease liabilities are not measured appropriately.

There is also a risk that the disclosures required by IFRS 16 in conjunction with IAS 8 on the effects of first-time application of IFRS 16 are not complete and appropriate.

Our audit approach
First, we gained an understanding of the process used by CECONOMY to implement IFRS 16. We then evaluated the technical concept and accounting instructions underlying the implementation in terms of completeness and compliance with IFRS 16.

We assessed the appropriateness and setup of the controls established by CECONOMY to ensure the full and correct determination of the data for the initial measurement of right-of-use assets and lease liabilities. Where IT processing systems were used to determine and collect relevant data, with the involvement of our IT specialists we tested the effectiveness of the rules and procedures that relate to IT applications and support the effectiveness of application controls.

For some lease agreements selected based on risk criteria and some selection randomly, we assessed whether the relevant data was correctly and fully determined and entered in the IT processing systems. To the extent that judgements were made for determining the lease term, we examined whether the underlying assumptions are consistent with other assumptions made in the financial statements.

With the involvement of our valuation experts, we compared the assumptions and parameters underlying the incremental borrowing rates with our own assumptions and publicly available data. We also evaluated the appropriateness of the method to calculate the discount rate based on risk criteria. We verified the carrying amounts calculated by CECONOMY for lease liabilities and right-of-use assets using leases selected on the basis of risk.

Furthermore, we assessed whether the disclosures required pursuant to IFRS 16 in conjunction with IAS 8 concerning the effects of the first-time application of IFRS 16 in the notes to the consolidated financial statements were complete and appropriate.

Our observations
CECONOMY has established appropriate procedures to record leases for the purposes of first-time application of IFRS 16. The assumptions and parameters used to measure the right-of-use assets and lease liabilities from leases are appropriate overall.

The disclosures in the notes to the consolidated financial statements concerning the effects of the first-time application of IFRS 16 are complete and appropriate.

RECOVERABILITY OF LEASEHOLD IMPROVEMENTS AND RIGHT-OF-USE ASSETS

For the accounting policies applied, we refer to the disclosures in the notes on property, plant and equipment and leases in the section "Notes to the Group accounting principles and methods". In addition, we refer to the note 21 "Property, plant and equipment" and note 22 "Right-of-use assets".

The financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2020 include other equipment, operating and office equipment of EUR 557 million, which also includes leasehold improvements for operating stores and right-of-use assets of EUR 2,021 million. In order to test whether an impairment exists, the assets are aggregated into a group of cash-generating units (CGU). At CECONOMY, this applies to the individual business location/store. In case of indications of impairment of right-of-use assets and leasehold improvements, the Company determines the recoverable amount as at the reporting date and compares this with the respective carrying amount. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognised on the right-of-use assets and leasehold improvements. The basis for testing for impairment is typically the present value of future cash flows of the respective cash-generating unit determined using the discounted cash flow method. Future cash flows are determined on the basis of multi-year plans for the individual stores.

This measurement is highly dependent on the Company's estimates of future cash flows and therefore subject to considerable uncertainty and judgement, especially in view of the multi-year planning horizon typically used. The Covid-19 pandemic, which has been spreading worldwide since January 2020, has significantly increased the degree of estimation uncertainty regarding underlying future cash flows. In the financial year, the Company recognised impairment losses of EUR 21 million on other equipment, operating and office equipment, which also includes leasehold improvements, and EUR 27 million on right-of-use assets.

There is the risk for the financial statements that leasehold improvements and right-of-use assets at operating locations are impaired.

Our audit approach
First, we referred to explanations of controlling and assessed documentation to obtain an understanding of the Company's process for impairment testing of leasehold improvements and right-of-use assets. We analysed the indications of impairment identified by the Company and, on the basis of information obtained within the scope of our audit, assessed whether there are any indications of further impairment not identified by the Company. With the involvement of our own valuation experts, we assessed the appropriateness of CECONOMY's calculation model and reconciled the expected future cash flows in the valuation model to the detailed planning. This planning was derived from the budget adopted by the Management Board and approved by the Supervisory Board.

We assessed the plausibility of the planning assumptions based on sector-specific market expectations. We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. There was special attention required this year for the analysis of the potential future effects of the Covid-19 pandemic. Furthermore, we evaluated the consistency of planning using information obtained in the course of the audit. In addition, we assessed the valuation models for the accounting policies applied as well as computational and formal accuracy.

Our observations
The valuation models applied by the Company are consistent with the IFRS accounting policies to be applied and the Management Board's assumptions are appropriate.

Other Information

The Management Board and the Supervisory Board, respectively, are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

– the corporate governance statement referred to in the combined management report,

– the separate non-financial report, which is referred to in the combined management report, and

– information extraneous to the combined management report and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 12 February 2020. We were engaged by the Supervisory Board on 13 February 2020. We have been the group auditor of CECONOMY AG without interruption since financial year 2005.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, 2 December 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Bornhofen	Schröder
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SEPARATE NON-FINANCIAL GROUP REPORT

THE MANAGEMENT BOARD'S COMMITMENT

Sustainability has become a key criterion for companies' economic success. We want to fight harder against climate change, scarcity of resources and social inequality using the positive influence we exert in our environment while simultaneously reducing the negative effects of our business activities.

As Europe's leading consumer electronics company, we consider it our duty to address current challenges and act responsibly – for our customers and employers as well as for the environment and society.

This is why sustainability is part of our corporate strategy. We aim to integrate sustainability into all of CECONOMY's processes in accordance with the United Nations Sustainable Development Goals.

For the second year in a row, we are preparing a statement of greenhouse gas emissions that also includes selected Scope 3 emissions. This enables us to identify our impact on the environment even better and take corrective action. By offering new services, we are increasingly managing to lengthen product lifecycles and help our customers make responsible purchase decisions. In addition, we will use fewer resources in logistics by transforming supply chain management with centralised processes and the establishment of national warehouses.

We also rely on close partnerships to further incorporate sustainability in our business. Whether it is with our suppliers, selected social organisations or other companies – we build networks in order to develop effective solutions together.

In this separate non-financial group report, we give an account of the implementation status of our sustainability strategy. We report on successes, progress and our plans for the months ahead. After all, we want to make our business fit for the future and therefore also sustainable.

The Management Board of CECONOMY AG

Dr Bernhard Düttmann

Karin Sonnenmoser

SUSTAINABILITY STRATEGY AND MATERIAL ISSUES

About this report

In accordance with the "Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports" (CSR Directive Implementation Act, CSR-RUG), CECONOMY AG has prepared a separate non-financial group report in accordance with Sec. 315b and 315c of the German Commercial Code (HGB) in conjunction with Sec. 289c to 289e HGB for the CECONOMY Group for the financial year. To this end, another materiality analysis of the reported aspects was performed in order to identify non-financial matters that are necessary for understanding the business performance, results and position and have a significant impact on CECONOMY's business activities.

↗ Further information on the materiality analysis can be found in the section on the sustainability strategy and sustainability management.

The separate non-financial group report contains the key information on CECONOMY AG and its biggest investment, the MediaMarktSaturn Retail Group (MMSRG), with regard to the five legally required aspects of environmental issues, employee issues, social issues, respect for human rights, and combating corruption and bribery. Unless indicated otherwise, the reported information relates to MMSRG for reasons of materiality, as this investment accounts for the largest share of sales, employees and effects on the environment and society within CECONOMY.

Particularly when it comes to describing concepts and presenting various key performance indicators (KPIs), this report is guided by the standards of the Global Reporting Initiative (GRI standards 2016). References to disclosures in the combined management report and elsewhere constitute – except for the description of the business model – further information and do not form part of the separate non-financial group report.

The content of this declaration has been audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000.

↗ The audit report by the independent auditor can be found in the section with this name.

Reported topics

Aspects in accordance with CSR-RUG	Allocation of material issues
Environmental issues	Climate protection and energy
	Sustainable logistics
Employee issues	Employee development and talent management
	Fair and responsible working conditions
	Diversity and equal opportunities
Social issues	Technology, innovation and new business models
	Sustainable products, services and customer communication
	Data protection and information security
Respect for human rights	Sustainability in supplier management
	Fair and responsible working conditions
	Diversity and equal opportunities
Combating corruption and bribery	Data protection and information security
	Compliance

Business model

↗ The required description of the business model can be found in the combined management report in the section "The Group's business model".

