ANNUAL REPORT
2018/19

CECONOMY

CECONOMY IN FIGURES[1]

Sales & earnings

€ million		2017/18	2018/19
Sales		21,418	21,455
Sales development adjusted for currency and portfolio change effects	%	0.2	0.8
Like-for-like sales development	%	–0.7	0.4
Gross margin	%	20.1	19.3
EBITDA		650	465
Adjusted EBITDA		650	650
thereof Fnac Darty		(21)	(21)
Adjusted EBITDA margin excl. Fnac Darty	%	2.9	2.9
EBIT		419	224
Adjusted EBIT		419	423
thereof Fnac Darty		(21)	(21)
Net financial result		–198	12
Tax rate	%	60.7	32.7
Profit or loss for the period attributable to non-controlling interests		64	37
Net result		23	121
Earnings per share	€	0.07	0.34

Other operating figures

€ million	2017/18	2018/19
Online sales	2,592	2,935
Services & Solutions sales (in accordance with IAS 18)	1,478	1,498
Services & Solutions sales (in accordance with IFRS 15)	–	1,229
Investments as per segment report	278	195

[1] From continuing operations.
[2] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items.
[3] Balance sheet figures for the current period do not include assets and liabilities of the disposal group.
[4] The previous year's figures were adjusted due to a change in the assessment basis.

Cash flow

€ million	2017/18	2018/19
Cash flow from operating activities	743	86
Cash flow from investing activities	–278	118
Cash flow from financing activities	56	–178
Change in net working capital[2]	302	–310
Free cash flow	480	–107

Statement of financial position[3]

€ million	30/09/2018	30/09/2019
Net working capital	–1,125	–815
Net liquidity (+)/Net debt (–)	675	830

Other operating figures

	30/09/2018	30/09/2019
Number of stores	1,022	1,042
Selling space (thousand m²)	2,784	2,746
Workforce by full-time equivalents	52,422[4]	49,536

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TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Ladies and gentlemen,

At our General Meeting at the beginning of the year, we announced that one of our priorities for the financial year 2018/19 would be the stabilisation of the company.

Looking back at the last few months, it is clear that we succeeded. We successfully halted the negative earnings development and laid an initial foundation for sustainable future success. The reorganization and efficiency program announced in April is going entirely to plan. We are also making progress with the centralisation of our activities. Moreover, we have optimised the portfolio, both selling our roughly nine per cent share in METRO AG and completing the establishment of a new joint venture with Olympia, to which we will contribute our Greek activities.

We achieved our full-year targets and increased sales adjusted for currency and portfolio change effects by around 0.8 per cent. Not including the earnings contribution from our investment in Fnac Darty S.A. or expenses associated with the reorganization and efficiency program as well as management changes, we generated adjusted EBITDA of €629 million and adjusted EBIT of €402 million. These earnings are therefore slightly above the original forecast for the past financial year 2018/19, which predicted a slight decline of both EBIT and EBITDA. As expected, net working capital moderately declined and was €310 million lower than in the previous year.

We achieved our full-year targets, increased sales and reached earnings slightly above the forecast.

I am in no doubt whatsoever that this earnings level cannot be what we aim for in future. We can do more and we want more. Our latest strategy project is a fresh start toward more dynamic growth, a stronger gross margin and improved profitability. We owe you, dear shareholders, at least this much.

Our most important and urgent task remains to enhance the business model of the CECONOMY Group and to align it much more rigorously to the needs of the customers. We will maintain this course regardless of the personnel change at the top of the Group.

Developing a better understanding of our customers

The initial aim of the strategy process is to develop a better understanding of which solutions our customers really need. And we are asking how we can provide precisely these solutions. Of course, this also raises the question of which processes and resources we need in order to achieve this.

This knowledge will help us make the best of our most crucial competitive advantage: our stores. In our stores, we can be a guide for consumers in the increasingly confusing and complicated world of technology. To do this, however, we must offer consistently good advice and useful services in order to distinguish ourselves from competitors with overwhelmingly sales-driven online business models.

Becoming a true omnichannel player

Success depends on the digitalisation of our business model. It is now no longer enough to run an online shop alongside our stores and to generate sales growth across all channels with one discount promotion after another.

CECONOMY must become a true omnichannel player. This means that the digital channels help customers first to inform themselves about products and then to buy or reserve them online. Our stores should be the place where customers can see technology in action and receive personalised advice. They can also collect goods ordered online and supplement them with other products. This will ultimately create a digital ecosystem encouraging customers to change interface while making it unattractive for them to go to another, less integrated provider.

Establishing customer-oriented product ranges

A customer-oriented product range will provide important leverage. We want to offer customers a good selection without overwhelming them with too much choice. We will therefore reduce the space given over to current product ranges in the stores. This will save store space for experimentation with new ideas. Examples of conceivable areas include healthcare, e-mobility, gaming and e-sports. Anything that performs well in the special spaces in store or on themed promotion days will eventually become a permanent feature of the product range. The customer will thus help determine the product mix. We want to move away from the focus on bargains and towards the right mix of competitive products for various consumers and a complementary service offering. This will help us to improve profitability.

In the end, we will thus reach entirely new groups of consumers. Until now, CECONOMY has been too focused on a price-sensitive clientele, which represents only a part of the market. As well as higher-quality products, the other potential customers are also interested in services and solutions and are willing to pay for them.

From product retailer to problem solver

At heart, therefore, CECONOMY needs to evolve from a product retailer into a holistic problem solver, and thus to start precisely where other business models hit their limits. We will of course provide our plan with milestones and make our targets measurable.

For all the external focus, we will not forget to look inward at the organisation. I am aware that this evolution will be a major effort for our entire organisation – for the managers of the MediaMarkt and Saturn stores as well as for all colleagues in the stores or at head office. We therefore have to bring the approximately 55,000 employees of the CECONOMY Group on board with our concept and get them excited about it. They are our most precious resource. Their willingness to change and their daily engagement are essential for a successful transformation. Without them, we will not be able to form an agile organisation that is able to continuously adapt and re-adapt to customer requirements. On behalf of the entire Management Board, I would therefore like to thank all colleagues for their hard work in this difficult past financial year.

Ladies and gentlemen, CECONOMY is on an exciting but also crucial journey. We must learn from the failures of the past and rigorously align our business model to customers' needs. Only then will we be able to further strengthen our market-leading position in Europe and grow both profitably and sustainably.

Thank you for your trust in us.

Kind regards,

Dr Bernhard Düttmann
Chief Executive Officer

THE MANAGEMENT BOARD[1]

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 and has been appointed until 16 October 2020. The 60-year-old was previously a member of the Supervisory Board of CECONOMY AG and an interim member of the Management Board of CECONOMY AG from January to March 2019. His Supervisory Board membership is suspended for the duration of his work as Chief Executive Officer and Labour Director. 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 50-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.

[1] As of 3 December 2019

A LOOK BACK

Selected events from financial year 2018/19

Q1

Personnel changes in the CECONOMY AG Management Board

13 OCTOBER 2018

The Supervisory Board of CECONOMY AG and Pieter Haas, Chief Executive Officer of CECONOMY AG at the time, mutually decide to part ways with immediate effect. Pieter Haas' former post as Chief Executive Officer of Media-Saturn-Holding GmbH (MSH) is taken on by Ferran Reverter Planet, previously Chief Operating Officer of MSH. At CECONOMY AG, Mark Frese, CFO, and Dr Dieter Haag Molkenteller, member of the Management Board, take over Pieter Haas' tasks on an interim basis until a successor is appointed. Mark Frese also decides to continue to perform his duties as a member of the Management Board until a successor is appointed and to agree to an amicable revocation of his service agreement. On 19 December 2018, CECONOMY AG then announces that Mark Frese will leave the company as of 31 December 2018. The Supervisory Board appoints Dr Bernhard Düttmann, member of the CECONOMY AG Supervisory Board, as a member of the Management Board and Labour Director on an interim basis. From 1 January 2019, the CECONOMY AG Management Board is therefore made up of Dr Bernhard Düttmann and Dr Dieter Haag Molkenteller.

Integrated solutions for customers: MediaMarkt and Saturn Deutschland offer green electricity and gas tariffs

29 NOVEMBER 2018

MediaMarkt and Saturn offer green electricity and gas tariffs nationwide in all their stores and in their online shops. For the distribution of the new offer, MediaMarktSaturn partners with innogy, a leading German energy company. Customers who opt for a new electricity or gas contract from innogy or its subsidiary eprimo benefit from an attractive offering with price advantages and a straightforward change of provider. By entering into the sale of energy products, MediaMarktSaturn continues to expand its service business. At the same time, this step is in line with the strategy of offering customers increasingly integrated solutions.

MediaMarkt and Saturn launch Apple Pay

11 DECEMBER 2018

MediaMarkt and Saturn expand the existing range of convenient mobile payment methods by introducing Apple Pay. The focus is on security and data protection: if the customer uses a credit card or girocard with Apple Pay, the actual card numbers are not stored on the device or Apple's servers. Instead, a device-specific number is assigned, encrypted and held securely in the device's "Secure Element". In addition, each transaction is approved with a security code.

Q2

Saturn tests recycling machines for mobile phones and smartphones in Berlin stores

23 JANUARY 2019

In a six-month pilot project, Saturn tests Israeli start-up Cellomat's "Sell & Go" machines in Berlin's Alexanderplatz, Europa-Center and Schlossstrasse stores: at Saturn, the customer inserts their mobile phone or smartphone into the machine and answers some questions on the configuration and condition of the device. The smartphone is then scanned by a high-resolution camera and the customer is presented with an offer amounting to the residual value of the device. If the user agrees, the machine exchanges the old device for a Saturn gift card. If the smartphone is no longer functional, the customer does not receive an offer and can instead deposit the device for recycling free of charge. Cellomat specialises in the automation of life cycle services for mobile devices and participates in MediaMarktSaturn's Retailtech Hub start-up programme. The start-up cooperates with American company Clover Wireless, which handles the further utilisation of the deposited smartphones. MediaMarkt also tests a concept similar to Saturn's in ten German stores from 18 September 2019. With the recycling kiosks, MediaMarktSaturn augments its service range with a practical and above all sustainable alternative for conveniently disposing of old phones.

CECONOMY AG appoints new Chief Executive Officer and Chief Financial Officer

30 JANUARY 2019

With effect from 1 March 2019, the Supervisory Board of CECONOMY AG appoints Jörn Werner as a member of the Management Board and names him as the new Chief Executive Officer and Labour Director. Likewise with effect from 1 March 2019, the Supervisory Board appoints Karin Sonnenmoser as Chief Financial Officer. The interim appointment of Dr Bernhard Düttmann ends at the end of 25 March 2019. He resumes his suspended activity as a member of the Supervisory Board of CECONOMY AG on 26 March 2019.

MediaMarkt and Saturn Deutschland launch repair service for large household appliances at customers' homes

18 FEBRUARY 2019

MediaMarkt and Saturn launch repair services for large household appliances directly at customers' homes. The service is available for appliances from nearly all manufacturers. It also plays no role whether the warranty is already expired or the product was purchased from a different retailer. MediaMarktSaturn thus expands the service portfolio in the strategically important growth area of Services & Solutions once again. At the same time, the company contributes to the sustainability of large electric appliances by prolonging their life cycle.

TO OUR SHAREHOLDERS

Saturn launches “Sofort-Service” for smartphones and smart devices

4 MARCH 2019

At Saturn’s new “Sofort-Service” desks, technicians get smartphones and other smart devices (back) into condition – be it by replacing a battery or display, setting up a new notebook or transferring data from an old device to a new one. The “Sofort-Service” can be used without an appointment and is usually completed within one to two hours. This is a further expansion of Saturn’s broad service portfolio.

Q3

MediaMarkt expands “Startklar” service

2 APRIL 2019

MediaMarkt offers the “Sofort startklar” service for selected devices in the 275 stores across Germany: selected notebooks, PCs, navigation devices, receivers, games consoles, smartphones and tablets are already set up on the shelf and can be used as soon as they are purchased. With this offering, MediaMarkt expands the portfolio of “Startklar” services, which offer customers the opportunity to have their electronic devices set up for them after purchase. The MediaMarkt experts not only carry out the initial setup, updates and performance check, but also, according to the customers’ requirements, set up user accounts and Google or iOS accounts or install purchased software packages, for example.

Saturn starts pilot interactive video advice project

25 APRIL 2019

In addition to providing advice via text-based chat, Saturn also offers online customers interactive video advice at saturn.de. In the pilot project, experienced customer advisors at selected Saturn stores and experts from HP as partners for computers, notebooks and printers guide customers on an interactive tour and assist the purchase decision. The in-store experts use a mobile camera to guide their customers directly to the product and can thus discuss and demonstrate technical data and product details with the online customer. If the customer wishes, the employee can also take an order right away. With this new service, Saturn is more closely interconnecting its online offering and the brick-and-mortar stores in line with its multi-channel strategy.

TO OUR SHAREHOLDERS

CECONOMY and MediaMarktSaturn adopt reorganization and efficiency program

29 APRIL 2019

The Management Board and Supervisory Board of CECONOMY AG as well as the management board and advisory board of MSH, a majority shareholding of CECONOMY AG, adopt a reorganization and efficiency program. The aim is to streamline the Group's processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The expected sustainable annual savings run-rate amounts to between €110 million and €130 million, the majority of which shall already become effective from financial year 2019/20. Costs of around €150 million to €170 million are recognised for the implementation of the program in financial year 2018/19, plus non-cash expenses of around €20 million. The expenses do not include the roughly €34 million already booked in the first quarter for top management changes. Against the backdrop of implementing the announced reorganization and efficiency program, CECONOMY AG announces another change to the Management Board. Dr Dieter Haag Molkenteller, responsible for Legal, Compliance and Risk Management in the Management Board of CECONOMY, leaves the Board on 31 May 2019. From 1 June 2019, the Management Board of CECONOMY therefore consists of Jörn Werner and Karin Sonnenmoser.

MediaMarkt and Saturn launch new portfolio for device and insurance protection and extended warranties

13 MAY 2019

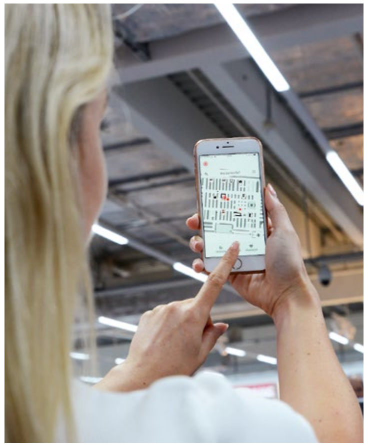
MediaMarktSaturn Deutschland accelerates the expansion of the strategically important growth segment of Services & Solutions and launches a significantly improved portfolio regarding extended warranty and insurance services for nearly all newly purchased electronic devices at MediaMarkt and Saturn. Depending on the product category and selected warranty or protection, terms can run for up to five years and be concluded with a lump sum for a fixed period or alternatively under a subscription model with monthly instalments and a flexible duration. In some subscription models, MediaMarkt and Saturn also offer their customers a premium refund at the end of the term if no claims were made. With the new warranty and

insurance services, MediaMarktSaturn creates additional added value for customers and strengthens the range of services.

CECONOMY concludes sale of its approximately nine per cent stake in METRO AG

27 June 2019

CECONOMY concludes the structured sale of its approximately nine per cent stake in METRO AG. In September 2018, EP Global Commerce II GmbH had acquired in a first step an approximately 3.6 per cent stake in METRO from CECONOMY. In a second step, EP Global exercises the agreed call option to transfer the remaining 5.4 per cent of the shares. CECONOMY thus further strengthens its statement of financial position through the inflow of liquid funds. CECONOMY AG now holds a stake of approximately one per cent in METRO. This stake will be held until at least 30 September 2023 for tax reasons.



Q4

MSH and Olympia Group Ltd. agree to found joint venture to cover the Greek and Cypriot market

2 JULY 2019

MSH and Olympia Group Ltd. (Olympia) sign a deal to create a new corporation covering the Greek and Cypriot market. Accordingly, Olympia holds 75 per cent and MediaMarktSaturn holds 25 per cent of the new company. Both organisations contribute their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the new company. The stores of both companies are continued under their respective brand names. With the transaction, MSH found a sustainable solution for the Greek activities. At the same time, the investment in a strong local player allows it to take a future-proof position in the Greek and Cypriot market. The transaction was concluded on 29 November 2019.

MediaMarkt tests in-store navigation by smartphone

31 JULY 2019

MediaMarkt tests in-store navigation and location-based services applications in Germany for the first time: in Gründau-Lieblos in Hesse, customers can use a smartphone app to navigate to their desired product in the store with pinpoint accuracy. MediaMarkt uses light-based technology from Signify, the world leader in lighting, for the pilot project. With visible light communication technology, intelligent ceiling lamps emit modulated light containing identification codes that are invisible to humans. These light signals are received and read by an app using the smartphone's camera, allowing the precise determination of the customer's location. The app then guides the customer to the location of the desired product. In-store navigation not only helps customers to search for products, but also eases sales employees' workload so that they have more time for one-on-one consultations.

MediaMarktSaturn Deutschland expands B2B business

12 SEPTEMBER 2019

MediaMarktSaturn Deutschland substantially expands its collaboration with business customers. The main focus is on small and medium-sized companies, educational institutions, healthcare facilities and public administration. Specially qualified B2B managers and account managers advise business customers on tailored packages of solutions. In addition, MediaMarkt and Saturn offer an extensive range of professional business devices and solutions. The aim is to roll out the B2B service in all German stores by the beginning of 2021. Business customers also receive advice in their own, private B2B areas of the two retail brands' online shops. This is supplemented by a team that manages customer accounts throughout Germany.

TO OUR SHAREHOLDERS

MediaMarkt and Saturn enhance coffee expertise with Baristaclub

24 SEPTEMBER 2019

MediaMarkt and Saturn further expand their coffee expertise: with the launch of Baristaclub in the German stores and online shops, for the first time the two electronics retailers offer premium coffee from renowned brands, complemented by their own Baristaclub coffee bean series. Trained baristas also provide expert advice in the stores. As leading electronics retailers, MediaMarkt and Saturn are already experts when it comes to high-quality coffee machines and services such as setting up, caring for and repairing fully automatic coffee machines. Baristaclub is therefore a logical step in the evolution of the product range that meets customer needs.

CECONOMY AT THE CAPITAL MARKET

Performance of the CECONOMY AG shares

From the closing price on 28 September 2018 to the presentation of the figures for financial year 2017/18 on 19 December 2018, CECONOMY AG's ordinary share sprice declined considerably and lost around 51 per cent. Among other things, this was due to the publication of provisional figures on 8 October 2018. Preliminary EBITDA and EBIT in financial year 2017/18 were significantly below the outlook adjusted at the end of September 2018. The Supervisory Board's decision on 13 October 2018 to initiate a new personnel set-up of the Management Board of CECONOMY AG and in the Management Board of Media-Saturn-Holding GmbH contributed to a brief share price recovery. However, the share price subsequently dropped again, and closed on 19 December 2018, following the presentation of the figures for financial year 2017/18, at a price of €2.96, the lowest level of the past financial year.

A price recovery began at the beginning of calendar year 2019. This was driven by the announcement of the appointment of two new members of the Management Board of CECONOMY AG by the Supervisory Board and especially the presentation of the business figures for the first quarter of 2018/19. For the first quarter of 2018/19, CECONOMY reported solid sales growth and a stabilisation of earnings. As a result, the ordinary share reached a closing price of €4.90 on 8 February 2019. This corresponds to a share price increase of 66 per cent against the low on 19 December 2018.