Sustainability strategy and sustainability management

Sustainability concept

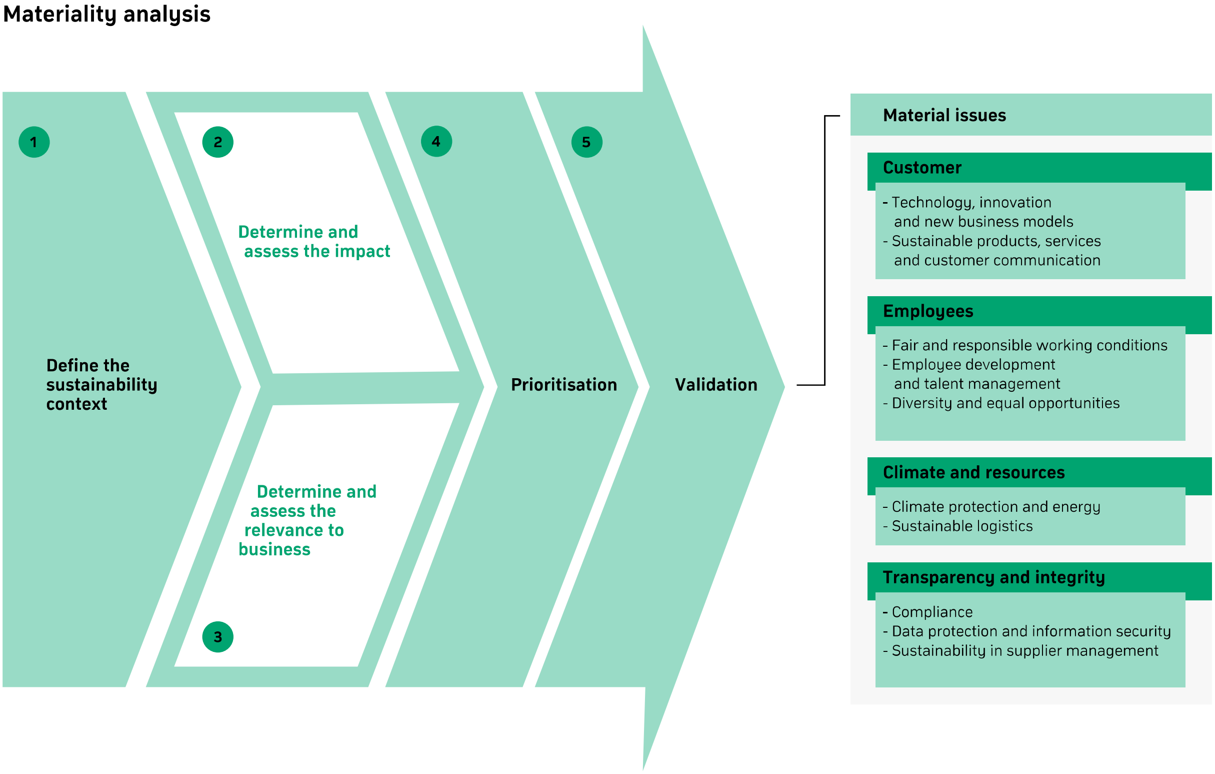
For CECONOMY, the way in which the company grows and creates value is crucial. To be successful in the long term as well, CECONOMY needs and wants to bring its business activities along the entire value chain into line with environmental, social and statutory conditions. The Group therefore informs all direct suppliers and business partners about the sustainability requirements and continuously gathers information on corresponding sustainability efforts. Particularly with the leading European consumer electronics retailer MMSRG as the core of its activities, CECONOMY also serves as a model for the entire sector – the Group has undertaken to shape and influence responsible, sustainable business.

Materiality analysis

In the materiality analysis performed in the financial year 2017/18, for the first time CECONOMY identified key strategic approaches for its future development and determined the content to be included in the separate non-financial report in accordance with CSR-RUG. The issues were updated in the current reporting period. Issues were selected and reassessed at an executive workshop, and later validated by the Management Board of CECONOMY and the management of MediaMarkt-Saturn-Holding (MSH).

Ultimately, CECONOMY identified ten topics for which corresponding approaches are presented along with concepts and measures in this separate non-financial report.

Materiality analysis



Risks in connection with non-financial aspects and material issues

A standardised process using a risk tool was introduced for the first time in the financial year 2018/19 to analyse and record non-financial risks. This process was also carried out in the financial year 2019/20 under the leadership of the Sustainability department to oversee risk identification by the departments. No non-financial risks with a very high probability of occurrence and a serious negative impact have been identified as a result.

Global sustainability goals

With its 17 Sustainable Development Goals (SDGs), the United Nations has set out a clear plan for how to shape a sustainable social development while also taking account of environmental constraints. CECONOMY sees these global sustainability goals as a specific mandate and has therefore set itself the goal of linking its business model with the SDGs. This means that the Group wants to strengthen its positive influence while also reducing negative effects.

With regard to the business model and the possibilities for influence, five SDGs where CECONOMY has particular influence have been identified on the basis of the materiality analysis. The Group wants to contribute to achieving these goals that have high relevance for it. To this end, CECONOMY has specified them in its own guiding principles, which the company works on continuously:

SDG 8: DECENT WORK AND ECONOMIC GROWTH
"As an employer of around 55,000 people worldwide, we believe that we have a responsibility to offer them safe and attractive jobs. We also aim to ensure that environmental and social standards are adhered to and promoted by the suppliers of our own brands, too. We shape our growth as a company sustainably and in a way that contributes to the local economy. We support increased economic productivity by selectively promoting technological innovations."

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE
"Promoting innovation and new business models is one of our core competencies. Digitalisation in particular is currently triggering critical transformation processes. It also offers us completely new possible solutions to current and future challenges – for example, we can use innovations to help reduce our consumption of resources and energy and to make our value creation sustainable."

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION
"As the leading European company in the field of consumer electronics, it is our duty to create added value for consumers while also developing solutions for environmental and social challenges. With around six million and a half customer contacts[1] each day, we are able to and want to shape the market for sustainable solutions in our sector. We take our stakeholders' expectations, wishes and requirements seriously and support our customers with responsible, sustainable consumer behaviour."

SDG 13: CLIMATE ACTION
"In performing our business activities as a retail company, we produce carbon emissions that are harmful to the climate – for example, in operating our stores and in logistics and transportation. We are responsible for reducing our negative impact on the climate as far as possible and also making use of our influence outside our company."

[1] Visitors in stores and online

17 PARTNERSHIPS FOR THE GOALS

SDG 17: PARTNERSHIPS FOR THE GOALS

"Many current and future challenges are complex and affect a wide range of players all along the value chain. We therefore rely on close partnerships with our stakeholders in order to develop practicable and effective solutions for our sector together."

Following the mission of the sustainability goals, MMSRG joined the United Nations Global Compact (UNGC) – the world's biggest initiative for corporate responsibility and sustainable development – in August 2018. MMSRG is thus committed to the ten principles of the UNGC and undertakes to work actively on the realisation of the SDGs and to submit an annual report (communication on progress, CoP) to the United Nations regarding its progress on sustainability.

↗ MMSRG's UN Global Compact Communication on Progress 2018/19 is available on the website www.mediamarktsaturn.com/en/ under Company – Sustainability at MediaMarktSaturn.

The strategic sustainability priorities

Together with the five SDGs, the material issues identified form the basis for CECONOMY's sustainability strategy. CECONOMY's goal is to enhance its social responsibility as a company, to continue establishing sustainability in the company's core processes and to make a sustainable lifestyle possible for its customers.

Material issues for CECONOMY

Social issues
Employee issues
Environmental issues
Human rights
Combating corruption and bribery

1. Costumer - Technology, innovation and new business models - Sustainable products, services and customer communication	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
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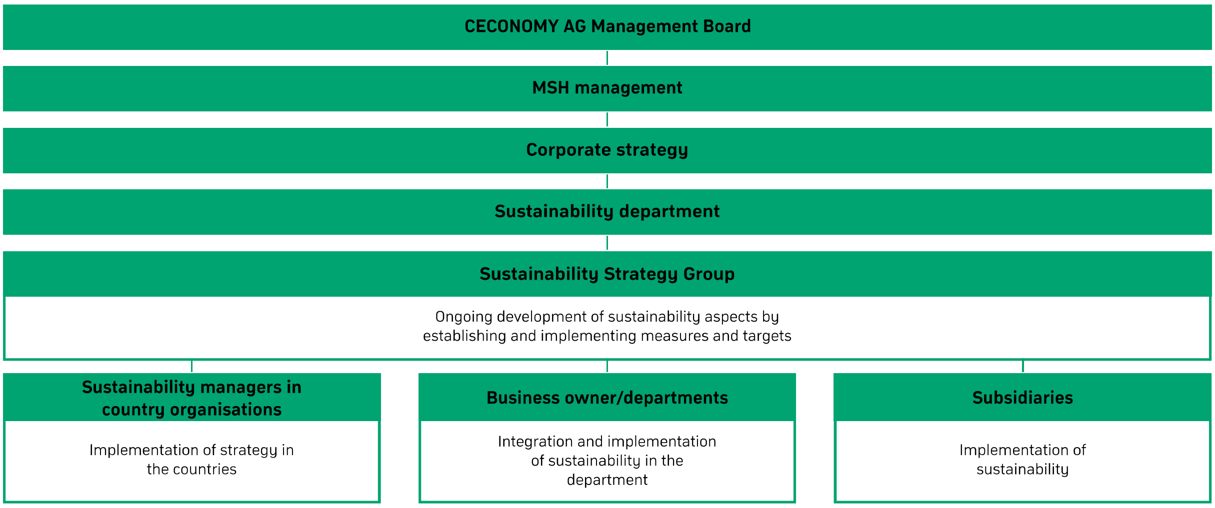
Sustainability management

Sustainability is a key component of CECONOMY's new strategy. The Management Board of CECONOMY AG is the highest sustainability committee and is responsible for strategic decisions and tracking targets and progress. It advances the various sustainability projects and makes decisions together with MSH management.

The role of sustainability management at CECONOMY consists of ensuring a high level of transparency both internally and externally, strengthening the conditions for the respective sustainability initiatives and tracking their development. Moreover, CECONOMY's sustainability management identifies (other) internal and external stakeholders, promotes discussion with them and continues the development of sustainability communication.

Sustainability managers in the country organisations act as the primary local contacts and have the task of conveying the understanding of sustainability directly to the countries and deriving country-specific activities on this basis.

Sustainability organisation



Customer

The starting point for all strategic considerations is the needs and expectations of CECONOMY's customers. With its solutions, the Group aims to make their everyday lives easier and support them with responsible consumer behaviour. To do so, it is necessary to record and optimise the social and environmental impact throughout the lifecycle of the products and services.

Technology, innovation and new business models

With product and service innovations as well as new business models, CECONOMY can inspire customers and drive forward sustainable changes. The focus here is on the entire value chain – from supplier management and logistics processes to the products and services offered, the stores, the utilisation phase of the products, after sales and recycling. Existing business models must be analysed in view of changing customer expectations and effects on the environment and society. In this context, it is also important to check that the short-term sales and earnings logic is up-to-date. CECONOMY is therefore developing viable concepts and sustainable value added for customers.

In order to maintain a pioneering role in retail innovation on a long-term basis, CECONOMY attaches particular importance to technologies and methods, and to promoting and developing new business models that could transform the retail of the future.

Technology drives business. It is used in stores, warehouses and headquarters. The MMS Technology department helps CECONOMY to offer the products and services that the Group provides for customers in stores or at home in full and at all times. Overall responsibility for technology at MMSRG lies with the Chief Technology Officer (CTO), who is a member of the Executive Board. The technology strategy is based on the following three pillars:

- Ongoing development of a leading organisation for technology and products
- More state-of-the-art and efficient use of technology to establish it within the company responsively and agilely
- Ongoing development into a global technology team with joint platforms that fulfil the same functions on every market

The platforms change the way in which customers interact directly with employees on the Internet, or how employees interact with our customers in stores or at home. Over the next three years, CECONOMY will increasingly transition to more digitised communications with customers in order to streamline the customer experience and to greatly reduce the volume of paper used. At present, around 350 million pages are produced in stores and head offices each year, and we have around 21,000 printers in stores. More digital communications with customers will allow a reduction of printers in stores of more than 30 per cent, at the same time reducing the carbon emissions associated with the printers' energy consumption by over 500 tonnes per year. Moreover, over the next three years, we want to remove 15,000 computers from our stores, which will allow a reduction of over 150 tonnes of CO_2 per year.

Also, CECONOMY is centralising store systems in the cloud and thus scaling back its server requirements. This also helps to cut energy consumption.

CECONOMY is standardising systems for the entire Group by using technology platforms in all business segments. In future, the operation of all systems will be consolidated from more than 40 to ultimately just two data centres – one of which is already certified as a green data centre and largely uses renewable energy. By reducing the energy consumption for computing, CECONOMY is doing its part in lowering global data centre energy consumption.

As part of the ongoing development of its technology and transformation, in 2017 MSH spun off its original Digital Transformation unit into a standalone company, primarily to spearhead its strategic innovation work and to transfer this to the Group: MediaMarktSaturn N3XT (MMS N3XT). The innovation subsidiary works in close coordination with MSH's operational country organisations and subsidiaries on the Group's future for customer experience, business operations, growth opportunities and innovation culture.

MMS N3XT maintains partnerships with the global players in the technology industry, uses a wide network of research institutions and universities, and is a firm fixture of the European start-up community. This also includes business incubation and acceleration, which was systematically established within the partner network. Together with more than a dozen regional and international partners, MMS N3XT has been operating brigk for early-phase business start-ups since 2016. For more mature start-ups, since 2017, MMS N3XT has had a partnership with Plug and Play Brand and Retail, a retailer organisation created by MediaMarktSaturn and the Plug and Play Tech Center from Silicon Valley. The Plug and Play Brand and Retail partnership approaches tech start-ups along the entire retail value chain to promote cooperations and partnerships. It focuses on the joint implementation of pilot projects for the future of retail.

↗ More information on brigk can be found at www.brigk.digital. More information on the Plug and Play Tech Center can be found at www.plugandplaytechcenter.com/retail.

The test and current roll-out with the start-up CB4 serves as an example of MMS N3XT's work. CB4 uses the artificial-intelligence analysis of sale and warehouse data to identify local sales patterns and thus potential local sales problems and opportunities. After being successfully tested and implemented in Spain, this is now being rolled out throughout the Group.

To help customers achieve energy savings, since the financial year 2019/20, the country organisations in Germany and Spain have been offering customers consulting and the sale of photovoltaics equipment, working in cooperation with photovoltaics specialists. There are plans to roll this out in other countries.

The Health and Wellbeing department is also becoming ever more important within the company. CECONOMY is therefore working on offering smart e-health solutions.

Sustainable products, services and customer communication

CECONOMY has the most influence over the sustainability of the products in its range when it comes to its own brands. Together with the suppliers, it pursues the goal of making the manufacture and packaging of the products sold more sustainable. Other relevant environmental effects, particularly of electronic devices, arise in the product's utilisation phase. For example, devices with high sustainability standards can actively help to reduce energy consumption. In addition, innovative service concepts can lengthen a products' lifecycle, thus making an important contribution to conserving resources.

For this reason, CECONOMY has a responsibility to inform its customers about sustainability aspects of the products and services it offers through corresponding communication and to enable them to make independent purchase decisions on this basis.

Several different areas within the Group are responsible for progress on a more sustainable product range.

Except in the case of its own brands, the biggest challenge for making the product range sustainable is the Group's limited influence on the development of new products and on manufacturers. There is more scope for manoeuvre when it comes to services, as these are sometimes developed by CECONOMY itself or in very close cooperation with service providers. This department is headed by the Vice President of Services & Solutions, who reports to the CEO of MSH.

Customer information and the appropriate labelling and presentation of sustainable products and services in the stores and online shops also play a key role in promoting sustainable consumption.

CUSTOMER SATISFACTION

CECONOMY determines and analyses customer requirements, behaviours and satisfaction, and endeavours to implement the insights gained at all points of contact with customers. The net promoter score (NPS) serves as the main performance indicator here. NPS development is analysed together with individual countries and – if necessary – corresponding measures and recommendations for action are derived.

The results of customer satisfaction measurement at MediaMarkt and Saturn have been at a consistently high level in the last three financial years. The NPS rose overall year-on-year in the financial year 2019/20, both online and for in-store retail.

The customer experience manager function plays a central role in this. Also important is the access to customer feedback and NPS results for every store manager for the respective store with guaranteed access to the newly rolled-out customer satisfaction platform, which means all customer feedback can be viewed immediately. On request, customers can also be called by a store or the online touchpoint directly to give suggestions on how to improve the buyer experience. CECONOMY is thereby hoping to ensure that customer satisfaction measures are implemented in all stores.

CECONOMY supports innovative product solutions and service concepts that facilitate sustainable consumption. The Group is guided by the vision of a circular economy: Some of the services offered already help enable products to be used for longer or recycled properly at the end of their lifecycle. The "SmartBars" offer a wide range of innovative services – from display protection and extended warranties to on-the-spot smartphone repair. These services lengthen the products' lifecycle, thus making an important contribution to conserving resources. In the financial year 2019/20, a total of more than 2,850,000 repairs were processed with the industry on behalf of customers, and more than 600,000 devices were repaired directly at the SmartBars.

In Germany, a technical and advice service at customers' homes is provided through Deutsche Technikberatung (DTB). Internationally, CECONOMY works with various different service partners. CECONOMY also offers appliance rental.

With its maintenance and repair services, CECONOMY optimises product lifecycles and provides impetus for more sustainable consumer habits. At the same time, these services offer interesting growth potential for the company. While the service concepts take effect in the product's utilisation phase, proper collection and recycling of old electric/electronic devices is also ensured in line with the legal requirements. If a device cannot be reused or repaired, it needs to be collected and recycled properly. The return and recycling of old electric/electronic devices is legally regulated in the European Union (EU) by the WEEE (Waste Electrical and Electronic Equipment) Directive. This directive is implemented in the national laws of the respective member states.

As a retailer, CECONOMY is thus legally required to take back old devices. MMSRG's companies and stores therefore take back old electric/electronic devices from customers in all EU countries where it operates. This applies both to in-store retail and to the online shops. Customers can return their old devices either to the stores or to the delivery company when they receive a new delivery at their home. In some cases, CECONOMY also accepts returns of old electric/electronic devices that go beyond its legal obligations. The devices handed over and collected are passed on to waste management companies for processing and recycling.

In order to provide customers with more sustainability information and support responsible consumption, the Group pursues the goal of making sustainability visible at the point of sale, on the websites and in its product and image communication. Based on selected, award-winning products, customers can quickly see which devices are particularly energy-efficient to use.

Overall, CECONOMY is committed to further expanding its sustainable product portfolio moving ahead, and to offering customers a more sustainable range.