Subsequently, the share price moved sideways in a range of around €4.70 to €5.40. With the announcement of the reorganization and efficiency program on 29 April 2019, the share price rose to €6.06 by 2 May 2019. Despite a solid business performance in the second quarter, the share price initially reacted positively to the publication of the business figures for the second quarter of 2018/19 on 21 May 2019 but then dropped in the subsequent days. On 3 June 2019, the closing price was €4.96. However, this share price decline was made up for again by August 2019. Despite a solid third quarter in which earnings were in line with expectations and the full-year outlook was confirmed once again, the share price fell from €5.65 on the day before the publication of the business figures for the third quarter on 13 August 2019 to €4.49 on 16 August 2019. Subsequently, however, the share price again trended upwards slightly and reached a closing price of €4.97 on 30 September 2019.

In the period from the closing price on 28 September 2018 to 30 September 2019, the CECONOMY share had a negative total return of around −18 per cent. The CECONOMY share therefore developed more negatively than the Stoxx 600 Retail and SDAX benchmark indices. The Stoxx 600 Retail Index posted a total return of around 8 per cent in the same period. In contrast, the total return of the SDAX developed negatively and amounted to around −7 per cent.

The average trading volume in the reporting period was around 1.3 million shares per day. The publication of the preliminary figures for financial year 2017/18 in October, the announcement of the figures for financial year 2017/18 and the outlook for financial year 2018/19 in December, the publication of the business figures for the first quarter of 2018/19 in February, and the announcement of the reorganization and efficiency program in April are material exceptions. When these events occurred, the average trading volume was around 8.1 million shares.

Total return

Share/index	Ticker	Total return 28/09/2018 to 30/09/2019 (closing prices)
CECONOMY ordinary share	CEC	–18.4%
Stoxx 600 Retail Index	SXRP	8.0%
SDAX Index	SDYP	–7.1%

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 2019, 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 November 2018, the investment company J O Hambro Capital Management Limited exceeded the threshold of three per cent of the voting rights and reported a voting rights share of 3.01 per cent.

Principal shareholders – The principal shareholders of CECONOMY AG are the shareholder groups Haniel, Meridian Stiftung, Essen (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, Essen (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 and dividend policy

The dividend policy of CECONOMY AG generally provides for a pay-out ratio of around 45 to 55 per cent of earnings per share. Depending on future economic performance and the profitability of investment projects, future dividend payments could be either higher or lower.

In order to strengthen equity and in light of the expenses in connection with the reorganization and efficiency program as well as with regards to upcoming investments, to consistently align the business model with customer needs and to create the associated central structures, the Management Board and the Supervisory Board have decided not to foresee any dividend distribution at the next General Meeting. The balance sheet loss of €53 million will be carried forward to new account as a loss carry-forward.

Analyst recommendations

As of the end of financial year 2018/19, 14 analysts from international banks and brokers were covering and assessing the CECONOMY share. One analyst, or seven per cent of the analysts, recommended the CECONOMY share as a "Buy". Twelve analysts, or 86 per cent, rated the share as "Hold" or "Neutral". One sell recommendation was also made. The median price target was €5.75. This equates to price potential of roughly 16 per cent as against the closing price of the ordinary share on 30 September 2019 of €4.97.

Investor Relations

The Investor Relations department maintains close and transparent dialogue with CECONOMY investors, providing them with all legally permissible information on the financial and economic performance of CECONOMY AG. Capital market support is based on the principles of:

- Topicality: CECONOMY assurance of information leadership
- Continuity: regardless of the current financial position of the Company
- Credibility: dissemination of completely accurate information
- Equal treatment: all recipients receive the same information at the same time

Through its membership of the German Equity Institute (Deutsches Aktieninstitut e. V., DAI) in Frankfurt am Main, CECONOMY AG actively supports efforts to foster an equity investment culture in Germany. In addition, CECONOMY AG is committed to the principles of an open and continuous communication through its membership of the German Investor Relations Association (Deutscher Investor Relations Verband e. V., DIRK).

Contact Investor Relations

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OBJECTIVES AND STRATEGY

CECONOMY, headquartered in Düsseldorf, is the number one in the European market for consumer electronics (CE). CECONOMY unites companies, concepts, formats and brands from the CE sector. The clear objective is to cover the entire service portfolio as seamlessly as possible, from inspiration, product information and advice to purchase or order with follow-on services such as delivery and additional support, and to establish a trusting customer relationship across all touchpoints: in store, online and on mobile, and in customers' homes. Moreover, CECONOMY is constantly developing innovations to make the shopping experience better and easier via its investments. In partnership with other retailers and start-ups, it aims to make customers' lives as easy and enjoyable as possible in the digital world. CECONOMY thus not only creates crucial added value for its customers, but also unlocks potential for economic success for the company and its shareholders.

At the same time, CECONOMY finds itself in an increasingly challenging environment shaped by far-reaching market developments and customer trends.

Market developments

Consolidation – The heavily fragmented market continues to provide space for partnerships and consolidation regionally, nationally and internationally.

Globalisation – Global partnerships are established in order to provide reinforcement against the challenging CE market environment.

Transformation – Customers' demands of the CE sector are constantly changing in an increasingly digital world – this is modifying business models and giving rise to new opportunities among the competition. Rather than merely selling products, the focus is on the omnichannel sales model and on offering all-round solutions, full-service packages and subscriptions. Customers want relevant products and services everywhere. At the heart of all transformation stands the customer and the key question: How can CECONOMY make the customer journey simpler and more efficient and meet customers' needs better and faster?

Digitalisation – One of the effects of digitalisation is that in-store business and online and mobile retail are blending into each other. Customers want a seamless omnichannel experience.

Innovation – Innovations such as payment without cash registers, in-store navigation and virtual reality keep offering customers new options in the digital world. Innovative solutions are continuously improving the shopping experience.

Customer trends

360° shopping – Customers want all options to be available when shopping, regardless of time or place – be it online or on mobile, in store or at home, 24 hours a day, seven days a week. A seamless omnichannel experience means that every customer has their own individual shopping basket, which is linked across all touchpoints – be it in store, at home, online or on mobile.

New ownership and usage models – These days, customers benefit from an unlimited selection of products and are increasingly using them in a new way: borrowing, renting and sharing with other people are trends that can be observed here. At the same time, customers want carefree service packages that match their products. These service options are nowadays moving away from conventional advice towards an all-inclusive model.

Increasing convenience – Customers expect more than just products. They want solutions and demand quick, simple, consistent and personalised processes across all channels.

New technologies and product segments – Changes in digital technologies are also changing the product segments. They are expanding the product range and allowing customers to continuously discover, compare and appraise. Other future trends are already emerging. E-gaming, healthcare, virtual reality, smart home, e-mobility and many other trends will become even more prominent in the near future.

CECONOMY is not merely successfully navigating these change processes, but is actively shaping them from a leading position. The company thus provides customers with guidance and offers them solutions for the best possible use of innovative technologies. CECONOMY is working continuously to enhance the business model and adapt to current customer requirements and trends. CECONOMY creates exclusive customer experiences by constantly expanding innovative services such as Baristaclub.

Strategic approach

With the above market developments and customer trends as a starting point, CECONOMY's strategic approach is based on five key success factors:

Customer orientation – With its omnichannel business model, CECONOMY is guided by customers' expectations and requirements. They are the starting point of all the company's strategic considerations. The full customer focus allows customers to shop wherever, whenever and however they want. In addition, we continuously and systematically measure our customers' satisfaction using the net promoter score (NPS) in order to permanently enhance our service quality.

Sustainability – Sustainability and climate awareness are of enormous and increasing importance both for CECONOMY and for customers. For this reason, measures to increase sustainability are very important. For example, there is now a pilot project enabling customers to recycle old mobile phones by depositing them in innovative recycling machines in selected stores. The customers are paid back the residual value of the phones in the form of a voucher.

Centralisation – CECONOMY's development is closely tied to lean, efficient and effective structures and processes that are being incrementally established throughout the Group. The Group is therefore also defining what Group-wide cooperation will look like in the future: more centralised and with clear responsibilities at all levels.

Digitalisation – One of CECONOMY's main strengths is to set digital trends, systematically adjust the portfolio on that basis and promote innovation. The areas in which digital trends can be used are diverse and constantly provide new opportunities to make the shopping experience even more enjoyable.

Services – CECONOMY does more than merely sell products: the Group delivers solutions in the digital world and is constantly expanding its range of services. In recent financial years, for example, the service portfolio of Deutsche Technikberatung has been expanded and SmartBars rolled out to all stores. Here, customers receive professional advice and support from repairs to full installations. CECONOMY is continuously expanding its Services & Solutions business and focusing on specific offerings for companies. Personal B2B managers in the stores, installation services and other personalised services complete the offer and make the stores and consultants a reliable and professional partner.

Challenges of the future

In the past financial year, CECONOMY achieved measurable progress. The targets set for sales and net working capital were reached. Earnings were actually slightly higher than expected. In order to meet customers' increasing and changing requirements and continue to lead the competition, however, the corporate strategy is being continuously updated.

While the work on strategic initiatives in Digital Growth, Services & Solutions, Category & Supply Chain Management and Organisation and Cost Structure was intense in the past financial year, the Management Board and Supervisory Board of CECONOMY AG have decided to come up with an all-encompassing strategy for the continuing business model transformation, which will be unveiled in spring 2020. The aim is to rigorously align the business model to customers' needs along the entire value chain in order to further strengthen CECONOMY's market-leading position in Europe and grow both profitably and sustainably.

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the past financial year and thereafter until the accounts preparation date, CECONOMY AG has undergone a profound change process and seen numerous upheavals.

At the beginning of the financial year, on 8 October 2018, CECONOMY AG announced via an ad hoc communication that, on the basis of the provisional figures available at that time, the EBIT and EBITDA of financial year 2017/18 had fallen significantly short of the forecast made to the capital market and that the outlook, which had already been revised in mid-September 2018, could not be met. The ad hoc communication of 8 October 2018 marked the endpoint of a generally unsatisfactory business performance in the financial year 2017/18. The course of this business development in relation to the capital market outlook for the most important key figures had already been the subject of two ad hoc communications in the financial year in question. Due to the decline in earnings and the unsatisfactory degree of transparency in financial year 2017/18, CECONOMY AG squandered its stakeholders' precious trust.

In order to rectify the flaws revealed by this development, the Supervisory Board undertook a full personnel shake-up of the Management Board, starting with the separation from Mr Pieter Haas, the former Chief Executive Officer, and also recommended a corresponding restaffing of the management of Media-Saturn-Holding GmbH (MSH). The Supervisory Board's overriding goal was to enable the company to restore its operating profitability in order to return to growth and regain the lost trust on the capital market and from our stakeholders.

The new direction of the MSH management was achieved on the basis of a broad consensus between both shareholders of MSH and the Kellerhals family.

The Supervisory Board then appointed Mr Jörn Werner and Ms Karin Sonnenmoser as CEO and CFO, respectively, of CECONOMY AG with effect from 1 March 2019. Together with the new management of MSH and the entire management team of MediaMarktSaturn Retail Group (MMSRG), the Management Board began to actively shape CECONOMY's further strategic development. One of the first concerns of the newly appointed Management Board was to launch the process for the transformation of CECONOMY and to thus develop the strategy. As a basis for this, in April 2019 the Management Board of CECONOMY AG and the management of MSH unveiled a reorganization and efficiency program at the various levels of CECONOMY, focusing in particular on central functions and administrative units in Germany, which is to create a competitive springboard for strengthening operating profitability. The first improvement steps were achieved in the last financial year by reducing complexity. CECONOMY implemented a sustainable solution for MediaMarkt's business activities in Greece, terminated various, smaller loss-making businesses and investments, and sold all but nearly one per cent of the remaining stake in the new METRO AG in connection with the split of the former METRO GROUP from CECONOMY.

Latterly, however, there were differences of opinion between Mr Jörn Werner and the Supervisory Board regarding the management of the company. As a result, the Supervisory Board and Mr Jörn Werner mutually decided on 17 October 2019 to part ways with immediate effect.

At the same time, the Supervisory Board appointed Dr Bernhard Düttmann, hitherto member of the Supervisory Board, as Chief Executive Officer and Labour Director for a period of twelve months. In the past financial year, Dr Bernhard Düttmann had already acted as a member of the Management Board with a focus on finance and as Labour Director on an interim basis. While appointed to the Management Board, Dr Bernhard Düttmann's Supervisory Board mandate was/is suspended.

From 17 October 2019, the Management Board of CECONOMY AG is made up of Dr Bernhard Düttmann (Chief Executive Officer and Labour Director) and Ms Karin Sonnenmoser (Chief Financial Officer). CECONOMY AG will now continue the ongoing strategy process under the management of Dr Bernhard Düttmann. The operating business of CECONOMY's majority holding MMSRG will continue to be managed by the management of MSH.

Agreements to terminate the Management Board members' service agreements were concluded with the former Management Board members Mr Pieter Haas, Mr Mark Frese, Dr Dieter Haag Molkenteller and Mr Jörn Werner. The termination agreements include all necessary and customary provisions on the termination of Management Board service, on the payment of the claims to remuneration acquired and not yet paid out by the respective termination date, and on the compensation of the remaining term of the respective service agreement up to the severance payment cap agreed in accordance with the recommendations of the German Corporate Governance Code (GCGC).

↗ The individual payments to the former Management Board members resulting from the termination of service in financial year 2018/19 are included in the remuneration report.

In addition, in the respective termination agreements with Mr Pieter Haas, Mr Mark Frese and Dr Haag Molkenteller CECONOMY AG undertook that the Supervisory Board would propose to the General Meeting of CECONOMY AG that the respective Management Board members' activities be granted formal approval. For Mr Pieter Haas and Mr Mark Frese, this relates to the formal approval for financial years 2017/18 and 2018/19, for Dr Dieter Haag Molkenteller only financial year 2018/19. Before the proposed resolutions were adopted, the members of the Supervisory Board extensively and comprehensively reviewed the Management Board activities of the individual former Management Board members in the respective approval periods. The due review by the members of the Supervisory Board based on the circumstances known at the date of the respective Supervisory Board meeting found that no breaches of duty by the former Management Board members preclude the granting of formal approval by the General Meeting.

The Supervisory Board's work in financial year 2018/19

In financial year 2018/19, 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 from its perspective. The Management Board retrospectively explained individual deviations between business performance and planning. The CEOs in financial year 2018/19, Mr Pieter Haas and Mr Jörn Werner, were in continuous dialogue with myself as Chairman of the Supervisory Board regarding important issues and upcoming decisions. While CECONOMY AG was temporarily without a CEO between the dismissal of Mr Pieter Haas and the appointment of Mr Jörn Werner, this dialogue was upheld with the other members of the Management Board.

The Supervisory Board was involved in 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 examined 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 the past financial year.

No members of the Management Board or Supervisory Board were involved in conflicts of interest in financial year 2018/19.

Number of meetings and resolutions and meeting attendance

A total of nine Supervisory Board meetings were held in financial year 2018/19, and ten Supervisory Board resolutions were passed outside of meetings.

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 2018/19

	Attendance/number of meetings[1]				
Member of the Supervisory Board	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Mediation Committee
Baur, Wolfgang	9/9	–	–	–	–
Breuer, Kirsten Joachim	9/9	–	–	–	–
Dohm, Karin	9/9	–	6/6	–	–
Düttmann, Dr Bernhard	7/7	–	2/2	2/2	0/0
Eckardt, Daniela	9/9	–	–	–	–
Fitschen, Jürgen	9/9	8/8	–	2/2	0/0
Funck, Dr Florian	9/9	–	6/6	–	–
Glosser, Ludwig	9/9	–	6/6	–	0/0
Goldin, Julia	6/9	–	–	–	–
Harlow, Jo	9/9	–	–	–	–
Küpfer, Peter	6/6	–	3/3	–	–
Kuschewski, Rainer	8/9	–	5/6	–	–
Nutzenberger, Stefanie	0/1	–	–	–	–
Plath, Claudia	9/9	–	–	2/2	–
Ploog, Jens	9/9	8/8	–	–	–
Popp, Birgit	9/9	–	–	–	–
Raas, Dr Fredy	9/9	–	–	–	–
Schulz, Jürgen	9/9	8/8	–	–	0/0
Stachelhaus, Regine	9/9	8/8	–	2/2	–
Vilanek, Christoph	3/3	–	–	–	–
Widmann, Lena	7/7	–	–	–	–
Woelke, Sylvia	9/9	–	6/6	–	–

[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 the committees of which he or she was a member. Ms Stefanie Nutzenberger did not attend any meetings of the Supervisory Board of CECONOMY AG in financial year 2018/19, as her court appointment as employee representative in the Supervisory Board of CECONOMY AG occurred only one day before the Supervisory Board meeting in September, and it was not possible to attend at such short notice. 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.

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

The dominant topic for the Supervisory Board's work in financial year 2018/19 and thus for the content of the meetings was the reorganization of the Management Board initiated by the Supervisory Board at the beginning of the financial year. The Supervisory Board dealt with Management Board matters and associated questions in nearly all Supervisory Board meetings and numerous resolutions outside of meetings.

At the non-scheduled meeting of the Supervisory Board in **October 2018**, the Supervisory Board asked the Management Board to provide background information on the ad hoc communication of 8 October 2018 and passed the resolution on the immediate separation from Mr Pieter Haas as CEO of CECONOMY AG. The Management Board recommended that the Supervisory Board appoint Mr Ferran Reverter Planet as a member of the management of MSH in Mr Pieter Haas' place, likewise with immediate effect. The Supervisory Board came to the basic agreement with Mr Mark Frese that he, as a member of the company's Management Board, would remain available as Chief Financial Officer for a transitional period.

Outside of a meeting of the Supervisory Board, the Supervisory Board passed a further resolution in **October 2018** on differentiating senior managers and the workforce as a whole for the purpose of a vertical remuneration comparison in accordance with Sec. 4.2.2 sent. 5 of the German Corporate Governance Code (GCGC).

↗ The result of the vertical remuneration comparison in financial year 2018/19 and the development of the ratio of Management Board remuneration to the remuneration paid to the senior management and entire staff over time are included in the remuneration report.

At its meeting in **November 2018**, the Supervisory Board passed the resolutions on the termination agreement with Mr Pieter Haas, on the revision of the bylaws of the Management Board including the shedule of responsibilities, on the reallocation of lists of tasks and criteria for the individual targets of the members of the Management Board for financial year 2018/19, and on the definition of the individual performance factors for the members of the Management Board for financial year 2017/18. In addition, the Supervisory Board passed the resolution on the approval of the adoption of the revised annual budget for financial year 2018/19, after the Management Board fundamentally revised the annual budget presented to the Supervisory Board in September 2018 on the basis of the further insights into the sales, EBIT and net working capital of the past financial year gained after the closing date of 30 September 2018. In addition, the Management Board provided the Supervisory Board with information on the General Data Protection Regulation.

At the meeting of the Supervisory Board in **December 2018**, the Supervisory Board passed the resolutions on the termination agreement with Mr Mark Frese with effect as of the end of 31 December 2018 and on the further revision of the rules of procedure for the Management Board. With regard to Management Board remuneration, the Supervisory Board passed a resolution on the definition of the performance targets for the one-year variable remuneration of the Management Board members for financial year 2018/19. The Supervisory Board also passed stipulations regarding the calculation of target attainment for the portion of the tranche of multi-year variable Management Board remuneration granted in financial year 2015/16 that was carried over to the time after the split of the former METRO GROUP took effect. Also at this meeting, the Supervisory Board adopted the company's annual financial statements and approved the company's consolidated financial statements, both for financial year

2017/18, after the Management Board had presented the Supervisory Board with the annual and consolidated financial statements and the combined management report. The auditor attended the 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 2017/18 and drafted the proposed resolutions and nominations for the General Meeting 2019. 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 2018/19 and for the review of the condensed financial statements and the interim management report of CECONOMY AG for the first half of financial year 2018/19. Finally, the Supervisory Board resolved on the composition of the Nomination Committee. The Management Board informed the Supervisory Board of the status of various finance projects and the status of the systems for the management of governance, risk and compliance issues.

By way of two resolutions outside of a meeting in **December 2018**, the Supervisory Board appointed the Supervisory Board member Dr Bernhard Düttmann as Management Board member and Labour Director on an interim basis for the period from 1 January 2019 to 31 March 2019 and approved the service agreement between him and CECONOMY AG.