OWN BRANDS: SUSTAINABLE PRODUCTS FROM IMTRON GMBH

With its own brands from IMTRON GmbH (Imtron), CECONOMY can implement new product ideas and solutions itself. It will make increasing use of this opportunity in the future. Selected products from the Imtron portfolio already meet the EcoTopTen criteria. This product platform of the independent research organisation Öko-Institut evaluates both third-party and own brands on the basis of environmental criteria.

↗ Further information on the EcoTopTen criteria can be found on the website www.ecotopten.de.

Concepts are being developed for individual product groups in order to reduce environmental impact in the product utilisation phase. For example, only recycled ISY ink cartridges have been sold in Germany since 1 October 2019.

When manufacturing own-brand products, packaging is also an important environmental factor. To effectively counter the substantial volume of packaging waste, Imtron has issued its own packaging guideline based on five values: remove, reduce, reuse, renew and recycle. In the long term, less material is to be used and the overall (transportation) packaging volume is to be reduced. To this end, Imtron is examining the use of certified materials, new concepts and new types of packaging materials, and is reducing the share of plastic used.

Imtron avoids non-essential packaging materials (for transport). It also changed the packaging of LEDs in the past financial year. The plastic used has largely been replaced with cardboard that is now only printed in two colours.

Employees

The transformation into a more agile, digital and customer-oriented company is based on the skills and abilities of the approximately 55,000[2] employees. They are the most important asset for overcoming the challenges of the future. It is therefore very important to CECONOMY to ensure good, fair and responsible working conditions for its entire workforce. In addition, diversity and employee development and support are essential to the company's success.

Overall responsibility lies with the Chief Executive Officer of CECONOMY AG, who has the role of Labour Director. The Human Resources (HR) department of CECONOMY AG maintains continuous close dialogue with the subsidiaries in this context. The Human Resources department of MSH coordinates all strategic HR issues and supports and advises the HR departments of the country organisations and subsidiaries. The department is headed by the Chief Human Resources Officer (CHRO), a member of the Executive Board, who reports to the CEO of MSH. There are regular digital meetings that bring together the HR departments and managers of the country organisations and subsidiaries of MSH and CECONOMY. The HR Steering Committee consists of representatives from HR and other departments. Its goal is to network HR issues even more effectively with corporate strategy and to advance HR projects. It meets every six weeks to discuss the progress of strategic HR initiatives.

Fair and responsible working conditions

It is very important to CECONOMY to offer its entire workforce good and fair working conditions and thereby achieve high employee satisfaction. For this reason, CECONOMY continuously works on measures that offer its employees a safe and attractive working environment.

The individual country organisations will regularly conduct employee surveys moving ahead. In the financial year 2019/20, for the Ingolstadt and Munich campuses, employee satisfaction was measured using the metric of NPP (net promoter people), the core question for which is "How likely are you to recommend Media-Saturn to a friend or acquaintance as an employer?" Other questions, for example on personal development, respect and feedback, are intended to provide a picture of current sentiment at the company. The departments derive corresponding measures from the results of this survey, such as enhanced communication of development prospects.

The goal is continuous employee satisfaction improvement.

[2] Unless stated otherwise, the key figures for employees always relate to the average headcount not including trainees or students.

The NPP employee survey will be piloted at 24 German stores and implemented in the Austrian country organisation in the coming financial year. A gradual roll-out to all other countries is planned from February 2021.

Employee development and talent management

CECONOMY has set itself the goal of promoting continuous lifelong learning among its employees in order to meet the current and future challenges in retail. Development and training opportunities are equally crucial for qualification and personal development, for CECONOMY's positioning as an attractive employer and for the further development and future viability of the Group.

In the coming years, HR development will mainly focus on the strategic Passion4Customer programme that supports the transformation process. This programme will empower and motivate all executives and employee in every country to achieve an outstanding customer experience. The programme will begin in Germany from September with initial pilots in Poland and Austria.

All country managers will start the programme from as early as mid-November, with a gradual roll-out in other countries from the middle of February.

The plan is that all countries – except Germany – will complete the programme in the financial year 2020/21. Due to its size, the German country organisation will not complete the programme until the end of the 2021 calendar year.

In addition to the Passion4Customer programme, employees also receive bespoke continuing professional development.

The range of online learning has been greatly expanded on account of the COVID-19 pandemic. Thus, every employee and executive can access training on sales, management and technical issues on the company-wide e-learning platform. Events for executives and employees are regularly offered in the form of webinars and on digital communication platforms, such as a "Learn&Lead" format for executives or the "Fast Forward" format on issues specific to the company for all employees.

The plan for employee development and continuing professional training is improved on an ongoing basis. The goal is to develop the right skills and thereby also offer customers a unique shopping experience in stores.

Diversity and equal opportunities

Customers and their demands are very varied – which is why CECONOMY needs employees who can contribute different perspectives and solutions: the more diverse the employees, the more extensive the skills and knowledge within the company. Staff from 128 different countries were employed throughout the CECONOMY Group as at the end of the financial year 2019/20. Promoting this diversity is an important factor for the company's success. The CECONOMY Code of Conduct and MMSRG's compliance guideline "Style & Practice", for example, create the necessary conditions for all employees to be given the same opportunities, irrespective of their ethnic background, sexual identity, any disabilities or their religion or ideology. In this way, diversity is purposely strengthened in the company.

↗ Further information on compliance can be found in the section on compliance.

↗ The CECONOMY Code of Conduct is available on the website www.ceconomy.de/en/ under Company – Compliance.

↗ MMSRG's compliance guideline "Style & Practice" is available on the website www.mediamarktsaturn.com under Compliance.

Valuing social diversity also includes working towards a share of women in management positions that reflects the overall employee structure. The share of women on the Management Board of CECONOMY AG is currently 50 per cent. Back in 2011, CECONOMY AG voluntarily committed to supporting women at the top three management levels. At the first two management levels at MMSRG (including senior executives), the share of women is 18.0 per cent at the first management level and 8.8 per cent at the second management level. Overall, the share of female employees in management positions at CECONOMY is 19.1 per cent (2018/19: 19.7 per cent[3]). The share of women in CECONOMY's overall workforce is 39.0 per cent (2018/19: 39.1 per cent[3]).

[3] The deviation in the key figures for the last two financial years 2017/18 and 2018/19 is due to a change in the definition of employees. Mini jobs and short-term employment are now also counted.

Share of women at CECONOMY [1]

	2017/18	2018/19	2019/20
Share of women in the total workforce (in %)	39.6	39.1	39
Share of women in management positions (in %)	20.5	19.7	19.1

[1] The deviation in the key figures for the last two financial years 2017/18 and 2018/19 is due to a change in the definition of employees. Mini jobs and short-term employment are now also counted.

To increase the general share of women throughout the Group, CECONOMY supports them in young talent programmes and manager development initiatives. Also, the foundations for launching the "Empower Women in Retail" initiative were laid in the financial year 2019/20. More measures to further increase the share of women in management positions across all hierarchy levels are planned for the coming financial year. For example, the Female Leadership Lunch was created in July 2020 with the aim of networking women in management positions internally and externally.

WORK-LIFE BALANCE

Enabling employees to balance their career and family lives is an important issue. Wherever possible, we naturally offer flexible working time models and extensive options for mobile working.

Not every job allows for flexible work to the same extent. The goal is for all employees, whether they work in a store or in administration, to be able to combine their private lives and their career as best possible. A number of measures facilitate work-life balance. The "My Day Off" programme allows MSH employees to take up to 24 additional days of leave each year. This is offset by a reduction in their salary.

The part-time ratio at CECONOMY is 32.4 per cent. 25.4 per cent of our employees in Germany work part-time, while internationally the figure is 37.7 per cent.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

Occupational safety and health management plays an important role in a labour-intensive sector such as retail. Demographic change is not the only reason why it is still becoming more important. The COVID-19 pandemic has also meant enormous challenges to retail and people all over the world. CECONOMY is responding to these requirements with methodical and structured action. Hygiene and safety concepts are intended to protect all employees and customers against infection as much as possible. All hygiene and safety concepts are reviewed on an ongoing basis in the country organisations as the pandemic progresses, both for stores and the respective head offices, in accordance with the requirements at the respective location.

In Germany, stores have been outfitted with a number disinfection points and digital admittance controls to ensure compliance with the Robert Koch Institute's recommendation for a maximum number of customers in-store. A display by the store entrance shows how many customers can still enter, and controls access permission with self-explanatory colour signs. Furthermore, markings at checkouts and a number of warning signs remind shoppers to respect the minimum distance. Employees wear mouth and nose coverings provided by the company. Every individual store has also been instructed to work with the TÜV SÜD COVID-19 Hygiene app. This monitors systematic compliance with measures defined by the hygiene concept in real time.

CECONOMY is attempting to keep the risk of an infection as low as possible with a far-reaching mobile office regulation for employees at head office in Germany. Also, for all employees working on-site anyway, a comprehensive hygiene concept was created to ensure that the works canteen can continue operating.

Despite the pandemic, the sickness-related absence rate at CECONOMY decreased to 3.3 per cent[4] in the reporting period (2018/19: 3.5 per cent).

EMPLOYER/EMPLOYEE RELATIONSHIP

CECONOMY encourages open dialogue between the employees or their representatives and the management at different levels. CECONOMY aims to ensure sustainably good working conditions for its employees and thereby contribute to growth. Specifically, this means that:

[4] This figure includes paid absences due to illness; absences due to occupational accidents and accidents while commuting are not included.

– The principles of fair working conditions and social partnership should be applied to all activities.

– Management is encouraged to create an open, trust-based working environment in which people share their ideas and problems.

– Employees and/or their representatives are regularly informed about business and asked for feedback.

In 2020, additional works council elections were initiated at selected stores in Germany. The constituent meeting of EUROFORUM (the European Works Council) that was originally scheduled for the end of March 2020 had to be postponed by organisers due to COVID-19. The constituent meeting is now set to be held in the next financial year depending on how the pandemic situation unfolds.

An international project for the reorganization of stores was created in connection with the introduction of a harmonised group-wide organisational structure ("Operating Model"), entailing a coordinated management structure, uniform role profiles and a corresponding review of wage agreement classifications.

Both projects will be accompanied by the Passion4Customer programme and the NPP employee satisfaction survey to ensure the implementation of the new business model. Works Council members were invited to take part in the respective pilots.

At the regular Saturn works council conferences, current issues are presented and discussed by the employer. A corresponding MediaMarkt Works Council Conference was created at the start of the year and has since met twice.

The first all-company Works Council Conference was held in March 2020. With the help of an external moderator, all the Works Councils of the Group discussed and prioritised issues for company-wide debate, thereby creating a basis for a social dialogue with Group management.

This formed the foundation for cooperation and company-wide information in connection with the COVID-19 pandemic. Further procedure was jointly discussed in September and new online formats for continuing this dialogue were devised.

↗ Further information on employee issues can be found in the "Employees" section of the combined management report.

Climate and resources

With its business activities as a retail company in the field of consumer electronics, CECONOMY has an impact on the climate and the availability of resources. The administrative locations, the vehicle fleet and the more than 1,000 stores consume energy and other resources. Emissions that affect the climate are also produced in upstream and downstream parts of the value chain, for example in production and logistics. In order to make growth and development sustainable, CECONOMY handles issues such as climate protection and intelligent energy and resource management using its sustainability strategy.

The topics and the progress made on them are regularly reported to the Management Board of CECONOMY AG. In this way, the Group aims to systematically develop solutions for the environment, the climate and the scarcity of resources.

Climate protection and energy

Electricity purchased by the MMSRG stores accounts for a large share of the Group's operational energy requirements. CECONOMY thus faces the task of systematically and sustainably reducing consumption in the stores in particular. In order to reduce the locations' energy consumption, the Group is relying on an efficient energy management system and continuous modernisation of the stores and administrative buildings.

Total energy consumption in thousands of MWh (direct energy import by stores, administrative buildings and warehouses)[1]

	2018/19[2]	2019/20[3]
Total energy consumption	**661.7**	**572.5**
Scope 1 energy consumption	**116.1**	**100.2**
Natural gas	54.3	51.2
Heating oil	2.7	2.5
Diesel	53.8	41.9
Petrol	5.3	4.5
Scope 2 energy consumption	**545.6**	**472.3**
Electricity	524.3	452.5
District heating	19.1	17.9
District cooling	2.2	1.9
Energy consumption per m² of selling space in kWh[4]	**215.8**	**197.9**
Electricity consumption per m² of selling space in kWh[4]	**187.8**	**170.3**

[1] Energy consumption settled via ancillary costs is not included; stores' own external warehouses are also not included.
[2] The energy figures reported here for 2018/19 differ from the figures reported in financial year 2018/19, which were stated as a projection. The continuous improvement in data quality made it possible to calculate the actual consumption figures for financial year 2018/19 retrospectively and thus to create a basis for comparison with this year's figures.
[3] In addition to the extensive energy-saving measures, the COVID-19 pandemic and the closure of stores therefore necessary also led to a significant reduction in energy consumption in the reporting period 2019/20.
[4] Not including vehicle fleet

The respective country organisations are responsible for managing energy resources. MMSRG's building-related energy consumption is aggregated in Corporate Property Management, which also analyses savings potential and further develops energy and resource management. In addition, the definition of Group-wide energy saving targets is also coordinated with this department. It also advises and supports the country organisations and subsidiaries with the implementation of construction and renovation work.

The property managers at all MMSRG's country organisations meet at least once a year for the International Corporate Property Meeting in order to coordinate strategies, measures and processes, exchange experiences, and discuss new legal or social conditions and their effects on property management.

The extensive data basis required for efficient energy and resource management is obtained with digital energy meters and sensors for temperature and air quality. A store's electricity, gas, district heating/cooling and heating oil consumption are continuously measured using smart metering systems. It is possible to respond to increasing consumption immediately if necessary.

MMSRG already met its energy-saving goal – a 15 per cent reduction in electricity purchased directly by the stores by 2020 as compared to the base year 2011 – ahead of schedule in 2018, actually achieving a reduction of more than 23 per cent. The actual reduction achieved in 2019 was already 28 per cent. Based on this success, a follow-up programme for a further reduction in electricity consumption of 15 per cent by 2025 was prepared. The targets are set on a like-for-like basis, i.e. based on comparable adjusted figures, and therefore include around 650 of the more than 1,000 stores. The energy-saving targets are backed by various measures such as a comprehensive changeover to more energy-efficient lighting at the locations.

CARBON FOOTPRINT

As a retail company, CECONOMY supports efforts to combat climate change and takes responsibility for the emissions caused directly or indirectly by its business activities. The largest share of carbon emissions caused that can be influenced directly is produced in the stores and by external logistics providers. In order to minimise these effects and also remain competitive, CECONOMY intends to continuously reduce emissions that are harmful to the climate along the entire value chain. CECONOMY is guided by the goals formulated by the Paris Agreement for limiting global climate change.

Selected Scope 3 emissions were reported for the first time in the financial year 2018/19. Scope 3 reporting is to be expanded continuously to include additional categories relevant in terms of volume.

Climate footprint (greenhouse gas emissions in thousands of tonnes of CO_2 (CO_2 equivalents))

	2018/19[1,2]	2019/20[2,3,4]
Total greenhouse gas emissions[5]	**100.2**	**79.6**
Greenhouse gas emissions not including vehicle fleet	**85.5**	**68.1**
Scope 1: Direct greenhouse gas emissions	**26.5**	**22.6**
Natural gas	11.1	10.4
Heating oil	0.7	0.7
Vehicle fleet	14.7	11.5
Scope 2: Indirect greenhouse gas emissions (market-based)	**73.7**	**57**
Electricity[3]	66.5	52.2
District heating	6.5	4.3
District cooling	0.6	0.6
Scope 1 + 2 greenhouse gas emissions per m² of selling space in kg, not including vehicle fleet (market-based)	**30.6**	**25.6**

[1] The climate footprint reported here for 2018/19 differs from the climate footprint reported in financial year 2018/19, which was based on a projection of the energy figures. The continuous improvement in data quality made it possible to calculate the actual energy consumption figures for financial year 2018/19 retrospectively. The 2018/19 climate footprint reported here is based on the actual energy consumption figures.
[2] Emissions calculated based on energy audit values.
[3] Emission factors: VDA emission factors updated in 2019 used for 2019/20.
[4] Market-based emissions according to the GHG Protocol Scope 2 Guidance. For all countries without green electricity procurement, country-specific residual mix emissions factors from the Association of Issuing Bodies (AIB) are used based on the market-based method for all financial years.
[5] Total greenhouse gas emissions according to the location-based method for 2019/20: 233.1 thousand tonnes of CO_2 equivalents.

Selected indirect greenhouse gas emissions from upstream and downstream activities (Scope 3) in thousand tonnes of CO_2 (CO_2 equivalents)[1]

	2019/20
Scope 3.1 – Purchased goods & services[2]	298.8
Scope 3.2 – Capital goods[3]	127
Scope 3.3 – Fuel- and energy-related emissions[4]	42.7
Scope 3.4 – Upstream transportation and distribution[5]	271.3
Scope 3.6 – Business travel[6]	1.1

[1] Due to store closes and the spread of mobile office arrangements due to the COVID-19 pandemic, Scope 3.7 (employee commuting) is not reported, as this year's figures do not provided a basis for comparison.
[2] Scope 3.1 includes emissions from goods and services purchased for own consumption. The data have been adjusted compared with the previous year. Expenditure-based emission factors from DBEIS (formerly DEFRA) were used, which were translated from GBP in 2011 to EUR in 2019.
[3] Capital goods related to additions to fixed assets, in which all capitalised investment accounts were included for reporting period 2019/20. Unlike in the previous year, it was not depreciation expense but investment expense incurred for capitalisable items that was recognised in reporting period 2019/20. Expenditure-based emission factors from DBEIS (formerly DEFRA) were used, which were translated from GBP in 2011 to EUR in 2019.
[4] In the case of fuel- and energy-related emissions, all upstream emissions of the energy sources from Scope 1 and 2 are included. Compared with last year, additional upstream emissions of heating oil, diesel and petrol were recognised. Emission factors were used from DBEIS (formerly DEFRA) 2019 and VDA 2019.
[5] All logistics emissions are recognised under upstream transportation and distribution on the basis of the total expenditure in 2019/20. This includes all emissions from storage, handling and transport to stores and customers. Expenditure-based emission factors from DBEIS (formerly DEFRA) were used, which were translated from GBP in 2011 to EUR in 2019. For items with different modes of transport, weighted averages for the emission factors were recognised in accordance with the distribution.
[6] Business travel includes the emissions for travel by German employees booked via official travel partners. The total figure includes emissions from flights, rail travel and rental vehicles. Volume-based emission factors were used from DBEIS (formerly DEFRA) 2019.