In a non-scheduled meeting by telephone conference in **January 2019**, the Supervisory Board passed the resolutions on the appointment of Mr Jörn Werner and Ms Karin Sonnenmoser as Management Board members of CECONOMY AG with effect from 1 March 2019, on the appointment of Mr Jörn Werner as Chief Executive Officer and Labour Director, on the conclusion of the service agreements between CECONOMY AG and the newly appointed Management Board members and on the submission of a supplement to the declaration of conformity in accordance with Sec. 161 AktG.

At the meeting in **February 2019** immediately before the Annual General Meeting of CECONOMY AG on 13 February 2019, 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.

At a non-scheduled meeting in **April 2019**, the Supervisory Board passed the resolutions on the termination agreement with the Management Board member Dr Dieter Haag Molkenteller with effect as of the end of 31 May 2019 and again on the revision of the bylaws of the Management Board, including the schedule of responsibilities. Furthermore, the Supervisory Board granted the Management Board its approval for the implementation of the reorganization and efficiency program and for the resulting necessary adjustment of the annual budget for financial year 2018/19.

At the meeting in **May 2019**, the Supervisory Board passed a resolution on the election of Dr Bernhard Düttmann as a member of the Audit Committee, after Mr Peter Küpfer left the Supervisory Board and thus the Audit Committee. At this meeting, the Supervisory Board also received a report from the Management Board on the topics of strategy process and governance and information on the budget process for financial year 2019/20.

With a resolution passed outside of a meeting, also in **May 2019**, the Supervisory Board granted the Management Board its approval for the appointment of Mr Florian Wieser as a member of the management of MSH.

In **June 2019**, the Supervisory Board passed a specifying resolution outside of a meeting on the approval of the sale of shares in METRO AG, especially the stake of around 5.4 per cent of the ordinary shares.

The meeting in **August 2019** concentrated on discussions of the information received from the Management Board about the current business development, the status of the reorganization and efficiency program and a preview of the budget for financial year 2019/20. In addition, the Supervisory Board resolved 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 2018 to 30 September 2019.

In **September 2019**, the Management Board then provided the Supervisory Board with detailed information on the strategy and the current status of the transformation. On the basis of the planning presented to the Supervisory Board by the Management Board, the Supervisory Board also approved the adoption of the annual budget for financial year 2019/20 and the mid-term planning for financial years 2020/21 and 2021/22. The Supervisory Board defined the performance targets for the 2018/19 tranche of the variable Management Board remuneration with a multi-year assessment basis. The Supervisory Board also passed a resolution on the submission of a declaration of conformity in accordance with Sec. 161 AktG and on the revision of the insider guidelines for the Supervisory Board. At the request of a Supervisory Board member, the Management Board also reported on the Group's personnel policy.

The Management Board informed the Supervisory Board about current business development at all scheduled meetings of the Supervisory Board in the past financial year. Starting with the resolution on approval for the reorganization and efficiency program in April 2019, the Management Board also kept the Supervisory Board continuously informed about the current status of the programme.

At meetings of the full Supervisory Board, the Chairmen 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 13 December 2019, the Supervisory Board has formed four committees, which are made up as follows:

Presidential Committee
Jürgen Fitschen (Chairman)
Jürgen Schulz
Regine Stachelhaus
Jens Ploog

Audit Committee
Karin Dohm (Chairperson)
Sylvia Woelke (Vice Chairperson)
Dr Florian Funck
Ludwig Glosser
Rainer Kuschewski
Claudia Plath

Mr Jürgen Fitschen and Mr Jürgen Schulz attend the meetings of the Audit Committee as permanent guests.

Nomination Committee
Jürgen Fitschen (Chairman)
Claudia Plath
Regine Stachelhaus

Conciliation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act
Jürgen Fitschen (Chairman)
Jürgen Schulz
Ludwig Glosser
Claudia Plath

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 2018/19

In financial year 2018/19, the committees of the Supervisory Board dealt with the following questions:

Presidential Committee
The Presidential Committee met a total of nine times in financial year 2018/19.

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 2018/19. 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 Supervisory Board resolutions on the revision of the bylaws of the Management Board, including the schedule of responsibilities. The Presidential Committee likewise prepared the Supervisory Board's discussions and resolutions on the reports on corporate governance and the work of the Supervisory Board in financial year 2017/18, the information on the implementation of the recommendations of the GCGC and the declaration of conformity pursuant to Sec. 161 AktG.

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

Audit Committee
The Supervisory Board's Audit Committee met a total of six times in financial year 2018/19.

At a non-scheduled meeting of the Audit Committee in **October 2018**, the Audit Committee prepared the Supervisory Board's resolution on the approval of the adoption of a revised annual budget for financial year 2018/19 and received a status report from the Management Board about the preparation of the annual financial statements and the consolidated financial statements for financial year 2017/18.

The main topic of the meeting of the Audit Committee in **December 2018** 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 2017/18. 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 2017/18. The Audit Committee then gave the Supervisory Board a recommendation for the Supervisory Board's proposal to the General Meeting 2019 regarding the election of the auditor and Group auditor for financial year 2018/19 and the auditor for the review of the condensed financial statements and interim management report for the first half of financial year 2018/19 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 2019 in accordance with the Supervisory Board's nomination. At this meeting, the Audit Committee also received a report from the Management Board about the current status of various finance projects, an interim report on the review of the appropriateness and effectiveness of the risk management system, and reports from Internal Audit and on the processing and process tracking of the development of business results in financial year 2017/18 and the corresponding information and communication.

At the meeting in **February 2019**, the Audit Committee received another report from the Management Board on the processing and process tracking of the development of business results in financial year 2017/18 and the corresponding information and communication as well as another report from Internal Audit.

At the meeting in **May 2019**, the Management Board reported to the Audit Committee about data protection and gave the final report on the review of the appropriateness and effectiveness of the risk management system. The Management Board likewise reported to the Audit Committee about the individual governance systems in the first half of financial year 2018/19. The Audit Committee also dealt with the audit planning of the elected auditor and the priorities of the audits.

At the meeting in **August 2019**, the Management Board gave the Audit Committee a preview of the budget for financial year 2019/20 and information on the current status of the projects to improve margin control and increase transparency in the presentation of margin performance. In addition, the Management Board informed the Audit Committee about the structure of the governance systems and the implementation of the General Data Protection Regulation.

At the meeting of the Audit Committee in **September 2019**, the Audit Committee prepared the Supervisory Board's resolution on the approval of the adoption of the annual budget for financial year 2019/20 and the mid-term planning for financial years 2020/21 and 2021/22. In addition, the Audit Committee concerned itself with a review of the Q3/9M reporting and was informed by the Management Board about benchmarking CECONOMY AG against its peer group. The Audit Committee also received the Management Board's report on the individual governance systems in financial year 2018/19 and was informed about Internal Audit's audit planning for financial year 2019/20. With a resolution, the Audit Committee updated the guideline for the provision of and the corresponding engagements of non-audit services for CECONOMY AG and its subsidiaries by the auditor.

At its scheduled meetings, the Audit Committee discussed with the Management Board the draft quarterly statements and half-year financial report presented to the Audit Committee by the Management Board before their publication. The Audit Committee discussed the findings of the review of the quarterly statements and the half-year financial report with the auditor. The Audit Committee was likewise regularly informed about the governance systems and their effectiveness. Because of the ongoing reporting on the audits of Internal Audit and the risk reporting, the Audit Committee was informed by the Management Board about the material events, projects and legal issues in these areas. Finally, the Audit Committee and the Management Board jointly discussed the capital market viewpoint, and the Audit Committee received information and reports from the Management Board about donations and Group tax planning.

Each meeting of the Audit Committee was attended by the CFO and in some cases other Management Board members, especially the Chief Executive Officer, and by the auditor.

Nomination Committee

In financial year 2018/19, the Nomination Committee met twice.

At the meeting in **December 2018**, the committee dealt with its recommended resolution for the Supervisory Board regarding its nomination for the General Meeting 2019. The Nomination Committee recommended the re-election of the Supervisory Board member Dr Fredy Raas. In its deliberations, the Nomination Committee discussed in detail the suitability of Dr Fredy Raas in light of the most recent targets adopted by the Supervisory Board in September 2018 for the allocation of the Supervisory Board, the profile of skills and expertise and the diversity concept pursuant to Sec. 289f para. 2 no. 6 of the German Commercial Code (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.

At the meeting in **April 2019**, the Nomination Committee discussed the succession planning in the Supervisory Board and resolved to support a request for the court appointment of Mr Christoph Vilanek as a member of the Supervisory Board until the end of the Annual General Meeting in 2020. The court-appointed supplement to the Supervisory Board was necessitated by the former Supervisory Board member Mr Peter Küpfer declaring that he would prematurely resign from his office with effect as of 30 April 2019, before the end of the term for which he was elected by the General Meeting. With regard to the resolution to support the request for the court appointment of Mr Christoph Vilanek, the Nomination Committee likewise discussed in detail in its deliberations the suitability of Mr 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 of the German Commercial Code (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 2018/19.

↗ 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 in the Corporate Governance report for financial year 2018/19.

↗ The Corporate Governance report 2018/19 is likewise published together with the Declaration on Corporate Governance 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 September 2019 and supplemented it in November 2019.

↗ These declarations have been made permanently available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance. The current declaration and the supplement are also reproduced in full in the Corporate Governance report 2018/19.

Annual and consolidated financial statements

As auditor, KPMG AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements for financial year 2018/19 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 2018/19 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 meeting on 12 December 2019 and at the Supervisory Board's meeting on 13 December 2019. 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 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 2018/19, 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 2018 to 30 September 2019. At its meeting on 13 December 2019, the Supervisory Board passed a resolution to approve CECONOMY AG's separate non-financial group report for the reporting period from 1 October 2018 to 30 September 2019. 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 8 August 2019 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 on 13 December 2019, KPMG AG Wirtschaftsprüfungsgesellschaft reported on the material findings of the audit and was available for questions and further information.

Personnel changes

Mr Peter Küpfer and Ms Lena Widmann left the Supervisory Board. Mr Peter Küpfer resigned from his office as member of the Supervisory Board effective 30 April 2019. Ms Lena Widmann resigned her Supervisory Board post effective 8 June 2019.

As a result of his court appointment by the Düsseldorf District Court by decision dated 6/7 May 2019, Mr Christoph Vilanek joined the Supervisory Board as shareholder representative when he received the decision on 10 May 2019. Ms Stefanie Nutzenberger joined the Supervisory Board on 17 September 2019 as representative of the employees and of the trade union ver.di as a result of her court appointment by the Düsseldorf District Court by decision dated 10/11 September 2019.

After his previous term in office had ended at the end of the CECONOMY AG General Meeting on 13 February 2019, the term of Dr Fredy Raas as shareholder representative was extended by his re-appointment in the election at this General Meeting.

I congratulate all newly appointed and re-elected Supervisory Board members and look forward to working with them on our board.

The Supervisory Board member Dr Bernhard Düttmann's Supervisory Board mandate was suspended for the duration of his appointment as Management Board member with a focus on finance and as Labour Director from 1 January 2019 to 25 March 2019. Following his reappointment as Chief Executive Officer and Labour Director, Dr Bernhard Düttmann's mandate is again suspended for the period from 17 October 2019 to 16 October 2020.

On behalf of the entire Supervisory Board, I thank all the Supervisory Board members who left in the past financial year for their work for the company and their relationship with CECONOMY AG, which in Mr Peter Küpfer's case lasted many years. With the company's interests at heart, all departed Supervisory Board members played an active part in the Supervisory Board's deliberations and resolutions with their contributions shaped by their respective specialist knowledge and diverse experience. Mr Peter Küpfer is also owed special thanks for his work as a member of the Audit Committee.

I thank Dr Bernhard Düttmann for his work as a Management Board member in the first quarter of 2019 and his continued willingness to take on the roles of Chief Executive Officer and Labour Director.

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

Düsseldorf, 13 December 2019

For the Supervisory Board

JÜRGEN FITSCHEN
Chairman

JÜRGEN FITSCHEN

Chairman of the Supervisory Board

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

Jürgen Fitschen was born in Harsefeld in 1948. After studying economics at the University of Hamburg, graduating with a business administration degree, he worked at Citibank and then at Deutsche Bank in various senior management positions. Jürgen Fitschen was the co-CEO of Deutsche Bank AG up until May 2016 and has continued to work for Deutsche Bank as a senior advisor since then. Based on his professional career and other mandates on the supervisory comittees of well-known German companies, Jürgen Fitschen has exceptional experience in the management and supervision of listed international companies that he can contribute to the Supervisory Board. In particular, he has outstanding expertise in all banking and financial topics and is familiar with the specific issues relating to growth markets as a result of the many years he has spent 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.

CORPORATE GOVERNANCE REPORT

Below, the Management Board and Supervisory Board of CECONOMY AG report on the corporate governance of CECONOMY AG and the CECONOMY Group in accordance with the recommendation of Sec. 3.10 of the German Corporate Governance Code (GCGC) in the version of 7 February 2017, published in the Federal Gazette on 24 April/19 May 2017, which was valid on the accounts preparation date.

The Management Board and Supervisory Board of CECONOMY AG make the standards of good corporate governance a priority and are committed to the principles of transparent, responsible corporate management and control.

The boards have enshrined their voluntary commitment to the GCGC in Sec. 1 para. 2 of the bylaws of the Management Board of CECONOMY AG and the bylaws of the Supervisory Board of CECONOMY AG, respectively, with the following statement:

“The Management Board and Supervisory Board of the company align their actions with the relevant recommendations of the German Corporate Governance Code and deviate from the recommendations of the Code only in justified exceptional cases. If the Management Board or Supervisory Board intends to deviate from a recommendation, the boards inform each other about the planned course of action in advance.”

Implementation of the GCGC

In financial year 2018/19, the Management Board and Supervisory Board of CECONOMY AG dealt intensively with the recommendations of the GCGC and conformity with the same. In **September 2018**, they initially issued the following joint declaration pursuant to Sec. 161 para. 1 of the German Stock Corporation Act (AktG):

“The Management Board and Supervisory Board of CECONOMY AG declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with since the issue of the last declaration of the Management Board and Supervisory Board of CECONOMY AG (the “Company”) in September 2017, with the exception stated below: In financial year 2017/18, was a deviation from the recommendation pursuant to Sec. 7.1.2 sent. 3 GCGC, as the H1/Q2 2017/18 notification was published on 17 May 2018 and thus, while within the statutory period, not within the recommended period of 45 days from the end of the reporting period. The deviation was expected. It was already pointed out in the forward-looking part of the last Declaration by the Management Board and Supervisory Board of the Company regarding the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 AktG from September 2017 that a deviation from the recommendation pursuant to Sec. 7.1.2 sent. 3 GCGC was expected to occur in the course of financial year 2017/18, as it was to be expected that publication would be possible only after the expiry of the recommended period due to the reorganisation in connection with the division and the associated transition to an independent listed holding company.

It is already foreseeable that there will also be a deviation from the recommendation pursuant to Sec. 7.1.2 sent. 3 GCGC in the coming financial year 2018/19, as the publication of the H1/Q2 2018/19 notification is scheduled for 21 May 2019 and thus, while within the statutory period, not within the recommended period of 45 days from the end of the reporting period. Due to organisational restrictions in the preparation period, the publication of the H1/Q2 2018/19 notification will not be possible until slightly after the expiry of the recommended period.”

With regard to the declared deviation from the recommendation pursuant to Sec. 7.1.2 sent. 3 GCGC, it is clarified that, unlike the Q2/H1 2018/19 statement, the Q1 and Q3/9M 2018/19 quarterly statements will be published within the recommended period of 45 days from the end of the reporting period.

In **January 2019**, the Management Board and Supervisory Board jointly declared the following supplement to the declaration of September 2018:

"The Management Board and the Supervisory Board of CECONOMY AG now declare in supplementation thereof:

1. In the transitional period between the dismissal of the former Chairman of the Management Board Mr Pieter Haas and the appointment of a new Management Board member and this member's appointment as Chairperson of the Management Board, CECONOMY AG will, in light of the ongoing search for candidates and the transitional nature of the allocation of responsibilities for the Management Board, refrain from appointing a Chairperson or Spokesperson of the Management Board until the search is completed. Accordingly, CECONOMY AG will temporarily fail to comply with the recommendation in Sec. 4.2.1 sent. 1 half-sent. 2 GCGC, according to which the Management Board is supposed to have a Chair- or Spokesperson.

2. Due to the appointment of Dr Bernhard Düttmann as the deputy for the Management Board member lacking since the departure of the former Management Board member Mark Frese for the period from 1 January 2019 to 31 March 2019, the remuneration that Dr Bernhard Düttmann receives for his Management Board activity in accordance with the service agreement between CECONOMY AG and Dr Bernhard Düttmann does not include variable remuneration components. This is because the Supervisory Board does not consider variable remuneration to be suitable for the short period of the appointment. Accordingly, Dr Bernhard Düttmann's service agreement is an exception that does not comply with the recommendation in Sec. 4.2.3 para. 2 sent. 2 GCGC, according to which monetary Management Board remuneration should comprise fixed and variable components. Consequently, the recommendations in sentences 3 to 6 of the second paragraph of Sec. 4.2.3 GCGC, which require variable remuneration components, are temporarily not complied with. However, CECONOMY AG intends to take the previous remuneration structure, under which the monetary remuneration comprises fixed and variable components, as set forth in the remuneration report for financial year 2017/18, into account again for future appointments of Management Board members and thus to comply again with the recommendations in Sec. 4.2.3 para. 2 GCGC.

This supplement to the Declaration does not replace the Declaration of Conformity from September 2018. The Declaration from September 2018 is supplemented by this Declaration and otherwise retains its validity."

In **September 2019**, the Management Board and Supervisory Board then declared the following pursuant to Sec. 161 para. 1 AktG:

"The Management Board and Supervisory Board of CECONOMY AG declare that the recommendations of the Government Commission GCGC published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with since the issue of the last declaration of conformity by the Management Board and Supervisory Board CECONOMY AG in September 2018, with supplement of January 2019, with the following deviations:

In the transitional period between the dismissal of the former Chairman of the Management Board Mr Pieter Haas and the appointment of Mr Jörn Werner on 1 March 2019 as a new Management Board member and his appointment as Chairman of the Management Board, CECONOMY AG refrained, in light of the ongoing search for candidates and the transitional nature of the allocation of responsibilities for the Management Board, from appointing a Chairperson or Spokesperson of the Management Board until the search was completed. Accordingly, CECONOMY AG temporarily failed to comply with the recommendation in Sec. 4.2.1 sent. 1 half-sent. 2 GCGC, according to which the Management Board is supposed to have a Chair- or Spokesperson.

Due to the interim appointment of Dr Bernhard Düttmann as the deputy for the Management Board member lacking since the departure of the former

Management Board member Mark Frese for the period from 1 January 2019 to 31 March 2019, the remuneration that Dr Bernhard Düttmann received for his Management Board activity in accordance with the service agreement between CECONOMY AG and Dr Bernhard Düttmann did not include any variable remuneration components. This was because the Supervisory Board did not consider variable remuneration to be suitable for the short period of the appointment. Accordingly, Dr Bernhard Düttmann's service agreement was an exception that did not comply with the recommendation in Sec. 4.2.3 para. 2 sent. 2 GCGC, according to which monetary Management Board remuneration should comprise fixed and variable components. Consequently, the recommendations in sentences 3 to 6 of the second paragraph of Sec. 4.2.3 GCGC, which require variable remuneration components, were temporarily not complied with.

As announced, there was a deviation from the recommendation pursuant to Sec. 7.1.2 sent. 3 GCGC in financial year 2018/19, as the H1/Q2 2018/19 notification was published on 21 May 2019 and thus, while within the statutory period, not within the recommended period of 45 days from the end of the reporting period. Due to organisational restrictions in the preparation period, the publication of the H1/Q2 2018/19 notification was not possible until slightly after the expiry of the recommended period.

As a precaution, it is declared that the recommendations pursuant to Sec. 2.3.2 GCGC were not complied with during the preparation and implementation of the General Meeting on 13 February 2019 with regard to the preference shares. At that time, CECONOMY AG assumed that, despite the omission of a dividend for financial year 2017/2018, the preference shares' voting rights had not yet been reinstated. CECONOMY AG has reassessed the ambiguous legal situation and, as a precaution, will in the future assume that the voting right carried by preference shares is reinstated due to the omission of the additional dividend.

The Management Board and Supervisory Board of CECONOMY AG intend to comply with the recommendations of the GCGC in the above version without any deviations in the future."

Finally, the Management Board and Supervisory Board jointly issued the following supplement to the declaration of September 2019 in **November 2019**:

"The Management Board and the Supervisory Board of CECONOMY AG now additionally declare:

Because Dr Bernhard Düttmann was further appointed as Management Board member and CEO on an interim basis, as the deputy for the Management Board member lacking since the departure of the former Management Board member Jörn Werner, for the period from 17 October 2019 to 16 October 2020, the remuneration that Dr Bernhard Düttmann receives for his Management Board activity in accordance with the service agreement between CECONOMY AG and Dr Bernhard Düttmann is an exception in that it does not include any variable remuneration components. This is because the Supervisory Board does not consider variable remuneration to be suitable for the transitional period of the appointment. Accordingly, Dr Bernhard Düttmann's service agreement is an exception that does not comply with the recommendation in Sec. 4.2.3 para. 2 sent. 2 GCGC, according to which monetary Management Board remuneration should comprise fixed and variable components. Consequently, the recommendations in sentences 3 to 6 of the second paragraph of Sec. 4.2.3 GCGC, which require variable remuneration components, are temporarily not complied with. However, CECONOMY AG intends to take the previous remuneration structure, under which the monetary remuneration comprises fixed and variable components, into account again for future appointments of Management Board members and thus to comply consistently with the recommendations in Sec. 4.2.3 para. 2 GCGC again.

This supplement to the Declaration from September 2019 does not replace the Declaration of Conformity from September 2019. Instead, the Declaration from September 2019 is supplemented by this Declaration and otherwise retains its validity."

↗ CECONOMY AG makes current and previous declarations and supplements pursuant to Sec. 161 AktG permanently available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

In addition to the recommendations, the GCGC also includes suggestions, which listed companies should but do not have to take a position on. CECONOMY AG follows the overwhelming majority of the Code's suggestions. In financial year 2018/19, the company did not fully implement only one suggestion:

Sec. 2.3.3 GCGC suggests making it possible for shareholders to watch the General Meeting using modern communication media such as the internet. In financial year 2018/19 – as in previous years – CECONOMY AG limited itself to broadcasting the CEO's speech on the internet. This encourages shareholders to speak freely during the debate and will therefore be continued.

Division of tasks and responsibilities between the Management Board and Supervisory Board

A key element of the corporate governance of German stock corporations is the separation of corporate management and corporate control.

At CECONOMY AG, the corresponding tasks and responsibilities are clearly divided between the Management Board and the Supervisory Board.

Management authority lies with the Management Board of CECONOMY AG, which, as required by Sec. 76 para. 2 sent. 2 AktG and Sec. 5 para. 1 of the Articles of Association of CECONOMY AG, comprised two members on the preparation date.

↗ Further information on the members of the Management Board can be found in the notes to the consolidated financial statements of CECONOMY AG – note 55 Corporate bodies of CECONOMY AG and their mandates and on the website www.ceconomy.de/en/ under Company – Management Board.

The Management Board of CECONOMY AG is responsible for managing the company. The Management Board's main management tasks include defining corporate objectives and corporate planning, the corresponding strategic direction of the company and its Group, and its controlling and monitoring. In addition, the Management Board ensures the availability of investment resources, decides on their allocation within the Group and is responsible for acquiring and developing highly qualified executives.

The Supervisory Board of CECONOMY AG monitors the management and advises the Management Board on the management of the company. In accordance with the relevant provisions of the German Co-determination Act, the German Stock Corporation Act and the company's Articles of Association, the Supervisory Board of CECONOMY AG comprises ten shareholder representatives and ten employee representatives, each of which at least 30 per cent women or men (i.e. at least three shareholder representatives and three employee representatives). The tenure of Supervisory Board member Dr Bernhard Düttmann (shareholder representative) is temporarily suspended for the duration of his appointment as CEO and Labour Director for the period from 17 October 2019 to 16 October 2020.

↗ Further information on the members of the Supervisory Board can be found in the notes to the consolidated financial statements of CECONOMY AG – note 55 Corporate bodies of CECONOMY AG and their mandates and on the website www.ceconomy.de/en/ under Company – Management Board.

The Supervisory Board advises the Management Board and monitors its management, including with regard to the achievement of the long-term corporate objectives. To this end, the Management Board keeps the Supervisory Board informed and involves it in planning for the future development of CECONOMY and in decisions about significant measures and transactions. Beyond the approval duties provided by law, the Supervisory Board has defined further separate approval requirements for certain types of transactions and measures by the Management Board. Under its authority with regard to personnel, the Supervisory Board also appoints or dismisses the members of the Management Board.

↗ The work of the Management Board and Supervisory Board, the composition of the Supervisory Board committees and material corporate management practices are described in the annual declaration on corporate governance, which also reproduces the current Declaration of Conformity and its supplement pursuant to Sec. 161 AktG in full. The Declaration on Corporate Governance is available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

Targets for the composition of the Management Board and Supervisory Board

The Management Board and Supervisory Board need a broad range of knowledge, abilities and experience to properly perform their respective tasks.

REQUIREMENTS FOR THE COMPOSITION OF THE MANAGEMENT BOARD

The Supervisory Board appoints the members of the Management Board. The Supervisory Board's decisions about appointments to and the composition of the Management Board as an entire body are made on the basis of a careful analysis of the existing and future business challenges. Potential Management Board members must not only possess essential general qualifications, but also be suitable for the company in its specific situation and in light of its future tasks.

When appointing Management Board members, the Supervisory Board also considers the recommendations of the GCGC. In particular, the Supervisory Board pays attention to diversity as defined by the Code and aims for the appropriate inclusion of women.

The Management Board of CECONOMY AG has had a female member, Ms Karin Sonnenmoser, since 1 March 2019. This means that the Management Board currently comprises 50 per cent women and 50 per cent men.

In financial year 2016/17, the Supervisory Board resolved targets and deadlines for increasing the proportion of women in the Management Board pursuant to the German Act on Equal Participation of Men and Women in Management Positions. According to this law, the deadlines may not exceed five years. Given the then ongoing appointments of the members of the Management Board in office in financial year 2016/17, the Supervisory Board stated that the Management Board CECONOMY AG was not expected to have a female member before 30 September 2020. However, in order to express that diversity in the composition of the Management Board is a priority for the Supervisory Board, the Supervisory Board combined its statement with a longer-term outlook that envisaged that the Management Board would include at least one woman by 30 June 2022. At the time, it was conceivable that the Management Board would comprise three or four members, so such an appointment would have equated to a ratio of at least 25 per cent. By appointing Ms Karin Sonnenmoser, the Supervisory Board therefore met its own desire and aspiration for equal participation of women and men in management positions earlier and to a greater degree than assumed in financial year 2016/17.

REQUIREMENTS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

At the constituent meeting of the Supervisory Board of CECONOMY AG on 16 May 2018 and again in the meeting on 19 September 2018, its members defined the profile of skills and expertise for the Supervisory Board as an entire body and, on this basis, formulated a diversity concept and specific targets for the composition of the Supervisory Board and associated appointment requirements in order to ensure that the Supervisory Board can properly fulfil the duties required of it. With the diversity concept, the Supervisory Board aims for a diverse composition of the Supervisory Board and Management Board, particularly but not exclusively with regard to the gender, education, experience, professional background, age and internationality of the members.

Diversity

The “diversity” target ensures that the members of the Supervisory Board complement each other with regard to their age, (education and professional) background, experience and knowledge such that the board as a whole has access to the most diverse possible knowledge base and the broadest possible range of expertise.

Beyond the above criteria, the Supervisory Board is expected to have an appropriate number of members with international experience or expertise.

In addition, the statutory gender quota of 30 per cent must be met separately by the employee representatives and the shareholder representatives. This means that the Supervisory Board must have at least three female and at least three male members on each side.

The current composition of the Supervisory Board (as of 3 December 2019) meets these targets. The employee representatives bring experience of the Group's German business and management expertise from the major holding and cross-divisional service companies in Germany to the Supervisory Board. In particular, this includes expertise in the Group's service business. Several of the shareholder representatives have national and international expertise in retail and consumer goods, but also specific expertise in technology and digitalisation. As active or former executives, several shareholder representatives also bring specific expertise in the management of listed, global companies to the board. Moreover, the board has expert knowledge of banking, finance, marketing and M&A via certain other shareholder representatives.

The representation of women and men in the Supervisory Board of CECONOMY AG meets the requirements of the German Stock Corporation Act for ensuring equal participation of women and men in management positions. The employee representatives and the shareholder representatives separately comply with the 30 per cent gender quota applicable for the Supervisory Board of CECONOMY AG. The Supervisory Board currently has five female members among the shareholder representatives and four female members among the employee representatives. On the basis of the reduced number of Supervisory Board members of 19 due to the temporary suspension of Dr Bernhard Düttmann's Supervisory Board mandate, this composition provides nearly equal participation of women and men with 47.4 per cent women and 52.6 per cent men.

Independence

In addition to the diversity targeted by the diversity concept, the independence of the members of the Supervisory Board is another important aspect for the composition of the Supervisory Board as en entire body. According to the targets resolved by the Supervisory Board for its composition, at least six of the ten shareholder representatives on the Supervisory Board should be independent within the meaning of Sec. 5.4.2 GCGC.

In addition, at least one member of the Supervisory Board must meet the requirements for chairing the Audit Committee. The Committee Chair must likewise be independent according to the rules of procedure of the Audit Committee.

The current composition of the Supervisory Board of CECONOMY AG also meets these requirements. In accordance with the statutory provisions, the Supervisory Board comprises ten employee representatives and ten shareholder representatives. The tenure of Supervisory Board member Dr Bernhard Düttmann (shareholder representative) is temporarily suspended for the duration of his appointment as CEO and Labour Director for the period from 17 October 2019 to 16 October 2020. Nevertheless, at least six shareholder representatives are independent within the meaning of Sec. 5.4.2 GCGC, namely Ms Karin Dohm, Mr Jürgen Fitschen, Ms Julia Goldin, Ms Jo Harlow, Ms Claudia Plath and Ms Regine Stachelhaus. These independent Supervisory Board members include the Chairperson of the Audit Committee, Ms Karin Dohm.

Special requirements for the composition of the Audit Committee

With regard to the composition of the Audit Committee and the Committee Chair, the Supervisory Board has stipulated in the bylaws of the Audit Committee that the Chairperson must be independent and have expertise in the areas of accounting or auditing and internal control procedures (financial expert). The other members of the Audit Committee should have sufficient knowledge and expertise in these areas. If possible, one member of the Audit Committee should also have special knowledge of compliance.

The current composition of the Audit Committee (as of 3 December 2019) meets these requirements. The independent Chairperson of the Audit Committee, Ms Karin Dohm, has expertise in the areas of accounting, auditing and internal control procedures. The Vice Chairperson of the Audit Committee, Ms Sylvia Woelke, and the other members of the Audit Committee, Dr Florian Funck, Mr Ludwig Glosser, Mr Rainer Kuschewski and Ms Claudia Plath, all have sufficient knowledge and experience in these areas. Ms Sylvia Woelke also has special knowledge of compliance thanks to her work in the Corporate Risk Management & Internal Controls department and her earlier work in the Internal Audit department.

The table below shows the distribution of skills and expertise according to the profile of skills and expertise resolved by the Supervisory Board at its meeting on 19 September 2018:

Allocation of Competencies in the Supervisory Board of CECONOMY AG[1]

Retail	Service	Digitalisation/technology	International experience
W. Baur D. Eckardt L. Glosser R. Kuschewski S. Nutzenberger J. Ploog F. Raas J. Schulz C. Vilanek S. Woelke	D. Eckardt L. Glosser J. Schulz C. Vilanek	L. Glosser J. Goldin J. Harlow R. Stachelhaus C. Vilanek	K. Dohm J. Fitschen J. Goldin J. Harlow R. Stachelhaus C. Vilanek

Corporate management	Marketing	Human resources	Mergers and acquisitions (M&A)
J. Fitschen F. Funck C. Plath F. Raas R. Stachelhaus C. Vilanek	J. Goldin J. Harlow	W. Bauer K. J. Breuer L. Glosser R. Kuschewski S. Nutzenberger J. Ploog B. Popp J. Schulz R. Stachelhaus S. Woelke	K. Dohm J. Fitschen F. Funck F. Raas C. Vilanek

Compliance	Internal control procedures	Accounting and auditing
K. Dohm J. Fitschen R. Stachelhaus S. Woelke	K. Dohm C. Plath S. Woelke	K. Dohm J. Fitschen F. Funck C. Plath F. Raas C. Vilanek S. Woelke

[1] Maximum of five areas of competence per member

POTENTIAL CONFLICTS OF INTEREST IN THE SUPERVISORY BOARD/TERM OF OFFICE AND AGE LIMIT

In order to avoid potential conflicts of interest, in its bylaws of the Supervisory Board has stipulated that the performance of board functions and advisory roles and memberships in controlling bodies of direct, significant competitors in Germany and abroad are not compatible with membership in the company's Supervisory Board.

In addition, the Supervisory Board has set a regular limit to Supervisory Board members' term of office of ten years and stipulated that the term of office for shareholder representatives in the Supervisory Board should amount to three years as a rule. The Supervisory Board can define justified exceptions from these rules according to its own due discretion.

Candidates nominated for election as a member of the Supervisory Board for the first time should, as a rule, not be older than 65 at the date of their first election. In general, candidates nominated for election as a member of the Supervisory Board should, as a rule, not be older than 71 at the date of their election. The Supervisory Board can also define justified exceptions from these rules according to its own due discretion.

The Supervisory Board of CECONOMY AG currently (as of 3 December 2019) also meets these requirements. No member of the Supervisory Board performs a board function at a direct, significant competitor. In particular, the Supervisory Board estimates that there is no material competition between the Gravis retail chain, which belongs to the freenet Group, and the companies of the MediaMarktSaturn Retail Group, which belong to CECONOMY AG's group. Therefore, the Supervisory Board member Mr Christoph Vilanek's board function at freenet AG is not an obstacle to his membership in the Supervisory Board. With regard to adherence to the regular limit to Supervisory Board members' term of office of ten years specified in the Supervisory Board's bylaws, the Supervisory Board has defined justified exceptions for Mr Rainer Kuschewski and for Mr Jürgen Fitschen. Mr Rainer Kuschewski has been a member of the Supervisory Board since 2005 and Mr Jürgen Fitschen since 2008. In the resolutions to define the exceptions, the Supervisory Board described the profound individual knowledge and experience of the members in question as particularly valuable for the Supervisory Board's work in the future. In particular, the Supervisory Board estimates that their experience as members of the Supervisory Board of the former METRO AG before the split in 2017 will ensure continuity in the Supervisory Board's work.

Compliance and opportunity and risk management

Compliance and opportunity and risk management are integral components of the value-based management of CECONOMY.

CECONOMY's business activities are subject to diverse legal provisions and standards of conduct set by the company itself. CECONOMY AG has pooled the measures for compliance with these rules in the Group-wide compliance management system.

The compliance management system aims to systematically and permanently prevent, detect and sanction rule-breaking in the company and the Group. To this end, CECONOMY regularly identifies conduct-related compliance risks, establishes the necessary organisational structures and tasks the responsible departments with managing and controlling the risks. The material compliance risks and measures are transparently described and documented in systematic reporting. Internal controls and audit procedures are used to continuously determine how the compliance management system can be meaningfully updated.

CECONOMY's opportunity and risk management is a systematic process incorporating the entire Group, which helps the management identify, assess and monitor or manage opportunities and risks. Opportunity and risk management are therefore united in this process. Risk management makes unfavourable developments and events transparent at an early stage and analyses their effects so that the company can in a targeted manner initiate suitable measures to deal with the risks. In contrast, opportunity management offers the chance to recognise opportunities at an early stage and to analyse them in order to use them in a targeted manner. Like the compliance management system, opportunity and risk management is also being continuously updated.

It is also managed via the internal control system.

↗ Further information on the topics of compliance and opportunity and risk management can be found in the opportunity and risk report in the combined management report and in the declaration on corporate governance. The declaration is available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance.

Transparent corporate management

Transparency is a fundamental component of good corporate governance. CECONOMY AG uses its website www.ceconomy.de/en/ as an important medium for providing information to its shareholders, other capital market participants and the public. Alongside diverse information about CECONOMY's strategy, brands and business, it provides investor relations publications, investor news, ad hoc communications, other legal notifications, press releases, etc. CECONOMY AG also uses the website to give appropriate notice of the dates of the material recurring publications and events (including trading statements after the end of a financial year, annual reports, quarterly statements, half-year financial reports, annual results press conference and General Meeting). The information shared at the annual results press conference, roadshows, investor conferences and information events for private investors is likewise available on the website.

General Meeting

CECONOMY AG's Annual General Meeting gives shareholders the option to exercise their statutory rights, in particular their voting right, if applicable, and to ask questions of the company's Management Board. In order to make it easier for shareholders to exercise their rights in person at the General Meeting, CECONOMY AG makes documents and information available on its website ahead of every General Meeting.

The registration and authorisation procedure for CECONOMY AG's General Meetings complies with the provisions of German Stock Corporation Act and international standards. Every shareholder who wishes to attend and potentially exercise their voting right at a CECONOMY AG General Meeting must register and provide evidence of their entitlement to attend and potentially exercise their voting right. A certificate of share ownership, written in German or English, from the depository institution is sufficient. Shares do not have to be deposited. The certificate of share ownership must relate to the start of the 21st day prior to the General Meeting in question and must be delivered, along with the registration for the General Meeting, to CECONOMY AG at the address specified for this purpose in the invitation within the period prescribed by the law and the articles of association. Details regarding conditions for registration and attendance are provided in the invitation to each General Meeting.

Shareholders who do not attend the General Meeting themselves can authorise someone else to exercise their voting rights on their behalf. As a rule, the authorisation must be granted in writing. In certain cases described in the invitation to the General Meeting, for example for authorisations of credit institutions and the shareholders' association, exceptions can be made from the general requirement for written form.

Shareholders can also authorise proxies appointed by the company to exercise their voting rights (proxy voting). This is subject to the following rules: In addition to the authorisation, the shareholders must also issue instructions for the exercise of their voting rights. The proxies appointed by the company are obliged to vote in accordance with these instructions. Shareholders who initially attend a General Meeting but wish to leave early without forgoing the exercise of their voting rights can also authorise proxies appointed by CECONOMY AG during the General Meeting. Of course, this does not affect the right to grant authorisation to other persons. Details regarding proxy voting are provided in the invitation to each General Meeting.

In the interests of the shareholders, the Chairman of the General Meeting, usually the Chairman of the Supervisory Board, ensures that the event runs quickly and efficiently. The aim is to end an Annual General Meeting of CECONOMY AG after four to six hours at the latest.

Managers' transactions, share ownership of the Management Board and Supervisory Board

On the basis of Art. 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, the members of the Management Board and the Supervisory Board as persons discharging managerial responsibilities must report transactions conducted on their own account relating to CECONOMY AG shares or CECONOMY AG debt instruments or financial instruments of CECONOMY AG linked thereto (together referred to as managers' transactions). This reporting obligation also applies to persons closely associated with the above board members. However, there is no reporting obligation if the total volume of the transactions does not exceed €5,000 before the end of the calendar year. No managers' transactions were reported to CECONOMY AG in financial year 2018/19.