CO_2 EMISSIONS IN STORES

Each store is supplied with energy for its operation. CECONOMY therefore works continuously to reduce its energy consumption per square metre of selling space. This way, the Group is making a key contribution to the conservation of resources – and to climate protection as the production of energy causes carbon emissions. In the 2019/20 financial year, the total energy consumption of the stores and administrative buildings (not including the vehicle fleet) came to 526 thousand megawatt hours. This corresponds to 197.9 kilowatt hours per square metre. In addition to the energy-saving measures described, the electricity supply in stores is steadily being converted to 100 per cent green electricity.

Store emissions (greenhouse gas emissions not including the vehicle fleet but including administration) totalled 68.1 thousand tonnes of CO_2 in the financial year 2019/20. In relation to selling space, this corresponds to 25.6 kilograms of CO_2 per square metre. As a majority of stores now purchase certified green electricity, the Scope 2 emissions have been reduced significantly in the past. CECONOMY will work on identifying and leveraging further potential for reductions moving ahead.

TRAVEL MANAGEMENT

Business travel also results in carbon emissions. This is caused by the use of different means of transport such as cars, planes, trains, public transport or taxis, and is influenced by the frequency of trips and the distances travelled. Ultimately, carbon footprint is also defined by conduct on business travel and the choice of accommodation (environmentally friendly hotels). Within the Business Travel Management department, the Business Travel Management & Travel Expense team manager is responsible for the issue of sustainability and communicates closely with the Sustainability department. At regular intervals, Business Travel Management advises employees of alternatives to conventional business travel (such as replacing travel with video conferences, limiting the number of participants at external events, e-mobility, etc.) and asks whether travel is essential. These measures are supported by the Business Travel and Hospitality Policy published in March 2019. External service providers issue Business Travel Management with CO_2 reports on request for the categories of rail and air travel. In addition, the department is provided with information on its suppliers' sustainability initiatives on request. If needed, Business Travel Management can prepare CO_2 reports on transport that include the CO_2 emissions relating to air travel, rail travel and rental vehicles. In addition, a cloud solution for travel expense accounting is still being rolled out in order to reduce paper consumption.

As a result of the COVID-19 pandemic and its dramatic impact on the business travel industry, the number of trips has fallen significantly since March 2020. The negative impact on the carbon footprint has also been greatly reduced as in-person meetings and events have been replaced by video conferences and telephone calls. However, there were signs that the trend was rising again towards the end of the financial year 2019/20.

Sustainable logistics

Transport and storage are essential for selling goods to customers in stores and online – a process that generates carbon emissions. Overall responsibility for the logistics of the MediaMarktSaturn Group lies with the Vice President for Supply Chain Management. The country organisations are responsible for their own logistics and transport flows.

The shipping volumes and inventories of MMSRG result from the supply chain operations of eleven regional country organisations and Imtron, which supplies the Group's own brands. The current supply chain is divided into e-commerce and retail business.

The decentralised supply chain model currently prevalent in retail business is being replaced by a centralised model. Under the decentralised model, each store has its own goods flow processes that are independently organised. Responsibility for delivering goods to stores lies with industry partners and suppliers. Goods are delivered either to the stores directly or to their external warehouses. The transport flows end when the customer picks up their product in store or as soon as the store has delivered the product to the customer. The new centralised model allows central procurement and the bundling of delivery flows to stores through central distribution centres. In this context, goods flows are increasingly planned and managed centrally. As a result, CECONOMY can target transport reductions and thereby focus on reducing its carbon emissions in the context of these changes.

In e-commerce, the MMSRG country organisations use fulfilment partners to operate e-commerce distribution centres that deliver goods directly to customers. Alternatively, customers can also collect their products in stores. Depending on product availability or the desired delivery speed, e-commerce customer orders can be forwarded to stores and fulfilled from store inventory rather than from e-commerce.

As a result of the COVID-19 pandemic and the temporary closure of many stores that this has entailed, demand shifted to e-commerce, which meant major challenges for the online fulfilment centres. By immediately using business continuity plans for its supply chain, CECONOMY introduced safety measures to protect its employees and increasingly resorted to deliveries from stores to assist online operations and to be able to offer customers a familiar shopping experience.

The COVID-19 pandemic has highlighted the need to accelerate the new supply chain strategy. The goal is to develop a centralised omnichannel fulfilment network to offer customers the utmost service on the basis of delivery speed, reliability, quality and availability. End-to-end transparency and control throughout the network must be increased to achieve this goal. This means that supply chain systems (for transport planning, for example) will be gradually introduced, thereby enhancing supply chain transparency and control. This will not only result in better customer service but also help to achieve cost and CO_2 targets. To implement the new supply chain, certain functions are being tested in different regions in cooperation with our suppliers and other business partners. Function scopes and regions will gradually be expanded, continuously raising the level of centralisation.

In addition to the central distribution centres, hubs are being developed in metropolis regions and cities. These are mainly geared towards large appliances. The hubs are decoupling points to increase the efficiency of city logistics and prepare for rapid changes in regulations and restrictions in city distribution. From the hubs, customer deliveries, store deliveries and returns are combined with the same vehicles. In addition to efficient delivery and shorter distances travelled, in future these hubs will ensure that customers can be offered additional services, such as assembly, installation, disposal of old appliances or repairs, according to their needs. To this end, tests that have already produced promising results have been conducted in several regions. This route optimisation means that customers can be offered a delivery window with a high degree of accuracy.

This new, more centralised approach allows CECONOMY to increase the transparency of transport routes, distances travelled, fuel consumption and freight capacity utilisation. The figures recorded create transparency as to the type and amount of CO_2 emissions caused by logistics and transportation. This enables the formulation of targets on the basis of recognised standards (Greenhouse Gas Protocol; EN 16258) and methods (Global Logistics Emissions Council Framework) in addition to progress reporting. The calculation of Scope 3 emissions (logistics/transport) can therefore be gradually expanded. Sustainable logistics aims to systematically reduce the environmental impact of transport and warehouse operations. The aim is to establish a CO_2 baseline in 2021. Furthermore, CECONOMY is planning to introduce electric vehicles and bike couriers in more than 50 cities in order to reduce the carbon footprint of last-mile deliveries within the next three years.

The logistics sustainability programme is gradually being expanded. This is increasingly focusing on returns logistics and is intended to allow business opportunities by reusing products and materials. CECONOMY wishes to demonstrate responsible action in the processing and disposal of used products and materials.

The training of logistics employees will concentrate on environmental standards, social responsibility, safety and health protection within the supply chain.

Overall, the intention behind redesigning the supply chain is to actively identify waste and opportunities for optimisation, to work closely with suppliers and service partners and to develop a systemic approach that reduces environmental impact and improves the cost basis and sustainability.

Transparency and integrity

Good corporate management and the expansion of standards to the supply chain are fundamental requirements for the long-term success of CECONOMY. This includes transparent, compliant, reliable and secure processes, as well as integrity and responsible behaviour.

The Management Board of CECONOMY AG is responsible for and has a legal obligation to implement an effective governance system, which includes the management of risks and opportunities, the internal control system, compliance and internal audit as elements of CECONOMY's governance, risk and compliance (GRC) system.

The business activities throughout Europe and the decentralised corporate structure make it challenging to implement a Group-wide GRC system, but this also makes it all the more important. It is a matter of taking the different social and legal conditions in the country organisations into account and integrating the sometimes different corporate cultures and processes of the individual companies.

Compliance

The cornerstone for activities is the Code of Conduct, which defines the shared basis of values. CECONOMY is thus clearly committed not just to compliance with the law, but significantly also to transparency, integrity, fairness and respect. Violations of these values and regulations, and of the law, will not be tolerated, not least because they can entail existential risks to the company and a loss of reputation.

MMSRG has the "Style & Practice" guideline in line with this compliance policy.

↗ The CECONOMY Code of Conduct is available on the website www.ceconomy.de/en/ under Company – Compliance.

↗ MMSRG's compliance guideline "Style & Practice" is available on the website www.mediamarktsaturn.com under Compliance.

Responsibility for ensuring compliance lies with the Management Board of CECONOMY AG and the management bodies of the Group companies. The Compliance departments support corporate management with the development and continuous improvement of a risk-based compliance management system (CMS). The Supervisory Board and the Audit Committee regularly deal with the monitoring of compliance measures within the Group. CECONOMY's Committee for Governance, Risk and Compliance (GRC Committee) regularly discusses relevant and current issues in addition to the ongoing development and improvement of compliance measures. The governance, risk and compliance process (GRC process) at the level of CECONOMY has the aim of presenting the Management Board and Supervisory Board of CECONOMY AG – and also, in the case of the annual report, the shareholders – with a uniform and comprehensive overview of CECONOMY's opportunity and risk portfolio and the effectiveness of the individual subsystems.