↗ Notifications of managers' transactions are published on the website www.ceconomy.de/en/ under Investor Relations – Legal Announcements.

Audit of financial statements

AUDIT OF FINANCIAL STATEMENTS 2018/19

On 13 February 2019, the General Meeting of CECONOMY AG elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (KPMG), as the auditor and Group auditor for financial year 2018/19 and as the auditor for the review of the condensed financial statements and the interim management report for the first half of financial year 2018/19. The Supervisory Board's corresponding engagement for the performance of the audit complied with the recommendations of Sec. 7.2 GCGC.

KPMG did not inform the Supervisory Board of any grounds for exclusion or disqualification due to impairment of the auditor's independence before the completion of the audit on 3 December 2019. There were also no indications that such grounds existed.

During the performance of the audit, the auditor informed the Audit Committee about all findings and issues of importance for the Supervisory Board's tasks of which it became aware while performing the audit, and to this end attended all meetings of the Audit Committee in the past financial year. The auditor confirms the existence of the declaration of conformity and its supplement.

INDEPENDENCE OF THE AUDITOR

The auditor fulfils two important functions. With its audit activity, it firstly helps the Supervisory Board to perform its monitoring function and secondly lays the foundation for the public and especially capital market participants to trust in the accuracy of the annual financial statements and management reports. The independence of the auditor is particularly important for guaranteeing that it can fulfil both of these functions. The Audit Committee of the Supervisory Board of CECONOMY AG is therefore required in particular to be convinced of the auditor's independence. The committee reviewed and confirmed the auditor's independence again in financial year 2018/19.

↗ Detailed information on CECONOMY's corporate governance is available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

COMBINED MANAGEMENT REPORT

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

CECONOMY made initial progress in the past financial year. Earnings were slightly higher than expected. The targets for sales and net working capital were reached.

At the same time, CECONOMY laid an initial foundation for sustainable future success. This depended on the reorganization and efficiency program unveiled in April 2019, which aims at streamlining the Group's processes, structures and business activities and reducing costs. CECONOMY is likewise making progress with centralisation. The Group also continues to improve its omnichannel capabilities and expand the Services & Solutions portfolio.

In order to strengthen equity and in light of the expenses in connection with the reorganization and efficiency program as well as with regards to upcoming investments, to consistently align the business model with customer needs and to create the associated central structures, the Management Board and the Supervisory Board have decided not to foresee any dividend distribution at the next General Meeting.

All activities are focused on the completion of the strategy process and the consistent implementation of the strategy. The Management Board is convinced that a customer-focused business model and the implementation of corresponding initiatives will allow it to strengthen the Group's market-leading position in Europe and grow profitably and sustainably.

OVERVIEW OF FINANCIAL YEAR 2018/19 AND OUTLOOK

Earnings position of continuing operations

- In financial year 2018/19, total sales of CECONOMY grew by 0.2 per cent to €21.5 billion compared to the previous year (2017/18: €21.4 billion).

- Adjusted for currency and portfolio change effects, sales increased by 0.8 per cent year-on-year (like-for-like: 0.4 per cent).

- Group EBITDA declined by €−186 million to €465 million. This includes expenses in connection with the reorganization and efficiency program as well as management changes amounting to €186 million. Adjusted Group EBITDA, at €650 million, equalled the previous year's figure (2017/18: €650 million).

- Group EBIT amounted to €224 million. This includes expenses in connection with the reorganization and efficiency program as well as management changes amounting to €200 million. Adjusted Group EBIT increased by €4 million to €423 million (2017/18: €419 million).

- Both Group EBITDA and Group EBIT include an earnings contribution from the investment in Fnac Darty S.A. of €21 million (2017/18: €21 million). Before the earnings contribution of Fnac Darty S.A., adjusted Group EBITDA was €629 million (2017/18: €630 million) and adjusted Group EBIT was €402 million (2017/18: €399 million).

- The net result increased to €121 million (2017/18: €23 million).

- Earnings per share improved to €0.34 (2017/18: €0.07).

Financial and asset position

- As at 30 September 2019, the consolidated statement of financial position records an equity of €784 million (30/09/2018: €665 million). The equity ratio is 9.7 per cent (30/09/2018: 7.9 per cent).

- Net liquidity amounted to €830 million as at 30 September 2019 (30/09/2018: €675 million).

- Investments from continuing operations according to the segment report amounted to €195 million (2017/18: €278 million).

- In the past financial year, cash flow from operating activities for continuing operations led to a cash inflow of €86 million (2017/18: €743 million).

- Total assets and liabilities decreased to €8,103 million (30/09/2018: €8,475 million).

- The net working capital according to the statement of financial position decreased year-on-year to €−815 million (30/09/2018: €−1,125 million). This does not include approximately €−21 million due to the separate recognition of assets and liabilities of the MediaMarkt Greece disposal group according to IFRS 5.

- The ratings awarded to CECONOMY AG were as follows as at 30 September 2019: Baa3/Negative (Moody's) and BBB−/Stable (Scope).

COMBINED MANAGEMENT REPORT

Outlook for CECONOMY

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

SALES

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

EARNINGS

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

BASIC INFORMATION ON THE GROUP

The Group's business model

CECONOMY makes it easier to live in the digital world. The Group is a leader for concepts and brands in the consumer electronics sector in Europe. 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 M.video, Russia's market leader for consumer electronics, via Media-Saturn-Holding GmbH.

CECONOMY at a glance

MediaMarkt, founded in 1979, is represented by around 870 stores in 13 European countries, which makes it Europe's number one electronics retailer. MediaMarkt lives by its brand essence – "enjoyment" – in its product range, prices, customer advice and communication, and service. MediaMarkt's stated goal is to be customers' most enjoyable destination for consumer electronics, always and everywhere. In addition to a constantly updated assortment of current brand products, the successful concept also features personal advice and tailored services, from delivery, assembly and installation to the repair of electronic devices. MediaMarkt's German offering also includes the option to rent rather than buy appliances. In nearly all countries in which MediaMarkt is present, online services are also major sales channels. They are closely linked to in-store business in line with the multi-channel approach. The company has thus positioned itself as a provider that offers its customers a seamless customer experience across all sales channels, plus the opportunity to flexibly combine all online and offline services.

Saturn has specialised in electronic brand products at permanently affordable prices for nearly 60 years. Saturn is now represented by around 170 stores in three European countries. Saturn's stores turn technology into an experience for their customers and show how modern technology products can enrich customers' lives. They offer a product range of an average of 45,000 articles from the categories of consumer electronics, gaming, household appliances, smart home, telecommunications, computer and photo. Saturn uses virtual reality and robotics to present customers with the latest technologies while shopping. Saturn supplements its in-store business in Germany and Austria with its online shop and mobile channels. Under this multi-channel strategy, Saturn customers benefit both from the advantages of online shopping and from personal advice and comprehensive service in-store and at home.

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.

Financial investments

Fnac Darty S.A. is France's leading retail company for consumer electronics and household appliances with a presence in another eleven countries. The Group comprises a multi-channel network of 780 stores, including 571 in France and Switzerland. Fnac Darty S.A. counts around 24 million visitors per month to its two commercial websites www.fnac.com and www.darty.com. Setting standards as an omnichannel retailer, Fnac Darty S.A. achieved sales of around €7.5 billion in 2018, nearly 19 per cent of which were generated online. CECONOMY AG holds a stake of approximately 24 per cent in Fnac Darty S.A.

M.video is the leading Russian retailer for consumer electronics. In April 2018, M.video concluded the acquisition of its competitor Eldorado. Taken together, both companies have a share of around 26 per cent in the Russian market and operate 941 stores. In 2018, pro forma sales amount to around RUB 352 billion (approximately €4.4 billion, exchange rate on 31 December 2018: EUR 1 = RUB 79.4623) and grew by more than 15 per cent compared to the previous year. In summer 2018, Media-Saturn-Holding GmbH, which is majority owned by CECONOMY AG, acquired a minority interest of 15 per cent in M.video. In addition to a purchase price, the entire Russian MediaMarkt business was transferred to the Safmar Group, the majority owner of M.video.

Store network by country

	30/09/2018	Openings/additions 2018/19	Closures/disposals 2018/19	30/09/2019
Germany	432	2	–3	431
Austria	52	0	0	52
Switzerland	27	0	–1	26
Hungary	24	8	0	32
DACH	**535**	**10**	**–4**	**541**
Belgium	29	0	–2	27
Greece	12	0	0	12
Italy	115	2	0	117
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	85	3	0	88
Western/Southern Europe	**302**	**5**	**–2**	**305**
Poland	86	5	–1	90
Turkey	71	8	–1	78
Eastern Europe	**157**	**13**	**–2**	**168**
Sweden	28	0	0	28
Others	**28**	**0**	**0**	**28**
CECONOMY	**1,022**	**28**	**–8**	**1,042**

Management system

CECONOMY aims to support consumers and to make their lives easier with tailored solutions in an increasingly digital world. In order to consolidate and build on its position as a leading European platform for companies, brands and concepts in consumer electronics, CECONOMY's management system focuses on the needs of the stakeholders.

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, EBITDA, EBIT and net working capital – are highlighted at the top of the table. CECONOMY issued a forecast for these key figures for financial year 2018/19.

For financial year 2019/20, the forecast includes sales growth adjusted for currency changes and adjusted EBIT. The forecast is before portfolio changes.

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 2018/19		
Sales adjusted for currency and portfolio change effects	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. Currency-adjusted sales growth is calculated for the full year by translating the sales of the previous year's period at the average exchange rate of the current year. Currency-adjusted 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 sales growth Q4 2018/19 based on exchange rates for full year 2018/19). Adjustment is made for portfolio measures by not including the affected sales in the current year or in the previous year.	Earnings position
EBITDA	EBITDA (earnings before interest, taxes, depreciation and amortisation) means earnings before the net financial result, depreciation, amortisation, impairment and reversals of impairment losses on property, plant and equipment and intangible assets.	Earnings position
EBIT	EBIT (earnings before interest and taxes) means earnings before the net financial result and taxes.	Earnings position
Adjusted EBITDA/ adjusted EBIT	EBITDA and EBIT are adjusted for expenses in connection with the reorganization and efficiency program announced on 29 April 2019. The program focuses on the optimisation and restructuring of central functions and administrative units, especially in Germany, as well as on business activities of the Group. Adjusted EBITDA and adjusted EBIT also do not include expenses for top management changes in the first quarter of 2018/19.	Earnings position

Key figure	Description	Section
Net working capital	The balance sheet net working capital, as current assets required for operations, was defined as follows as of 30 September 2019: Inventories + trade receivables and similar claims* + receivables due from suppliers + receivables from credit cards + advance payments on inventories – trade liabilities – liabilities to customers – deferred sales from vouchers and customer loyalty programmes – provisions for customer loyalty programmes and right of return – prepayments received on orders = net working capital * Not including contract assets from future contract extensions in connection with brokerage commissions The definition of net working capital will change from financial year 2019/20. See key figures of the statement of financial position.	Financial and asset position
Forecast key figures 2019/20		
Sales adjusted for currency and portfolio change effects	See forecast key figures 2018/19	Earnings position
EBIT	See forecast key figures 2018/19	Earnings position
Adjusted EBIT (adjusted for portfolio changes)	EBIT is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019 are also not included.	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.	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 growth	Like-for-like sales growth means the currency-adjusted sales growth over a comparable sales area or based on a comparable panel of stores, units or merchandising concepts such as online retail and delivery. 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

Key figure	Description	Section
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. $\text{Online share} = \frac{\text{Online sales}}{\text{Total sales}}$	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
Services & Solutions share	The Services & Solutions share is the share of Services & Solutions sales in the total sales of the period in question. $\text{Services \& Solutions share} = \frac{\text{Services \& Solutions sales}}{\text{Total sales}}$	Earnings position
Gross margin	The gross margin equals gross profit on sales divided by total sales. $\text{Gross margin} = \frac{\text{Gross profit on sales}}{\text{Total sales}}$ Gross profit is defined as total sales less expenses attributable to cost of sales, plus later reimbursements granted by suppliers.	Earnings position
EBITDA margin	The EBITDA margin equals EBITDA divided by total sales. $\text{EBITDA margin} = \frac{\text{EBITDA}}{\text{Total sales}}$	CECONOMY in figures
EBIT margin	The EBIT margin equals EBIT divided by total sales. $\text{EBIT margin} = \frac{\text{EBIT}}{\text{Total sales}}$	CECONOMY in figures
EBT	EBT means earnings before taxes. EBIT +/– net financial result = EBT	Earnings position

Key figure	Description	Section
Tax rate	The tax rate equals tax expense divided by earnings before taxes (EBT). $\text{Tax rate} = \frac{\text{Tax expense}}{\text{Earnings before taxes}}$	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)	EPS (earnings per share) equals the net result divided by the number of shares issued (ordinary and preference shares). $\text{EPS} = \frac{\text{Net result}}{\text{Number of shares issued}}$	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 (excl. finance leases)" 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

Key figure	Description	Section
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 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 figures of the statement of financial position		
Equity	In IFRS accounting, 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 finance leases.	Financial and asset position
Liquid funds	Liquid funds comprise cash and cash equivalents plus financial investments in the sense of short-term bank deposits and debt instruments that can be sold at short notice.	Financial and asset position
Net liquidity/ net debt	Net liquidity/net debt is calculated by netting borrowings and liquid funds. Borrowings – liquid funds = net liquidity/net debt	Financial and asset position
Net working capital (applicable from FY 2019/20)	The balance sheet net working capital, as current assets required for operations, is defined as follows from financial year 2019/20: Inventories + trade receivables and similar claims + receivables due from suppliers – trade liabilities and similar liabilities = net working capital	Financial and asset position

Key figure	Description	Section
Other operating figures		
Investments as per segment report	The key figure investments as per segment report comprises all additions to non-current intangible assets and property, plant and equipment (e.g. land, buildings, expenses for modernisation). In contrast to cash investments, the present value of finance 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
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, 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.

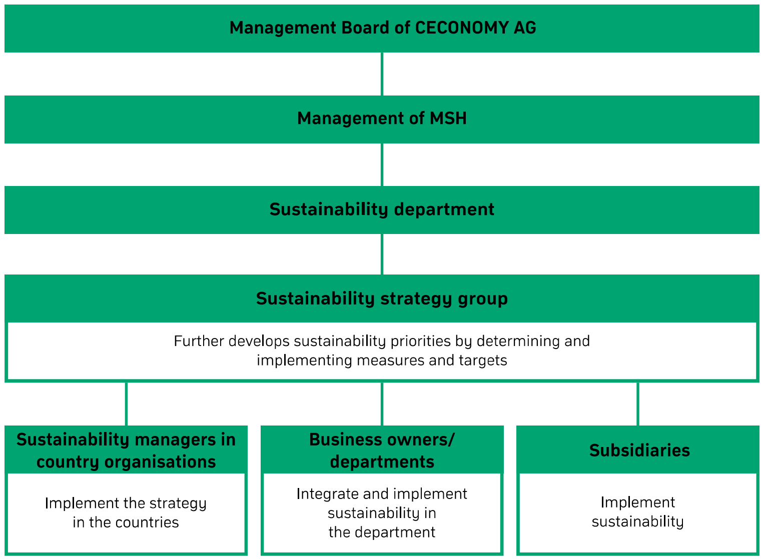
Sustainability management and organisation

The Management Board of CECONOMY AG is the senior body for sustainability and responsible for strategic decisions and tracking targets and progress. The CEO is the senior sustainability ambassador and regularly places sustainability activities on the agenda of Management Board meetings. The CECONOMY AG Management Board meeting is therefore the highest "Sustainability Committee" in the Group.

The "Sustainability Strategy Group" has been formed at the level of the MediaMarktSaturn Retail Group (MMSRG). Coordinated by the Sustainability department, all 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 MMSRG's 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 approach

Together with MMSRG, CECONOMY AG has developed its own approach to sustainability. An analysis was carried out to identify 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 second 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 2017/18 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 employees, to promote them according to their motivation and abilities, and to retain them for the company in the long term. In this way,

[1] The previous year's figures were adjusted due to a change in the calculation basis. Unless otherwise stated, the employee key figures cited in the text are calculated in terms of average headcount. All figures and disclosures relate exclusively to continuing operations.

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

	2017/18	2018/19
Total number of trainees	2,940	2,640
thereof in Germany	(2,312)	(2,236)
thereof international	(628)	(404)
New trainees hired in Germany	815	881
Training rate (including interns and students) in Germany (in %)	8.9	9.2

The CECONOMY Group offers twelve different training options (2017/18: 17) and employed 2,640 trainees (2017/18: 2,940) in financial year 2018/19.

At MediaMarkt, the number of trainees on programmes combining vocational training and education (dual education) continued to increase in financial year 2018/19. 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.

In 2019, Saturn hosted "Trainee Camps", focusing on the new "basic quality in sales" approach and Services & Solutions.

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 2018/19, 86 students in Germany took up this offer.

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. The Spanish country organisation offers a two-year "Digital Talent" trainee programme for graduates from the fields of e-commerce and IT. In addition, CECONOMY's dual education programmes offer a good opportunity to begin a career with a 70 per cent hire rate.

EMPLOYER BRAND AND HR MARKETING

Recruiting young talent and IT specialists is particularly important for CECONOMY's companies. In the reporting period, MMSRG therefore expanded its attractive and international social media and career website presences and campaigns.

In the recruitment of young talent and IT specialists, CECONOMY continues to focus on cooperation with universities. Representatives again attended trade fairs, talks and workshops in financial year 2018/19 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.

The German country organisation Media-Saturn Deutschland GmbH participated in an initiative in which the beneficiaries of SOS Children's Villages are prepared for the world of work. Internationally, CECONOMY is increasingly cooperating with the Spanish country organisation in Barcelona in order to acquire IT talents. Partnerships have therefore been initiated with Fòrum de les Tecnologies de l'Informació i de la Comunicació and JOBarcelona.

In addition, the employee recommendation programme #plus1 introduced at MMSRG was expanded at the international level – for example in Spain. Since the successful introduction, employees have been able to communicate vacant positions within CECONOMY to their network at any time.

Remuneration models and succession planning

Entrepreneurship is a traditional value with deep roots at CECONOMY and especially MMSRG. The remuneration structures are therefore 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 attractive 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.

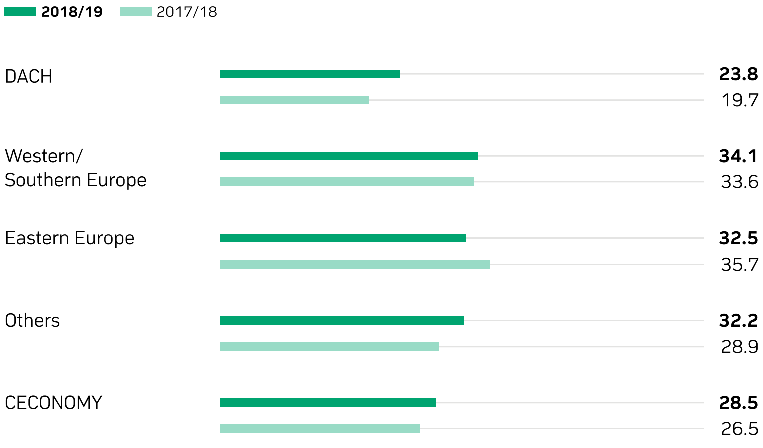
PERFORMANCE ASSESSMENT AND SUCCESSION PLANNING

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 8.2 years and thus slightly longer than in the previous year (2017/18: 7.9 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 %



Diversity management

	30/09/2018	30/09/2019
Average age of workforce (years)	36.9	37.2
Proportion of employees aged 50 or over in the total German workforce (in %)	16.6	20.9
Proportion of employees aged 50 or over in the total international workforce (in %)	5.9	7.0
Employees with a recognised severe disability or equivalent in Germany	615	575
Employees with a recognised severe disability or equivalent internationally	464	446

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.

CECONOMY relies partly on international cooperation for the successful implementation of the growth strategy. Employees from a total of 121 nations work together at CECONOMY. As of 30 September 2019, 61.8 per cent of MMSRG's country managers are from foreign subsidiaries.

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.

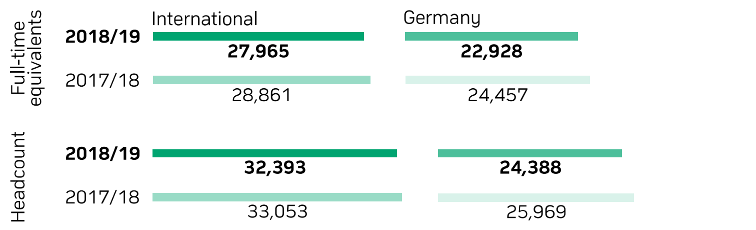
Development of employee numbers

In the reporting period, CECONOMY employed an average of 50,893 (2017/18: 53,318) full-time equivalents. Most of the employees are employed outside the German domestic market. An average of 50,798 full-time equivalents worked for MMSRG in the reporting period. Around 53.7 per cent of them worked in the DACH region, of which 44.9 per cent in Germany.

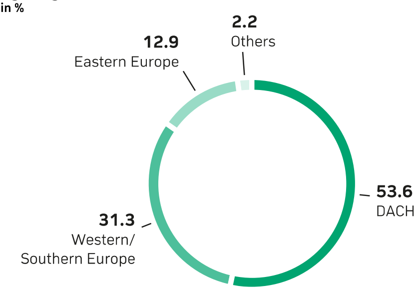
Most of the changes in employee numbers compared with the previous year are due to operating efficiency measures in the stores. There were also other fluctuations caused mainly by natural employee turnover.

In addition, the reorganization and efficiency program included a volunteer programme for employees. Due to the timing of the implementation and the length of individual notice periods, most of the resulting effects at employee level will not be reflected in employee numbers until financial year 2019/20.

Employees: full-time equivalents and headcount
on an annual average



Employees by region 2018/19
Full-time equivalents in %



Development of personnel expenses

Personnel expenses amounted to €2.4 billion (2017/18: €2.3 billion), of which €2.0 billion (2017/18: €1.9 billion) was attributable to wages and salaries. The rest was attributable to social security contributions and post-employment and other employee benefit costs. In addition, wages and salaries included expenses associated with the reorganization and efficiency program and management changes amounting to €157 million (2017/18: €18 million, but not in connection with the reorganization and efficiency program or management changes).

We encourage employees to set up a private pension. A Group-wide "future package" offers them voluntary benefits beyond the industry standards. 4,661 employees in Germany took up this offer in the reporting period (2017/18: 4,480 employees). This equates to a ratio of 19.1 per cent (2017/18: 17.3 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	
	2018	2019	2018	2019
Germany	23,738	21,779	25,268	23,170
Austria	2,222	2,202	2,395	2,366
Switzerland	960	854	1,123	1,008
Hungary	1,327	1,460	1,347	1,481
DACH	**28,247**	**26,294**	**30,133**	**28,025**
Belgium	1,467	1,394	1,538	1,457
Greece	750	719	801	770
Italy	4,699	4,403	5,367	5,077
Luxembourg	151	151	154	153
Netherlands	3,249	2,938	4,702	4,530
Portugal	503	494	565	544
Spain	5,536	5,532	6,739	6,674
Western/Southern Europe	**16,355**	**15,631**	**19,866**	**19,205**
Poland	4,349	4,061	4,394	4,123
Turkey	2,311	2,434	2,312	2,434
Eastern Europe	**6,659**	**6,495**	**6,706**	**6,557**
Sweden	897	900	1,233	1,248
Miscellaneous	264	215	270	224
Others	**1,161**	**1,115**	**1,503**	**1,472**
CECONOMY	**52,422**	**49,536**	**58,208**	**55,259**

[1] Rounding differences may occur

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.

Building on the "Internal Control – Integrated Framework" concept 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.

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.

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 guarantees 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 2018/19.

Global economy

Global economic performance in financial year 2018/19 was slightly weaker than the previous year. The past financial year was very strongly influenced by significant uncertainties that emerged over the course of 2018. These developments were due chiefly to the ongoing tensions between the USA and China. The global economy struggled with the effects of the USA's protectionism and the resulting retaliation from China. China posted stable economic growth in this environment, which the government sustained partly with fiscal and monetary measures. The economy in the USA experienced a downturn due to the lapsing effects of the tax cuts in 2018 and expensive imports from China. Further uncertainty affected the European Union, where the unsuccessful Brexit negotiations continued to tarnish future relations between Great Britain and the EU. In Europe, major national economies like Germany, France and Italy saw a downturn in economic growth, which slowed growth throughout the eurozone.

DACH

The German economy performed more poorly in the past financial year 2018/19 than in the previous year. Brexit uncertainty and the downturn in global trade continued to put the brakes on the German economy in the current financial year. The other countries of the DACH region also posted lower growth rates than in the previous financial year thanks to the ailing global economy. In Austria, economic growth declined due to decreasing exports and lower investment. In Hungary, the economy grew moderately in the past financial year. The strong growth of the past, driven primarily by EU investment, was curbed for the time being by the weaker economic conditions. Economic growth in Switzerland slowed markedly, likewise due to the weakening global economy.

Western/Southern Europe

In Western Europe, economic development continued in financial year 2018/19 at a much lower level than in the previous year. The economic downturn on the global market had a marked effect on this region. The Italian economy stagnated in financial year 2018/19. Economic sentiment remains muted as a result of the high debt burden and the persistent structural problems. The French economy also achieved lower growth in the past financial year than in the previous year. Spain reported slightly weaker but still positive economic performance in financial year 2018/19. Uncertainty with regard to Brexit and the fragile political situation in Italy and the trade disputes between the USA and China led to moderate economic forecasts. In the Netherlands, economic growth slowed as a result of weaker private consumption and declining exports.

Eastern Europe

The economy in Eastern Europe (excluding Turkey) saw a significant decline in growth momentum in financial year 2018/19. Including the difficult economic situation in Turkey in 2019, the growth momentum for the entire region is even lower. Poland also posted lower economic growth in financial year 2018/19 than in the previous financial year, partly because private consumption, a linchpin of the Polish economy, lost momentum. The Turkish economy reported negative growth rates in the past financial year and was well below the historical average. The significant drop in private consumption and declining investing activities contributed to this negative development.

[1] The GDP growth figures stated in this section relate to the calendar years 2018 and 2019. Accordingly, the 2019 values are forecasts. In contrast, the qualitative statements in the text refer to the reporting period, unless otherwise stated.

In Russia, economic growth was weaker than in the previous year, curbed by declining exports and an increase in VAT at the start of the calendar year.

Development of gross domestic product in key global regions

Percentage change year-on-year	2018[1]	2019[2]
World	3.6	3.1
DACH[3]	1.9	0.9
Western Europe[4]	1.7	1.3
Eastern Europe[5]	3.3	1.9
Asia	4.9	4.4

Source: Feri
[1] Previous year's figures may differ from the annual report 2017/18, 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 incl. Turkey based on the Feri database (incl. purchasing power parities)

Sector development in the retail electronics sector

DACH

Sales in the German retail electronics sector were slightly positive in financial year 2018/19. Small appliances was one of the categories to establish itself as a growth driver. On the other hand, the important smartphone segment saw a marked drop in momentum. In Austria, the retail electronics sector developed negatively after a two-year upswing. The retail electronics sector in Switzerland posted slightly negative growth rates. The Hungarian retail electronics sector increased its sales with high single-digit growth rates.

Western/Southern Europe

The retail electronics sector in the Netherlands posted dynamic growth on a broad basis. Belgium reported slightly positive development in the retail electronics sector. France saw negative growth in financial year 2018/19. The Spanish retail electronics sector achieved only slight growth at below the previous year's level in the same period. The Greek retail electronics sector again posted positive growth rates in the past financial year 2018/19. Portugal continued to grow with moderate growth rates. The Italian retail electronics sector stagnated in financial year 2018/19.

Eastern Europe

In financial year 2018/19, the retail electronics sector in Turkey recorded a significantly lower level of growth than in the previous year because of difficult economic circumstances. In Poland, the retail electronics sector achieved sustained positive growth in the same period. In national currency, Russia remains on a dynamic growth trajectory in financial year 2018/19.

Earnings, financial and asset position

Comparison of outlook with actual business developments

The outlook was adjusted for exchange rate effects and before portfolio changes. Expenses in connection with the reorganization and efficiency program announced on 29 April 2019, which focuses on the optimization and restructuring of central functions and administrative units especially in Germany as well as on business activities of the Group, were not included. Expenses for top management changes in the first quarter of 2018/19 were also not included.

Sales

For financial year 2018/19, CECONOMY had forecast a slight increase in total sales compared to the previous year.

The target was achieved with a 0.8 per cent increase in total sales adjusted for currency and portfolio change effects. In the end, the DACH, Western/Southern Europe and Eastern Europe regions contributed to this.

CECONOMY expected net working capital to decline moderately. The target was achieved with a decline of €310 million. Around €–21 million is not included due to the separate recognition of assets and liabilities of the MediaMarkt Greece disposal group. Taking this effect into account, net working capital was €289 million lower than in the corresponding prior-year period.

Earnings

Both in terms of EBITDA and EBIT, CECONOMY expected a slight decline, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The comparative previous-year figures for 2017/18 were €630 million EBITDA and €399 million EBIT. The slight decline was expected to be due to DACH and especially Eastern Europe, with slightly positive development in the Western/Southern Europe segment.

When the quarterly statement Q3/9M 2018/19 was published on 13 August 2019, CECONOMY instead expected that only the Eastern Europe segment would contribute to the slight decline in earnings.

On 23 October 2019, CECONOMY announced that the Group's earnings had developed slightly better than expected in the past financial year. On the basis of provisional figures, CECONOMY now expected EBITDA and EBIT in the past financial year 2018/19, not including the earnings contributions from the investment in Fnac Darty S.A., to be at the previous year's level.

In the end, CECONOMY achieved forecast-relevant EBITDA of €629 million and forecast-relevant EBIT of €402 million. Adjusted for currency effects of €–8 million, EBITDA was therefore €7 million and EBIT €11 million higher than the previous year's figure. These earnings are therefore slightly above the original forecast communicated in the ad hoc communication on 23 October 2019, which predicted a slight decline of both EBITDA and EBIT.

On the basis of analyst estimates for financial year 2018/19, CECONOMY also expected a contribution to EBITDA and EBIT from the share in the profit or loss for the period generated by Fnac Darty S.A. in the mid-double-digit million euro range. Based on published results, the earnings contribution amounted to around €21 million.

Earnings position

Financial year	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	2017/18	2018/19	2018/19	2018/19	2018/19	2018/19
Total[1]	**21,418**	**21,455**	**0.2%**	**−0.6%**	**0.8%**	**0.4%**
DACH	12,410	12,565	1.2%	0.1%	1.1%	1.3%
Western/Southern Europe	6,777	6,807	0.4%	0.0%	0.4%	0.0%
Eastern Europe	1,689	1,567	−7.2%	−7.4%	0.2%	−3.6%
Others	542	516	−4.7%	−3.0%	−1.7%	−1.2%

[1] All figures from continuing operations only

Quarter	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	Q4 2017/18	Q4 2018/19	Q4 2018/19	Q4 2018/19	Q44 2018/19	Q4 2018/19
Total[1]	**4,953**	**4,996**	**0.9%**	**0.3%**	**0.5%**	**0.2%**
DACH	2,843	2,891	1.7%	0.2%	1.5%	1.3%
Western/Southern Europe	1,622	1,614	−0.5%	0.0%	−0.5%	−0.9%
Eastern Europe	362	374	3.3%	3.6%	−0.3%	−4.0%
Others	126	117	−7.3%	−1.8%	−5.5%	0.7%

[1] All figures from continuing operations only

SALES ADJUSTED FOR CURRENCY AND PORTFOLIO CHANGE EFFECTS SLIGHTLY ABOVE PRIOR YEAR

In the past **financial year 2018/19**, CECONOMY's Group sales increased slightly by 0.2 per cent compared with the prior-year period to €21.5 billion. Adjusted for currency and portfolio change effects, sales were likewise up 0.8 per cent year-on-year. This was also due to the 28 new stores minus eight closures in the past financial year as well as the store openings during the previous year. On a like-for-like basis, Group sales increased by 0.4 per cent and were therefore also slightly above the previous year's level.

The sales trend (adjusted for currency and portfolio change effects) in the reporting period was essentially shaped by the successful campaign days around Black Friday in November 2018. In comparison with the prior year, the sales planning for the key Black Friday days as well as the anticipation of pre- and post-effects were considerably improved. In addition, sales were supported by various marketing campaigns such as VAT campaigns in various countries as well as the "40 Years of MediaMarkt" promotion in Germany. This more than compensated for the absence of the successful advertising campaigns relating to the football World Cup in June of the previous year. The online business continued to develop very positively in the year and more than compensated for the decline of brick-and-mortar sales.

The reconciliation from reported sales to like-for-like sales in local currency is shown in the following table:

€ million	2017/18 as reported	2017/18 in local currency	2018/19
Total sales	21,418	21,289	21,455
Sales of stores that were not part of the like-for-like panel in 2018/19	–	282	355
Like-for-like sales in local currency	**–**	**21,007**	**21,100**

The DACH, Western/Southern Europe, and Eastern Europe segments posted a positive sales trend adjusted for currency and portfolio changes, while sales in the segment Others declined compared with the previous year. The white goods and telecommunications product categories performed particularly well. The entertainment category continued to decline, while sales with brown goods were negatively affected by the absence of the successful advertising campaigns relating to the football World Cup in June of the previous year.

In the **fourth quarter of 2018/19**, CECONOMY generated Group sales of €5.0 billion. This equates to an increase of 0.9 per cent. Before currency and portfolio change effects, sales increased by 0.5 per cent year-on-year. On a like-for-like basis, Group sales improved by 0.2 per cent in the fourth quarter compared with the prior-year's period. The development was driven by various successful marketing campaigns. In addition, the sales increase benefited from the previous year's low comparison basis.

EXPLANATION OF SALES IN THE DACH SEGMENT

In financial year 2018/19, the DACH segment generated sales of €12.6 billion, an increase of 1.2 per cent. Adjusted for currency and portfolio change effects, segment sales increased by 1.1 per cent. This development in Germany was essentially due to the successful campaign days around Black Friday in November 2018 as well as other successful marketing campaigns throughout the year. In addition, Hungary continued its successful sales trend from the previous year with a solid growth, driven in part by the opening of eight new shop-in-shop stores in the past financial year. This more than compensated for the slight decline in Austria and Switzerland.

In the **fourth quarter of 2018/19**, sales in the DACH segment grew by 1.7 per cent to €2.9 billion. Adjusted for currency and portfolio change effects, sales were 1.5 per cent above the comparable figure of the previous year. In Germany, sales were supported in particular by various marketing campaigns such as the VAT campaign at Saturn in September as well as the "40 Years of MediaMarkt" promotions. In addition, sales in Hungary continued to develop very positively, also due to expansion.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the past **financial year 2018/19**, the Western/Southern Europe segment generated sales growth of 0.4 per cent to €6.8 billion. Adjusted for currency and portfolio change effects, sales also increased by 0.4 per cent. A key factor driving the sales increase was growth in Italy and Spain. In both countries, the Black Friday campaigns in particular and further marketing campaigns had a positive impact. The business in Spain and Italy was also supported by strong growth rates in the areas of Online and Services & Solutions. In contrast, sales in the Netherlands declined considerably due to lower footfall in stores coupled with a challenging competitive environment, especially in the Online segment.

In the **fourth quarter of 2018/19**, the Western/Southern Europe segment posted sales of €1.6 billion, a slight decline of –0.5 per cent. Adjusted for currency and portfolio change effects, sales also declined by –0.5 per cent. In the fourth quarter, sales in Spain developed positively in particular as a result of successful marketing campaigns and strong growth in Services & Solutions. However, this did not entirely compensate for the ongoing negative sales trend in the Netherlands resulting from the temporary difficulties with product availability due to the switch to a new online warehouse and a persistently strained competitive environment.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In **financial year 2018/19**, sales in the Eastern Europe segment dropped by –7.2 per cent to €1.6 billion. Adjusted for currency and portfolio change effects, sales were nearly at the previous year's level with growth of 0.2 per cent. In the reporting period, segment sales were adversely affected by the sharp depreciation of the Turkish lira. In local currency, sales in Turkey developed solidly as a result of store openings during the previous year and this year's new store openings as well as due to inflation. Sales in Poland declined considerably, mainly as a result of fierce competition and fewer Sunday opening days in comparison with the previous year.

In the **fourth quarter of 2018/19**, sales in the Eastern Europe segment rose by 3.3 per cent to approximately €0.4 billion. Adjusted for currency and portfolio change effects, segment sales declined slightly by −0.3 per cent. Sales in Turkey grew strongly, supported by expansion but also on a like-for-like basis, and received additional support from a positive currency effect. In Poland, the negative sales trend of previous quarters continued as a result of tense competition.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In **financial year 2018/19**, sales in the Others segment declined by −4.7 per cent compared with the previous year to €0.5 billion. Adjusted for currency and portfolio change effects, sales were down −1.7 per cent below the previous year's level. This development was due mainly to the declining business in Sweden, which was also negatively affected by currency effects.

In the **fourth quarter of 2018/19**, sales in the Others segment declined by −7.3 per cent to €0.1 billion. Adjusted for currency and portfolio change effects, segment sales declined by −5.5 per cent. This is mainly attributable to a sales decline in smaller operating units, due partly to the disposal of iBood in August. Adjusted for currency effects, sales in Sweden were almost at the previous year's level.

Financial year	Sales (€ million)		Change (%)	n % of total sales
	2017/18	2018/19		
Online	2,592	2,935	13.2	13.7
Services & Solutions (in accordance with IAS 18)	1,478	1,498	1.3	7.0
Services & Solutions (in accordance with IFRS 15)	–	1,229	–	–

Quarter	Sales (€ million)		Change (%)	n % of total sales
	Q4 2017/18	Q4 2018/19		
Online	605	635	4.9	12.7
Services & Solutions (in accordance with IAS 18)	396	401	1.2	8.0
Services & Solutions (in accordance with IFRS 15)	–	329	–	–

ONLINE BUSINESS CONTINUES TO GROW

The successful growth in the online business continued in the past financial year. In **financial year 2018/19**, online sales increased by 13.2 per cent to €2.9 billion. The online share of total sales in the reporting period amounted to 13.7 per cent (2017/18: 12.1 per cent). In the **fourth quarter of 2018/19**, online sales rose by 4.9 per cent to €0.6 billion and thus amounted to a 12.7 per cent share of total sales (Q4 2017/18: 12.2 per cent).

The solid online sales growth was also due to the pick-up option (in-store collection of goods ordered online) which was very popular among customers. In **financial year 2018/19**, the pick-up rate was 47 per cent (2017/18: 42 per cent). In the **fourth quarter of 2018/19**, this rate was even at 50 per cent (Q4 2017/18: 43 per cent).

COMBINED MANAGEMENT REPORT

SLIGHT GROWTH IN THE SERVICES & SOLUTIONS BUSINESS

Since 1 October 2018, CECONOMY has been using the new accounting standard IFRS 15 (Revenue from Contracts with Customers), replacing IAS 18 (Revenue). The major impact of IFRS 15 on Services & Solutions sales emerges in the mobile communications area. Here CECONOMY generates both service revenues from brokering a mobile phone contract and at the same time also sells the customer the respective mobile device. With IFRS 15, the changed revenue allocation using the relative standalone selling prices instead of the residual values results in a changed revenue recognition in comparison with IAS 18. This change results in a revenue shift from Services & Solutions sales to sales from product sales. The previous year's figures were not restated.