Compliance measures within the Group are intended to promote and encourage compliance, to prevent compliance violations and to identify risks of potential violations while also taking adequate preventive measures. As a result of a risk-based analysis, the Group-wide compliance measures are mainly geared towards the areas of corruption, antitrust law and data protection.

To counter violations of regulations on a long-term basis, the compliance culture must be put into practice equally at all levels of the company – from the Management Board to the managers to each individual employee. The Management Board of CECONOMY AG and MSH's management support this culture with a zero-tolerance approach to the handling of compliance violations.

So that compliance violations can also be anonymously reported, stopped and prevented in future, CECONOMY has established a Group-wide compliance reporting system, among other things, that is available both internally and externally.

Specific guidelines for CECONOMY and the Group companies supplement and flesh out the principles established in the Code of Conduct, also by taking into account local circumstances and business practices in the different countries or issues relating to specific tasks. Company-wide training and communication activities are used to raise employee awareness of compliance issues throughout the Group.

Compliance training was carried out in all countries in which MMSRG operates in the past financial year.

Data protection and information security

As an international technology company, CECONOMY is pressing ahead with digitalisation and uses intelligent networking of different data and information for its business model. Responsible handling of data from customers, employees, business partners and investors is therefore very important in the context of its business activities and processes. Advances in digitalisation facilitate data processing – which can have effects on the rights and freedoms of individuals. If violations occur with regard to data protection, this may result in sanctions and reputational damage. CECONOMY is aware of the misuse of data and the risks it entails; adequate measures are being taken.

DATA PROTECTION

Data protection means protecting individuals from infringements of their personal rights and privacy that arise from the misuse or unauthorised use of data. This principle and compliance with relevant laws, such as the EU General Data Protection Regulation (GDPR), are firmly established in CECONOMY's management and are of central importance for all companies.

Responsibility for compliance with legal requirements for data protection lies with the Management Board of CECONOMY AG and the management bodies of the individual Group companies. The Head of Data Privacy manages data protection matters at CECONOMY AG as the data protection officer and reports directly to the Management Board. At MSH level, the Vice President of Compliance & Privacy is appointed as the data protection officer of the MMSRG Group and is in charge of the data protection organisation within MMSRG. The data protection officer coordinates the data protection departments and the general data protection strategy within MMSRG, regulates the basic structure and advises the individual MMSRG subsidiaries and Deutsche Technikberatung GmbH (DTB) on the implementation of internal and external data protection requirements. Various CECONOMY companies have appointed their own data protection officers.

The general Group data protection guideline rolled out by CECONOMY in the 2018/19 financial year reflects the principles of data protection and constitutes a general guideline for all CECONOMY companies. The Group has thereby committed itself to a uniform level of data protection. Compliance with data protection laws is checked by means of internal audits.

Data protection incidents or potential for improvement can be reported via contact points such as central e-mail addresses for all stakeholders. Each report is promptly reviewed and answered.

The Data Privacy Office (DPO) is the central point of contact within MSH for all national and international companies of MMSRG. To ensure compliance with internal and legal requirements, it supports the collection, processing and deletion of personal data on customers, partners and employees. In addition, DPO provides advice on the necessary technical and organisational measures to ensure lawful processing of the personal data collected by MMSRG.

In addition, there are policies and procedural instructions, both for multiple divisions and specific divisions, at MMSRG on the structuring and standardisation of data processing.

Further national considerations and individual decisions concerning the data subjects of stores or the respective country organisations are handled by the national data protection officers of each country organisation.

CECONOMY implemented a variety of strategic and organisational measures as part of its preparations for the GDPR, which has been in force since May 2018. It focused on the comprehensive and correct implementation of measures to satisfy the GDPR's requirements, taking into account the balance between business necessity and compliance challenges. Corresponding measures on accountability and data protection management, documentation, duties to provide information and the rights of data subjects are being implemented on an ongoing basis.

Employee awareness of data protection requirements is still a priority at all levels of the Group. Data protection training is carried out to raise awareness within the company. Mandatory online training on relevant GDPR issues for all employees was rolled out at all MMSRG companies in the financial year 2018/19. Various communications activities were also performed.

In addition to managing directors, employees in departments who have access to and work with sensitive data in particular receive regular and intensive classroom or online training on data protection and data security.

A data protection management system was also introduced to further systematically establish data protection at all MMSRG business units. This system keeps the entire procedure log and regularly checks all business processes to ensure that they comply with the latest developments in data protection.

INFORMATION SECURITY

Alongside data protection, the Information Security department is of central importance at CECONOMY in safeguarding the confidence of our customers, business partners and other stakeholders.

The Group relies on comprehensive IT security measures to prevent the failure of IT-based business processes, IT security incidents and cyber-attacks, which count among the biggest threats in retail especially.

↗ Further information on the most significant risks can be found in the opportunity and risk report in the combined management report.

This way, CECONOMY is aiming to ensure its protection goals of confidentiality, availability and integrity, to protect personality rights and to reduce threats and the financial damage they cause.

In strategic coordination with the department, Information Security creates the technical requirements to implement data protection in operations as well. Information Security is divided into three functions. Essentially, these are:

– maintaining the IT infrastructure;

– preserving the confidentiality of data and information;

– the technical implementation of data protection.

CECONOMY focuses on the following principles for all these functions:

– **Protection of availability:** Relevant information is always available when needed.

– **Protection of confidentiality:** Relevant information is disclosed only to the small group of authorised persons.

– **Protection of integrity:** Relevant information has not been falsified and is complete at all times. Changes to this information can only be made by authorised persons.

At the level of CECONOMY AG, the IT infrastructure and IT security are managed by the IT Security Officer. At MSH, the role of Chief Information Security Officer (CISO) bears full responsibility for Information Security for MMSRG and all its investments. He reports to the Chief Technology Officer (CTO) of MSH.

Information Security is an integral part of the new technology strategy, which allows a holistic analysis of the company's risk and security situation.

The information security management system (ISMS) clearly regulates responsibilities and functions for ensuring information security at MMSRG.

The implementation of an ISMS for CECONOMY AG began in July 2020.

Additional IT Security departments at the country organisations and subsidiaries are affiliated with MediaMarktSaturn Technology's Cyber Security Office, implement the IT security strategy in their companies and also adhere to special considerations or regulations specific to their country.

The implementation of CECONOMY's advanced IT security strategy has prepared it for current requirements. The rising online share of Group sales was taken into account in particular. Specifically, this means focusing even more on the hardening of the systems that can be reached online, which is increasingly being done from the cloud. Despite this, there is continuing investment to raise the information security risk awareness of all employees. As part of this strategy, various technical and organisational detection and prevention measures, and in particular measures to raise awareness and harden the cloud systems, were implemented in the financial year 2019/20.

In particular, the launch of an initiative to identify software errors and security vulnerabilities serves the continuous security improvement of the services available online. The establishment of holistic vulnerability management allows a significantly faster response to identified technical risks. Furthermore, integrated security information event management, with its affiliated security operation centre, were given a significant boost in terms of staff and technology in order to counter the growing threat of attacks on MMSRG systems.

Sustainability in supplier management

As Europe's biggest consumer electronics retailer, CECONOMY wants to give its customers the best products and services across the board and at any time through its various sales channels. Its range includes brand products from internationally renowned manufacturers and products from its own-brand company Imtron. Both of these require long and complex supply chains with branching global production, procurement and supply networks from which CECONOMY benefits economically. The upstream stages of these chains can potentially impact people and the environment. Designing value chains in line with the principles of social, ecological and business sustainability entails a variety of challenges – from ensuring humane working conditions to climate and resource protection. On the one hand, CECONOMY feels it has a duty to improve transparency within its supply chains. On the other, the Group intends to gradually assume more responsibility for sustainable production processes for all products – own brand and third-party alike. CECONOMY firmly believes that more sustainable procurement practices help it to stand out from the competition, improve its reputation with customers, partners and employees and reduce potential business risks.

At CECONOMY, procurement and supplier management is particularly relevant for MMSRG. Responsibility for strategic procurement and supplier management for consumer electronics currently lies with MSH's International Procurement department, which is in charge of supplier relationships and works in close coordination with the respective procurement departments of the country organisations. It is headed by the Vice President of Procurement, who reports to the CEO of MSH. In this context, the Procurement Committee operates as an international management and decision-making body. The management of MSH is also involved if necessary.

Partnerships are the key to improving sustainability standards in the supply chain. An ongoing dialogue with suppliers and business partners is required to systematically raise environmental and social standards along the value chain. The company sees the market significance of this as a major opportunity.

MSH is also responsible for the controlling and ongoing strategic development of sustainability aspects within supplier management. This is implemented in cooperation with suppliers and the respective procurement departments, and other relevant departments if necessary. The concept for sustainable supplier management at MMSRG consists of various elements:

Together with other companies in the electronics industry, MSH is part of the Responsible Business Alliance (RBA; formerly: Electronic Industry Citizenship Coalition). The RBA works on uniform standards for social, ecological and ethical issues within the supply chain, thereby endeavouring to improve the industry's supplier management in the long term. Supplier management at the own-brand company Imtron is also based on the standards of the amfori Business Social Compliance Initiative (BSCI). These standards form a key foundation for CECONOMY's supplier relationships.