In accordance with IFRS 15, sales in Services & Solutions in **financial year 2018/19** amounted to €1.2 billion. In accordance with IAS 18, there was slight sales growth in Services & Solutions of 1.3 per cent to approximately €1.5 billion. This amounts to a Services & Solutions share of total sales of 7.0 per cent (2017/18 according to IAS 18: 6.9 per cent). The extended warranties, due to an improved offer, and repair services categories developed particularly positively in the past financial year 2018/19. This was countered by a declining business from brokering mobile phone contracts, which is essentially attributable to a high comparison base as a result of the strong GSM mobile campaign "Tarifsensation" in Germany in the previous year.

In accordance with IFRS 15, sales in Services & Solutions in **the fourth quarter of 2018/19** amounted to €0.3 billion. In accordance with IAS 18, sales rose by 1.2 per cent in the fourth quarter compared with the prior-year period. As a result, sales reached €0.4 billion, which amounts to an 8.0 per cent share of total sales (Q4 2017/18: 8.0 per cent). The strong demand for extended warranties more than compensated for the decline in the areas of financing and brokering mobile communications contracts.

Financial year

	EBITDA				EBIT			
	EBITDA as reported	EBITDA as reported	Adjusted EBITDA	Change compared to prior year[1]	EBIT as reported	EBIT as reported	Adjusted EBIT	Change compared to prior year[1]
€ million	2017/18	2018/19	2018/19	2018/19	2017/18	2018/19	2018/19	2018/19
Total[2]	**650**	**465**	**650**	**0**	**419**	**224**	**423**	**4**
DACH	428	304	444	16	300	168	320	21
Western/Southern Europe	200	206	223	22	123	129	146	23
Eastern Europe	63	26	28	−35	43	7	10	−33
Others	−41	−71	−44	−3	−47	−81	−52	−6

[1] Change adjusted EBITDA to EBITDA as reported in 2017/18 and adjusted EBIT to EBIT as reported in 2017/18
[2] Including consolidation

Quarter

	EBITDA				EBIT			
	EBITDA as reported	EBITDA as reported	Adjusted EBITDA	Change compared to prior year[1]	EBIT as reported	EBIT as reported	Adjusted EBIT	Change compared to prior year[1]
€ million	Q4 2017/18	Q4 2018/19	Q4 2018/19	Q4 2018/19	Q4 2017/18	Q4 2018/19	Q4 2018/19	Q4 2018/19
Total[2]	**215**	**160**	**202**	**−13**	**149**	**96**	**142**	**−7**
DACH	112	89	117	5	73	53	86	13
Western/Southern Europe	83	98	107	24	63	78	87	24
Eastern Europe	21	4	7	−14	16	−1	2	−14
Others	−1	−30	−30	−29	−3	−33	−33	−31

[1] Change adjusted EBITDA to EBITDA as reported in Q4 2017/18 and adjusted EBIT to EBIT as reported in Q4 2017/18
[2] Including consolidation

The following commentary on depreciation and amortisation includes scheduled depreciation, appreciation in value and impairments.

ADJUSTED GROUP EBITDA AND GROUP EBIT AT PREVIOUS YEAR'S LEVEL

Group EBITDA declined by €–186 million to €465 million in the past **financial year 2018/19**. This includes expenses in connection with the reorganization and efficiency program announced in April 2019 as well as management changes amounting to €186 million. However, adjusted Group EBITDA, at €650 million, equalled the previous year's figure (2017/18: €650 million). This includes the earnings contribution of Fnac Darty S.A. of €21 million (2017/18: €21 million). Before the earnings contribution of Fnac Darty S.A., adjusted Group EBITDA was €629 million in financial year 2018/19 and therefore at the previous year's level (2017/18: €630 million).

At €241 million in the past financial year, depreciation and amortisation were €10 million above the previous year's figure. This figure includes impairments of €14 million, primarily in connection with the closure of Juke, which is part of the non-cash expenses within the reorganization and efficiency program. Including non-cash expenses, Group EBIT included expenses in connection with the reorganization and efficiency program as well as management changes amounting to €200 million. Group EBIT amounted to €224 million and adjusted Group EBIT to €423 million (2017/18: €419 million). Before the earnings contribution of Fnac Darty S.A., adjusted Group EBIT reached €402 million in financial year 2018/19 and was therefore around the previous year's level (2017/18: €399 million).

In the past financial year, expenses for top management changes in the first quarter of 2018/19 and expenses in connection with the reorganization and efficiency program negatively impacted earnings. They were also affected by a declining gross margin, which declined by –0.8 percentage points year-on-year to 19.3 per cent. Declining personnel costs, which were attributable to higher cost efficiency in stores in Germany and to initial savings in connection with the reorganization and efficiency program, had a positive impact, however. Declining advertising and location costs also contributed to this development. Moreover, the better planning and steering of the campaign days around Black Friday had a positive impact on earnings. Positive non-recurring effects such as a measurement effect on Services & Solutions sales as a consequence of introducing IFRS 15 and the settlement of claims for damages are likewise included in earnings. In the previous year, earnings were positively supported by higher non-recurring effects.

In the **fourth quarter of 2018/19**, Group EBITDA of €160 million was achieved. In the prior-year period this figure was €215 million. Excluding expenses in connection with the reorganization and efficiency program of €42 million and excluding the earnings contribution of Fnac Darty S.A. of €–11 million, in the fourth quarter adjusted Group EBITDA was at the previous year's level at €213 million. Including depreciation and amortisation of €64 million, EBIT amounted to €96 million and adjusted EBIT amounted to €142 million (Q4 2017/18: €149 million). Before the earnings contribution of Fnac Darty S.A., adjusted Group EBIT reached €153 million compared with €148 million in the previous year. Earnings were supported by the positive sales trend and especially by declining costs in Germany. This countered a –0.7 percentage point (adjusted: –0.6 percentage point) decrease in the gross margin compared with the prior year's period, while the gross margin trend improved slightly compared to the nine-month period. As in the previous quarters, a positive measurement effect from Services & Solutions as a consequence of introducing IFRS 15 is included in earnings.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the past **financial year 2018/19**, the DACH segment generated an EBITDA of €304 million, €–124 million below the prior year's level. This includes expenses in connection with the reorganization and efficiency program as well as management changes amounting to €140 million. Therefore, adjusted EBITDA improved by €16 million to €444 million. Depreciation and amortisation were €8 million higher than the previous year's figure of €128 million. This figure includes impairments of €13 million, primarily in connection with the closure of Juke, which is part of the non-cash expenses within the reorganization and efficiency program. Thus, the DACH segment generated EBIT of €168 million and adjusted EBIT of €320 million (2017/18: €300 million). Switzerland made a significant contribution to the earnings improvement due in particular to declining costs. In the previous year, earnings in Switzerland were reduced by an impairment of goodwill and provisions for location-related risks. Before expenses in connection with the reorganization and efficiency program, Germany also reported sound earnings development. This is primarily due to higher cost efficiency as a result of personnel savings and even more focussed marketing activities as well as lower indirect spend. However, earnings in Austria declined in the past financial year as a result of higher costs.

In the **fourth quarter of 2018/19**, EBITDA in the DACH segment declined by €–23 million to €89 million. This includes expenses in connection with the reorganization and efficiency program amounting to approximately €29 million. Adjusted EBITDA in the fourth quarter amounted to €117 million, €5 million above the previous year's level. Including depreciation and amortisation of €36 million, EBIT in the DACH segment amounted to €53 million and adjusted EBIT amounted to €86 million in the fourth quarter (Q4 2017/18: €73 million). The increase in earnings was due exclusively to Switzerland, which also benefited from the absence of the goodwill impairment in the prior-year period and from a lower negative effect from location-related risks. This more than compensated for the earnings decline in Austria. Adjusted earnings in Germany declined slightly in the fourth quarter, but were still higher than most recently expected due to higher cost savings.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In Western/Southern Europe, EBITDA increased in the past **financial year 2018/19** by €6 million to €206 million (2017/18: €200 million). This includes expenses in connection with the reorganization and efficiency program as well as management changes amounting to €17 million. Adjusted for these expenses, EBITDA came to €223 million and was thus €22 million above the previous year. At constant depreciation and amortisation, EBIT increased to €129 million and €146 million adjusted for expenses in connection with the reorganization and efficiency program and management changes (2017/18: €123 million). The increase in adjusted earnings is attributable primarily to the positive development in Italy, which was driven especially by strong sales growth coupled with higher cost efficiency due to personnel savings and lower location costs resulting also from the successful restructuring and repositioning which took place in previous years. In addition, Italy benefited from a positive non-recurring effect associated with the settlement of claims for damages. Spain also increased adjusted earnings with positive sales growth and with stable development of the gross margin, supported also by higher earnings contributions from Services & Solutions. In contrast, earnings in the Netherlands declined strongly, which is primarily attributable to a decline in sales due mainly to a challenging competitive environment combined with a negative margin trend.

In the **fourth quarter of 2018/19**, EBITDA in the Western/Southern Europe segment improved by €15 million to €98 million. This includes expenses in connection with the reorganization and efficiency program amounting to €10 million. Adjusted EBITDA came in at €107 million in the fourth quarter and was thus €24 million above the previous year. Including depreciation and amortisation of €20 million, EBIT in the Western/Southern Europe segment amounted to €78 million and adjusted EBIT amounted to €87 million in the fourth quarter (Q4 2017/18: €63 million). This was mainly due to positive earnings development in Spain and Italy. In Italy, the earnings increase is primarily attributable to a positive margin trend and high cost savings, while in Spain the positive sales trend and higher reimbursements from suppliers were the main factors. This more than compensated for the continuing earnings decline in the Netherlands.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the Eastern Europe segment, EBITDA declined by €–37 million to €26 million in the past **financial year 2018/19** (2017/18: €63 million). This includes expenses in connection with the reorganization and efficiency program as well as management changes amounting to €2 million. Adjusted EBITDA amounted to €28 million. Including depreciation and amortisation of €19 million, EBIT in the Eastern Europe segment amounted to €7 million and adjusted EBIT amounted to €10 million (2017/18: €43 million). Most of the earnings decline resulted from the negative sales trend as well as increased personnel expenses in Poland. Positive non-recurring effects at redcoon Poland and in connection with the settlement of claims for damages had a positive impact. The expected earnings decline in Turkey is mainly attributable to a high comparison base resulting from a positive non-recurring effect in the previous year and especially to negative currency effects in the current year.

In the **fourth quarter of 2018/19**, EBITDA in the Eastern Europe segment declined by €–17 million to €4 million. Adjusted EBITDA amounted to €7 million. Including depreciation and amortisation of €5 million, EBIT in the Eastern Europe segment amounted to €–1 million and adjusted EBIT amounted to €2 million (Q4 2017/18: €16 million). The earnings decline was exclusively caused by persistently weak sales and earnings in Poland. The earnings also include a positive non-recurring effect at redcoon Poland.

EXPLANATION OF THE RESULT IN THE OTHERS SEGMENT

The Others segment comprises, in particular, activities relating to CECONOMY AG in its capacity as a strategic management holding, the earnings contributions of Fnac Darty S.A. as well as Sweden and activities of smaller companies. In the past **financial year 2018/19** EBITDA declined by €–30 million year-on-year to €–71 million (2017/18: €–41 million). Expenses in connection with the reorganization and efficiency program as well as management changes in the reporting period amounted to approximately €27 million. Adjusted for these expenses, EBITDA in the Others segment decreased by €–3 million to €–44 million. This includes an earnings contribution from Fnac Darty S.A. of €21 million (2017/18: €21 million). Depreciation and amortisation were €4 million higher than the previous year's figure of €5 million. EBIT was therefore €–81 million and adjusted EBIT was €–52 million (2017/18: €–47 million).

This development was positively influenced mainly by declining holding costs. An opposite effect came from slightly weaker earnings in Sweden and the absence of the income of €13 million from the disposal of selected pension liabilities and associated cash assets at CECONOMY included in the previous year's earnings. The non-reportable operating unit Sweden within the Others segment generated adjusted EBIT of €–29 million (2017/18: €–27 million). Other, smaller operating companies in the Others segment generated adjusted EBIT of €–6 million (2017/18: €–9 million).

In the **fourth quarter of 2018/19**, EBITDA declined by €–29 million to €–30 million. At €3 million, depreciation and amortisation was slightly higher than the previous year's figure of €2 million. EBIT decreased to €–33 million (Q4 2017/18: €–3 million). Most of the decline was due to the absence of the income from the disposal of selected pension liabilities and associated cash assets at CECONOMY included in the previous year's quarter. In addition, earnings in the quarter were characterised by weaker earnings in Sweden. The non-reportable operating unit Sweden within the Others segment generated adjusted EBIT of €–10 million (Q4 2017/18: €–6 million). Other, smaller operating companies in the Others segment generated adjusted EBIT of €–1 million (Q4 2017/18: €–1 million).

Financial year

€ million	EBITDA			EBIT		
	EBITDA as reported	Expenses for reorganization and efficiency program and management changes	Adjusted EBITDA	EBIT as reported	Expenses for reorganization and efficiency program and management changes	Adjusted EBIT
Total[1]	**465**	**186**	**650**	**224**	**200**	**423**
DACH	304	140	444	168	152	320
Western/Southern Europe	206	17	223	129	17	146
Eastern Europe	26	2	28	7	2	10
Others	−71	27	−44	−81	28	−52

[1] Including consolidation

Quarter

€ million	EBITDA			EBIT		
	EBITDA as reported	Expenses for reorganization and efficiency program and management changes	Adjusted EBITDA	EBIT as reported	Expenses for reorganization and efficiency program and management changes	Adjusted EBIT
Total[1]	**160**	**42**	**202**	**96**	**46**	**142**
DACH	89	29	117	53	33	86
Western/Southern Europe	98	10	107	78	10	87
Eastern Europe	4	3	7	−1	3	2
Others	−30	0	−30	−33	0	−33

[1] Including consolidation

The following comments relate to the result of continuing operations including expenses in connection with the reorganization and efficiency program as well as management changes.

NET FINANCIAL RESULT AND TAXES

€ million	2017/18	2018/19
Earnings before interest and taxes EBIT	**419**	**224**
Other investment result	−182	46
Interest income/expenses (interest result)	−13	−14
Other financial result	−3	−21
Net financial result	**−198**	**12**
Earnings before taxes EBT	**221**	**235**
Income taxes	−134	−77
Profit or loss for the period from continuing operations	**87**	**158**
Profit or loss for the period from discontinued operations after taxes	−296	1
Profit or loss for the period	**−210**	**160**

The **financial result** improved significantly by €210 million to €12 million in the past financial year 2018/19 (2017/18: €−198 million). The increase is mainly attributable to the impairments of the METRO AG stake, which took place in the previous year, amounting to €268 million. In the reporting period, a gain due to the sale of 5.4 per cent of the shares in METRO AG and the receipt of the dividends from METRO AG and METRO PROPERTIES GmbH & Co. KG had a positive effect.

Earnings before taxes therefore increased from €221 million to €235 million.

↗ Further information on the financial result can be found in the notes – notes 6, 8 and 9 Earnings share of companies recognised at equity/other investment result, Interest income/interest expenses and Other financial result.

The recognised **income tax expenses** of €77 million (2017/18: €134 million) are €57 million below the previous year's level. The decline in tax expenses is due on the one hand to the lower operating earnings. On the other hand, the decline can be explained in particular by the tax optimisation measures of the last two financial years. In financial year 2018/19, optimisation measures in this respect were taken for the utilisation of tax loss carry-forwards at the level of the German market companies. The resulting positive non-recurring effect is particularly reflected in the lower deferred taxes.

€ million	2017/18	2018/19
Current taxes	**132**	**84**
thereof Germany	(75)	(49)
thereof international	(57)	(35)
thereof tax expenses/income of current period	(127)	(88)
thereof tax expenses/income of previous periods	(5)	(−4)
Deferred taxes	**2**	**−7**
thereof Germany	(14)	(−16)
thereof international	(−12)	(9)
	134	**77**

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 32.7 per cent (2017/18: 60.7 per cent).

In addition to the improvement in the Group tax rate due to the optimisation measures of the last two financial years, the Group tax rate in the previous year was negatively affected by the non-tax deductible impairment of the shares in METRO AG.

↗ Further information on income taxes can be found in the notes – note 11 Income taxes.

COMBINED MANAGEMENT REPORT

PROFIT OR LOSS FOR THE PERIOD AND EARNINGS PER SHARE

The **profit for the period** from continuing operations increased from €87 million to €158 million. This improvement is largely attributable to the positive earnings effects from the investment in METRO AG compared with the previous year. As these effects are not attributable to non-controlling interests, the share of non-controlling interests in the profit or loss for the period declined to €37 million (2017/18: €64 million). Accordingly, the profit or loss for the period attributable to shareholders of CECONOMY AG amounted to €121 million (2017/18: €23 million) and **earnings per share** amounted to €0.34 (2017/18: €0.07).

The calculation of earnings per share in financial year 2018/19 is based on 359,421,084 shares.

				Change	
		2017/18	2018/19	Absolut	%
Profit or loss for the period from continuing operations	€ million	87	158	71	82.2
Profit or loss for the period attributable to non-controlling interests from continuing operations	€ million	64	37	−27	−42.4
Profit or loss for the period attributable to shareholders of CECONOMY AG from continuing operations	€ million	23	121	99	–
Earnings per share from continuing operations[1]	€	0.07	0.34	0.27	–

[1] After non-controlling interests

Financial and asset position

CAPITAL STRUCTURE

As of 30 September 2019, CECONOMY's consolidated statement of financial position reported **equity** of €784 million (30/09/2018: €665 million).

The equity ratio improved to 9.7 per cent in the reporting period (30/09/2018: 7.9 per cent).

€ million	Note no.	30/09/2018	30/09/2019
Equity	**31**	**665**	**784**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		−554	−478
Non-controlling interests		−21	22

The share capital remained unchanged at €919 million as of 30 September 2019 (30/09/2018: €919 million). Likewise, the capital reserve remained unchanged at €321 million (30/09/2018: €321 million).

Reserves retained from earnings rose by €75 million to €−478 million as of 30 September 2019 (30/09/2018: €−554 million). This increase is mainly attributable to the profit for the period attributable to shareholders of CECONOMY AG of €122 million. On the other hand, the remeasurement of defined benefit pension plans through other comprehensive income had an opposite effect of €−45 million.

The non-controlling interests increased to €22 million (30/09/2018: €−21 million).

€ million	30/09/2018	30/09/2019
Cash and cash equivalents according to the statement of financial position	1,115	1,132
Borrowings (incl. finance leases)	439	302
Net liquidity (+)/Net debt (−)	**675**	**830**

Net liquidity rose by €155 million to €830 million as of 30 September 2019 (30/09/2018: €675 million).

At €1,132 million, cash and cash equivalents were slightly higher than in the previous year (30/09/2018: €1,115 million).

The lower borrowings compared with the previous year are mainly attributable to the repayment of commercial paper in the amount of

€145 million. In total, borrowings including finance leases amounted to €302 million as of 30 September 2019 (30/09/2018: €439 million).

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

Non-current liabilities rose by €17 million to €1,042 million as of 30 September 2019 (30/09/2018: €1,025 million) had an opposite effect.

This development is primarily due to the €26 million increase in provisions for post-employment benefit plans and similar obligations to €574 million (30/09/2018: €547 million). This is mainly attributable to the remeasurement of defined benefit pension plans through other comprehensive income. The declines in other provisions of €11 million to €33 million (30/09/2018: €44 million) and in other liabilities of €9 million to €56 million (30/09/2018: €64 million).

Current liabilities amounted to €6,277 million as of 30 September 2019, which equates to a decrease of €507 million (30/09/2018: €6,784 million).

Other liabilities declined by €457 million to €215 million. This is mainly attributable to a reclassification from prepayments received on orders and deferred sales from customer loyalty programmes, the sale of vouchers and extended warranties to trade liabilities and similar liabilities. Current borrowings decreased by €143 million to €10 million due primarily to the repayment of commercial paper. This was countered by other financial liabilities, which rose by €46 million to €445 million, and trade liabilities and similar liabilities, which rose by €44 million to €5,321 million. The MediaMarkt Greece business represents a disposal group for CECONOMY. The statement of financial position for the current period therefore recognises the affected liabilities separately as "liabilities related to assets held for sale". Because of this recognition, liabilities related to assets held for sale increased to €70 million (30/09/2018: €0 million).