MSH's Procurement Policy is the prime directive and is mandatory for all the Group's procurement organisations. It applies to all employees, creates binding and transparent minimum standards for all procurement activities for third-party brands and defines responsibilities, processes and documentation requirements. The Procurement Policy also documents the significance of sustainability.

As part of the fundamental revision of the management approach to sustainable supplier management, sustainability aspects will also be integrated as a fixed component of supplier agreements from the financial year 2020/21. The goal is to secure a commitment to sustainability from suppliers for their supply chain, and to ensure that CECONOMY receives all relevant information on their sustainability activities. It also covers working and social conditions, respect for human rights, environmental protection, the fight against corruption and bribery and suppliers' duty of care along their own supply chain. Expectations are communicated to suppliers directly through the respective procurement representative so as to also ensure a continuous dialogue on sustainability issues.

CECONOMY can only successfully achieve its goals if it works with its partners in the long term – which is why the Group first attempts a dialogue with its suppliers should irregularities or breaches occur, in order to work together on improvements. Suppliers are expected to have implemented these measures by a deadline jointly agreed in advance. This method is intended to aid the development of non-compliant suppliers, and to give them support in achieving improvements. However, if suppliers do not make improvements or enter into zero tolerance areas, for instance in the event of severe corruption, as a last resort CECONOMY may decide to terminate the supplier relationship after considering each case individually. Breaches that are observed or suspected can be reported, even anonymously, through the compliance whistle-blower system.

CECONOMY is committed to the German government's National Human Rights Action Plan and is working to implement it. MSH has adopted its Human Rights Policy and implemented a complaints tool.

↗ MMSRG's Human Rights Policy is available on the website www.mediamarktsaturn.com/en/ under Company – Sustainability at MediaMarktSaturn.

MMSRG sees procurement practices, guidelines and regulations as dynamic processes subject to continuous improvement, which allows the company to continue its development in its own right.

OWN BRANDS: SUPPLIER MANAGEMENT AT IMTRON

In addition to trade with brand-name products from world-renowned manufacturers, MMSRG also sells products from its own-brand company Imtron. As a wholly owned subsidiary of MSH, it is responsible for its own supplier management. The business purpose of Imtron is to supply the MMSRG country organisations centrally with high-quality own-brand products, including ok., KOENIC, PEAQ, Technostar and ISY.

Imtron's own Procurement Policy ensures compliance with defined procurement processes and methods, and is the responsibility of Imtron's management. The framework regulates all procurement processes and minimum requirements for all products and goods-related services. It also defines process and documentation requirements and responsibilities to ensure the utmost transparency in procurement processes. The policy takes into account

CECONOMY's higher-ranking Group policies and is binding for all employees and departments of Imtron and its wholly owned subsidiary Imtron Asia Hong Kong Limited. Compliance with Imtron's Procurement Policy is reviewed by the internal control system and on a test basis by Internal Audit at MSH. The results of this are reported to the management of both Imtron and MSH, and are applied in detailed improvement action plans. The Procurement Policy itself is subject to annual internal plausibility checking and is thus updated and revised regularly.

Since 2014, Imtron has been a member of amfori BSCI, which was founded to protect workers' rights in production facilities. The amfori BSCI Code of Conduct is based on Social Accountability International's SA8000 standard, the United Nations Universal Declaration of Human Rights, the UN Global Compact, the core labour standards of the International Labour Organisation and OECD directives. amfori BSCI principles therefore include the active management of operational and environmental protection, health and safety at work, the fight against corruption and the general prohibition of child and forced labour. These are compiled in a Supplier's Code Of Conduct and are communicated to all Imtron suppliers and business partners. The Supplier's Code of Conduct is a fixed component of all contracts in connection with products, and therefore mandatory for all Imtron suppliers. All new and existing suppliers of Imtron own-brand products are compelled by this Code of Conduct to comply with sustainability criteria. One long-term goal is to improve supplier relationships, which endure for a long time. For example, Imtron has been working with 44 per cent of its active suppliers for more than five years.

The Sustainability, Compliance & Contract Management department conducts central monitoring of compliance with criteria and requirements. For example, it investigates whether a business partner has undergone a valid amfori BSCI audit. All active Imtron suppliers (business relationships within the past two years) are required to sign a code of conduct based on amfori BSCI as an annex to their contract. 100 per cent of Imtron suppliers have signed this code of conduct as at 30 September 2020. Every order by Imtron is also subject to this department's approval. Imtron's procurement decisions are thus defined by amfori BSCI, establish a minimum standard for business partners and secure a commitment from every manufacturer.

As a member of amfori BSCI, Imtron is required to allow regular audits of its production facilities. A BSCI audit is considered to have been passed or to be successful if the production facility has at least scored a D grade.

Successful BSCI audits[1]

	2017/18	2018/19	2019/20
Number of suppliers audited (absolute)	117 of 124	121 of 127	122 of 126
Share of suppliers audited (in %)	94.4	95.3	96.8

[1] Successful social audits based on own imports (audits of all producers in defined risk countries in which Imtron manufactures imported goods, show the successful implementation of BSCI or an equivalent social standard system through an independent third-party certificate).

In the reporting period, Imtron worked to ensure that production facilities that got a D on their audit rapidly take corrective measures and are audited again within a few months to improve their results. This contributed to a positive development in audits. For example, four of the six production facilities that only earned a "D" in their audit successfully raised their overall grade to "C" within a maximum period of four months in the reporting period. There were no zero-tolerance cases as defined by amfori BSCI in the reporting period. This means that no suppliers experienced particularly critical incidents.

In the reporting period, Imtron also requested and processed data from suppliers on accessories and small parts, thereby expanding the scope of its audits.

Out of Imtron's 126 production facilities in what are considered risk countries, 96.8 per cent have undergone successful audits. Imtron defines risk countries as those countries that amfori BSCI has also classified as risk countries. The monthly overviews of improvements and setbacks produced from this allow regular reporting to Imtron's management. In particular, the tracking of audit results and the preparation and implementation of action plans in cooperation with production facilities are to be intensified in the long term.

↗ Further information on risk classification can be found on the amfori BSCI website at www.amfori.org under Country Risk Classification.

Outlook

In the 2020/21 financial year, CECONOMY will continue to align its sustainability strategy and the associated activities more closely to the needs of its stakeholders.

Even today, a wide range of sustainability projects and initiatives have already been successfully implemented at the country organisations. So that CECONOMY can keep an eye on all relevant issues and identify new challenges early on, the Group will regularly perform a materiality analysis and engage in an intensive dialogue with its stakeholders. This will result in the regular scrutiny of its own actions and the systematic evolution of sustainability activities.

CECONOMY wishes to help customers to make a sustainable purchase decision. It is therefore further stepping up its efforts to provide customers with information, and to advise them on the energy-efficient and resource-friendly use of products. CECONOMY also intends to further expand the services offered throughout the Group. By doing so, the company – guided by the notion of a circular economy – wishes to make an important contribution to extending product lifecycles.

To reduce the consumption of resources, CECONOMY would like to advance the optimisation of product and logistics packaging. The Group is already working on sustainable alternatives.

In keeping with the significance of sustainability and climate protection, the company will also develop a climate strategy as part of its ongoing strategy process.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT[1]

TO THE SUPERVISORY BOARD OF CECONOMY AG, DÜSSELDORF

We have performed an independent limited assurance engagement on the Separate Non-Financial Group Report (further “Report”) of the CECONOMY Group (further “CECONOMY”) as well as the section ‘Group business model’ of the Combined Management Report, which has been qualified as part of the Report by reference, according to Sections 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from October 1, 2019 to September 30, 2020.

As disclosed in the section ‘Our own brands: Imtron supplier management’, audits of suppliers were conducted by external firms mandated by CECONOMY to ensure compliance with the environmental, social and health standards of the amfori Business Social Compliance Initiative (BSCI). The appropriateness and accuracy of the conclusions from the audit / certification work performed was not part of our limited assurance procedures.

Management’s Responsibility

The legal representatives of CECONOMY are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm

We are independent from the CECONOMY in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

[1] Our engagement applied to the German version of the Report 2020. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following assurance procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of CECONOMY

- A risk analysis, including a media search, to identify relevant information on CECONOMY's sustainability performance in the reporting period

- Reviewing the suitability of internally developed Reporting Criteria

- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data

- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures

- Evaluation of selected internal and external documentation

- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level

- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on samples at Ingolstadt (Germany) and Salzburg (Austria)

- Assessment of the overall presentation of the selected sustainability performance disclosures

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of CECONOMY, for the business year from October 1, 2019 to September 30, 2020, is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use / Clause on General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of CECONOMY AG, Düsseldorf, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of CECONOMY AG, Düsseldorf and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Munich, 1. December 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Hell ppa. Dollhofer

INFORMATION AND FINANCIAL CALENDAR

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Financial calendar 2020/21

9 February 2021	Quarterly statement Q1 2020/21
17 February 2021	General Meeting
11 May 2021	Half-year financial report Q2/H1 2020/21
12 August 2021	Quarterly statement Q3/9M 2020/21
26 October 2021	Trading statement Q4/FY 2020/21
14 December 2021	Annual report FY 2020/21

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