In comparison with 30 September 2018, the debt ratio declined by 1.8 percentage points to 90.3 per cent. The ratio of current liabilities to total debt declined by 1.1 percentage points compared with 30 September 2018 to 85.8 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.	30/09/2018	30/09/2019
Non-current liabilities		**1,025**	**1,042**
Provisions for post-employment benefit plans and similar obligations	32	547	574
Other provisions	33	44	33
Borrowings	34, 36	287	292
Other financial liabilities	34, 37	52	53[1]
Other liabilities	37	64	56
Deferred tax liabilities	25	31	35
Current liabilities		**6,784**	**6,277**
Trade liabilities and similar liabilities	34, 35	5,277	5,321[1]
Provisions	33	190	165
Borrowings	34, 36	153	10
Other financial liabilities	34, 37	400	445[1]
Other liabilities	37	671	215
Income tax liabilities	34	94	51
Liabilities related to assets held for sale	30	0	70

[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 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 2018/19, CECONOMY invested €195 million, around €83 million less than in the previous year (continuing operations, not including Fnac Darty S.A.). This decrease is primarily attributable to lower expenses for modernisation and more selective expansion activity. The latter involved small, less capital-intensive formats, with which nearly all new stores were opened.

A total of 28 new stores were opened in financial year 2018/19, after 34 in the previous year. However, eight stores were closed in the reporting period, after likewise eight closures in the previous year. 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 more than three per cent to 2,636 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 2,724 square metres. The total selling space amounted to 2,746 thousand square metres after 2,784 thousand square metres in the previous year.

Investments as per segment report

€ million	2017/18	2018/19	Change Absolute	Change %
DACH	177	109	–68	–38.4
Western/Southern Europe	60	61	1	1.2
Eastern Europe	29	19	–9	–33.0
Others	12	6	–6	–51.5
	278	**195**	**–83**	**–29.9**

€109 million was invested in the **DACH** region in financial year 2018/19. Investments were therefore €68 million lower than in the previous year. This decrease is mainly attributable to lower investments in Germany compared with the previous year. The significant decline in Germany was due in particular to lower expenses for modernisation, but also reduced expenses for expansion activity, intangible assets and lower additions to assets associated with finance leases. In total, ten stores were opened in the DACH region, after eight new stores in the previous year. Eight small shop-in-shop formats in Hungary comprised the majority of these new stores. In addition, the store network in Germany was expanded by two new stores. However, three stores in Germany and one store in Switzerland were closed in the reporting period.

Investments in **Western/Southern Europe** came to €61 million in financial year 2018/19, €1 million higher than the investments in the prior-year period. This slight increase is due to an addition to assets associated with finance leases for a warehouse site in the Netherlands. In contrast, investing activities for expansion and modernisation declined slightly in the segment. With a total of five new stores, one more store was opened than in the previous year. Three new stores opened in Spain and two in Italy. Two stores were closed in Belgium.

In **Eastern Europe**, €19 million was invested in financial year 2018/19, €9 million less than in the prior-year period. The decline is the result of lower expenses for expansion and modernisation in Turkey, where eight new stores were opened in the reporting period, ten fewer than in the previous year. Five new stores were opened in Poland, two of which were shop-in-shop stores with Carrefour. One store was closed in both Poland and Turkey in 2018/19.

Investments in the **Others** segment amounted to €6 million in financial year 2018/19 (2017/18: €12 million). The decline is due to lower expenses for modernisation in Sweden, where there was extensive space optimisation in the previous year. There were no new stores or closures in the Others segment in the reporting period.

CECONOMY received cash of €27 million from **divestments** in 2018/19 (2017/18: €23 million). This primarily relates to the sale of shelving and other furnishings from the closed stores.

LIQUIDITY (CASH FLOW STATEMENT)

In the past financial year 2018/19, **cash flow from operating activities** from continuing operations resulted in a cash inflow of €86 million, compared to a cash inflow from continuing operations of €743 million in the previous year. This year-on-year decline of €657 million is primarily due to the expected negative change in net working capital in the reporting period as a result of the high basis as of 30 September 2018 (2018/19: €–310 million; 2017/18: €302 million). In addition, the reported EBIT of €224 million was €–196 million below the previous year's figure. This decline is primarily attributable to expenses in connection with the reorganization and efficiency program as well as management changes, which were partly cash-effective in the reporting period. This was countered by the development of the "Others" position (2018/19: €97 million; 2017/18:

COMBINED MANAGEMENT REPORT

€–45 million), due especially to a cash-effective reduction of receivables by €40 million, which primarily related to the disposal of retained net working capital from portfolio measures in the previous year.

In the past financial year, **cash flow from investing activities** of continuing operations recorded a cash inflow of €118 million (2017/18: cash outflow of €–278 million). Cash inflows from the disposal of a 5.4 per cent share in METRO AG in particular were offset in the previous year by inflows from the disposal of a 3.6 per cent share in METRO AG and cash outflows for the acquisition of the investment in M.video (€148 million) and from the sale of a company whose assets and liabilities consisted of pension obligations and related cash assets (€69 million). In addition, lower expenses for modernisation and more selective expansion activity resulted in lower investments in property, plant and equipment.

In the past financial year 2018/19, **cash flow from financing activities** from continuing operations resulted in a cash outflow of €178 million. This compares with a cash inflow from continuing operations of €56 million in the previous year. The change is mainly attributable to the cash inflow from the capital increase in the previous year amounting to €277 million. The net redemption of borrowings of €150 million exceeded the previous year's figure (2017/18: €121 million). However, this was countered by the fact that no dividends were paid to shareholders of CECONOMY AG this year. In the previous year, this payment amounted to €85 million.

Free cash flow from continuing operations amounted to €–107 million in financial year 2018/19. As a result of the high basis as of 30 September 2018 and the associated negative development of net working capital in the past financial year, free cash flow was €587 million below 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	2017/18	2018/19
Cash flow from operating activities from continuing operations	**743**	**86**
Cash flow from operating activities from discontinued operations	−60	0
Cash flow from operating activities	684	86
Cash flow from investing activities from continuing operations	**−278**	**118**
Cash flow from investing activities from discontinued operations	−164	0
Cash flow from investing activities	−442	118
Cash flow before financing activities from continuing operations	**465**	**204**
Cash flow before financing activities from discontinued operations	−224	0
Cash flow before financing activities	241	204
Cash flow from financing activities from continuing operations	**56**	**−178**
Cash flow from financing activities from discontinued operations	1	0
Cash flow from financing activities	57	−178
Total cash flows	299	26
Currency effects on cash and cash equivalents	−46	7
Total change in cash and cash equivalents	253	33

[1] Condensed version. The full version is included in the consolidated financial statements.

FINANCIAL MANAGEMENT

Principles and objectives of finance activities

In the context of financial management, CECONOMY ensures that the Group is liquid at all times, arranges the Group-wide management of liquidity and reduces financial risks wherever economically appropriate. The Treasury 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 2019 were as follows:

Moody's Investors Service

Category	
Long-term	Baa3
Short-term	P-3
Outlook	Negative

Scope Ratings

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

With these ratings, CECONOMY has access to all financial markets.

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 two to seven 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 2019.

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 €550 million and multi-year, confirmed credit facilities of €430 million. These extensive, multi-year credit facilities had not been utilised as of 30 September 2019 and are shown in the table below.

Undrawn credit facilities of CECONOMY AG

	30/09/2018			30/09/2019		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	491	26	465	431	1	430
Utilisation	−1	−1	0	−1	−1	0
Undrawn bilateral credit facilities	**490**	**25**	**465**	**430**	**0**	**430**
Syndicated credit facilities	550	0	550	550	0	550
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**550**	**0**	**550**
Total credit facilities	1,041	26	1,015	981	1	980
Total utilisation	−1	−1	0	−1	−1	0
Total undrawn credit facilities	**1,040**	**25**	**1,015**	**980**	**0**	**980**

ASSET POSITION

In financial year 2018/19, **total assets** decreased by €371 million to €8,103 million as of 30 September 2019 (30/09/2018: €8,475 million).

The €48 million decline in **non-current assets** to €2,233 million (30/09/2018: €2,282 million) is primarily due to the €73 million decline in property, plant and equipment to €736 million. This is the result firstly of disposals of long-term assets and reclassifications to assets held for sale. Secondly, depreciation, amortisation and impairment losses were higher than investments in the reporting period. Non-current assets were positively affected by a €16 million increase in financial assets due primarily to the measurement at fair value through other comprehensive income of the 15 per cent stake in M.video. In addition, deferred tax assets increased by €13 million and investments accounted for using the equity method increased by €9 million.

€ million	Note no.	30/09/2018	30/09/2019
Non-current assets		**2,282**	**2,233**
Goodwill	19	525	524
Other intangible assets	20	124	115
Property, plant and equipment	21	809	736
Financial assets	23	262	278
Investments accounted for using the equity method	23	488	497
Other financial assets	24	3	3
Other assets	24	11	7
Deferred tax assets	25	59	73

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

Current assets declined by €323 million to €5,870 million in the reporting period (30/09/2018: €6,193 million). In particular, other financial assets decreased by €379 million to €116 million due primarily to the sale of a 5.4 per cent share in METRO AG. Trade receivables and similar claims likewise declined by €158 million to €455 million. This is primarily attributable to the disposal of receivables from a customer financing program in Switzerland and the disposal of commission receivables due from a contract partner in the mobile communications area. This was countered by inventories, which rose by €68 million to €2,548 million, and the €56 million increase in receivables due from suppliers to €1,295 million. The MediaMarkt Greece business represents a disposal group for CECONOMY. The statement of financial position for the current period therefore recognises the affected assets separately as "assets held for sale". Because of this recognition, assets held for sale increased to €61 million (30/09/2018: €0 million).

€ million	Note no.	30/09/2018	30/09/2019
Current assets		**6,193**	**5,870**
Inventories	26	2,480	2,548
Trade receivables and similar claims	27	613	455[1]
Receivables due from suppliers	24	1,239	1,295
Other financial assets	24	495	116
Other assets	24	147	120
Entitlements to income tax refunds		103	142
Cash and cash equivalents	29	1,115	1,132
Assets held for sale	30	0	61

[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.

COMBINED MANAGEMENT REPORT

The balance sheet net working capital developed as follows in financial year 2018/19:

Net working capital

€ million	30/09/2017[1]	30/09/2018	Change	30/09/2018	30/09/2019[2]	Change
Inventories	2,449	2,480	31	2,480	2,548	68
Trade receivables and similar claims	497	613	117	613	417[3]	−197
Receivables due from suppliers	1,197	1,239	43	1,239	1,295	56
Receivables from credit cards	66	71	5	71	51	−20
Advance payments on inventories	0	0	0	0	1	1
Trade liabilities and similar liabilities	−4,817	−5,277	−460	−5,277	−4,914[4]	363
Liabilities to customers	−129	−45	83	−45	−13	32
Deferred sales from vouchers and customer loyalty programmes	−63	−137	−74	−137	−133	4
Provisions for customer loyalty programmes and right of return, liabilities for right of return	−19	−23	−5	−23	−22	1
Prepayments received on orders	−39	−46	−8	−46	−45	2
Net working capital	**−858**	**−1,125**	**−267**	**−1,125**	**−815**	**310**

[1] Balance sheet figures were adjusted for discontinued operations to enable comparison.
[2] Balance sheet figures for the current period do not include the assets and liabilities of the disposal group. The resulting effect for net working capital amounted to €−21 million.
[3] Not including contract assets from future contract extensions in connection with brokerage commissions of €39 million.
[4] This item does not include contract liabilities of €407 million.

The balance sheet **net working capital** declined by €310 million year-on-year to €−815 million (30/09/2018: €−1,125 million).

The reduced net working capital compared to the previous year is primarily due to an anticipated decrease in trade liabilities and similar liabilities by around €363 million to €−4,914 million because of the discontinuation of temporary payment term extensions and the planned early payment of invoices in the context of active cash management. Compared with the previous year, the positive weekday constellation effect on trade liabilities and similar liabilities no longer applied as of 30 September 2019. In addition, inventories rose by around €68 million to €2,548 million and receivables due from suppliers by around €56 million to €1,295 million. However, there was a positive effect from trade receivables and similar claims, which decreased by €197 million to €417 million. This decline resulted primarily from the disposal of receivables from a customer financing program in Switzerland and the disposal of commission receivables due from a contract partner in the mobile communications area.

Due to the separate recognition of the assets and liabilities of the MediaMarkt Greece disposal group, net working capital declined by €21 million.

Discontinued operations

In accordance with IFRS 5, the MediaMarkt Russia business disposed of in the previous year was classified as a discontinued operation. This did not include the Group costs allocated to Russia, which remained part of continuing operations in the previous year.

In the past **financial year 2018/19**, the profit or loss for the period from discontinued operations amounted to €1 million (2017/18: €−296 million). The share of minority interests amounted to €0 million (2017/18: €−62 million). Accordingly, the profit or loss for the period from discontinued operations attributable to shareholders for the past financial year amounted to €1 million (2017/18: €−234 million) or €0.00 (2017/18: €−0.70 per share).

↗ Further information on discontinued operations can be found in the notes – note 12 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. The statements below reflect a medium expected scenario.

Economic parameters 2019/20

The calendar year 2019 continues to be characterised by the political and economic uncertainties that emerged over the course of 2018.

In the current calendar year, the global economy's GDP growth rate is 3.1 per cent. This global development is supported chiefly by the growth of the emerging economies of 4.0 per cent and the USA of 2.3 per cent. A similar level of growth is expected for the global economy next year, 2020. The mid-term development of the global economy will, among other things, depend significantly on the potential effects of the US-China trade conflict. The USA is still posting moderate growth rates in 2019. A curtailment of local and global growth stimuli is expected to result in an economic downturn and a sharp decline in GDP growth in 2020. In 2019, the Chinese economy's growth momentum is falling only minimally, as the government is propping it up with fiscal and monetary measures. A slight slowdown in economic growth, still at a high level, is expected again in 2020.

Due to ongoing political and economic uncertainties, economic growth in the European Union (EU) has slowed year-on-year to 1.5 per cent. Economic growth is also being weighed down by the fruitless Brexit negotiations and the lack of a clear vision for the future relationship between Great Britain and the EU. In addition, falling growth rates in the three major European economies, Germany, France and Italy, are resulting in lower growth momentum for the entire EU region. Moderate growth is still expected for 2020, but it will be somewhat lower than the previous year's.

DACH

The economic upturn in Germany has lost momentum. Annual growth fell to 1.5 per cent in 2018. Weak economic figures such as declining industrial orders point to significantly weaker growth for 2019 of 0.5 per cent. This is attributable to the uncertainty relating to Brexit and the downturn in world trade. However, stable growth is still expected in private consumption, as wages continue to rise and the unemployment rate remains low. In 2020, growth is expected to recover slowly and amount to 0.9 per cent. The German economy's projected recovery is under threat from the possibility of a hard Brexit, an escalation of the Chinese-American trade conflict and a potential deterioration in trade relations between the USA and the EU.

In 2018, Austria achieved real economic growth of 2.7 per cent due to high domestic demand and a strong export sector. In 2019, the growth rate is significantly lower than in the previous year at 1.6 per cent. The growth factors of previous years will decline significantly, so real GDP growth of only 1.3 per cent is expected in 2020.

The Swiss economy saw an upswing in 2018, which was driven by strong export growth. In 2019, real economic growth is slowing markedly to 1.5 per cent. Stable growth at the previous year's level is expected for 2020.

In 2018, the Hungarian economy continued to grow very dynamically at a rate of 4.9 per cent. This positive development continued at the same level in 2019. As the EU's significant investing activities and private consumption in the country are weakening, real growth of only 3.8 per cent is forecast for 2020.

Western/Southern Europe

After years of solid growth rates, economic growth in Western/Southern Europe excluding DACH continued to slow compared to 2018 to 1.3 per cent in 2019. Here, too, the uncertainties relating to the approach of Brexit and the current downturn of the global economy remain downside risks for the region's GDP growth. For calendar year 2020, economic growth is expected to amount to 1.0 per cent overall.

The Netherlands and Spain are surpassing the 2019 trend with 1.8 per cent and 2.2 per cent respectively, while both countries will see a drop in the growth level in 2020.

Due among other things to the reversal of reforms already enacted, the economic decline in France continues in 2019 with real GDP growth of 1.3 per cent. Stable growth slightly below the previous year's level is expected for 2020.

Italy, the fourth-largest economy in Western Europe, still has structural and economic problems and very high government debt. In 2019, this starting position is leading to a significant slowdown of growth momentum to 0.1 per cent. A slight recovery of economic growth to 0.3 per cent is expected for 2020.

Due to the national impact of the continuing lack of a decision on Brexit, the economy in Great Britain is still growing at a relatively low level of 1.2 per cent in 2019. Real GDP growth will weaken further to 1.1 per cent in 2020.

Eastern Europe
In Eastern Europe (including Turkey and excluding Hungary), the economy is growing by 1.9 per cent in 2019, a much lower level than in the previous year. For 2020, the region is expected to recover slightly to real economic growth of 2.3 per cent.

The main driver for the development in this region is Turkey. Here, economic growth slowed significantly to 2.8 per cent in 2018. In 2019, there was a recession with negative real economic growth of –0.8 per cent. This negative development is a reaction to declining fiscal and monetary policy stimuli. Slightly positive economic growth of 1.5 per cent is expected again in 2020. Compared with previous years, only a low level of growth will be achieved in the medium term.

The economic recovery in Russia is continuing at a low level in 2019 and 2020. Real GDP growth of 1.9 per cent is expected in 2020. This development is driven by rising private consumption.

Poland is reporting dynamic economic growth of 4.2 per cent in 2019 and will continue this at a lower level of 3.4 per cent in 2020. Despite weaker growth rates, private consumption will remain an important support for the country's economic development in the future.

Sector development in the retail electronics sector

In financial year 2019/20, the European retail electronics sector looks set to develop at a low level.

It is to be expected that options for interconnectivity will be further enhanced in 2020. The interconnection of home technology, household appliances and consumer electronics (collectively referred to as the Smart Home), wearables, video and music streaming and voice assistants will become established. Virtual and augmented reality and numerous Internet of Things applications give hope of growth stimuli in the years to come, but cannot yet generate high volumes in the short and medium terms.

DACH
In Germany, development in the retail electronics sector is expected to stagnate in the coming financial year 2019/20. This is due to the high base level and the rate of innovation, which is expected to be rather average. In Austria and Switzerland, CECONOMY anticipates slightly positive growth rates for the coming year. As in previous years, growth in the Hungarian electronics market is expected to be significantly above this level in the mid-single digits.

Western/Southern Europe
In 2020, like the previous year, the saturated Western European electronics markets will continue to achieve only low growth momentum. For Spain, CECONOMY anticipates slight growth in the retail electronics sector in 2020. For Italy, slightly negative growth is expected as a result of the

difficult economic environment. In France, CECONOMY expects stagnation in 2020 despite moderate development in the current financial year.

Eastern Europe

In Eastern Europe, the electronics markets will continue to grow at different levels. Russia is currently exhibiting dynamic market growth in national currency. For 2020, CECONOMY expects the growth to continue at a positive level. Poland looks set to continue the growth of recent years at a somewhat lower level in financial year 2019/20. For the Turkish market, the political and economic uncertainties (relatively low economic growth, expected high inflation rate, unpredictable exchange rate development) mean that no reliable forecast can be made for 2020.

Outlook for CECONOMY

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

SALES

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

EARNINGS

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

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- and medium-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 EFFICIENT 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 is 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 Accounting, Controlling & Reporting, Risk Management & GRC, Investor Relations, Group Corporate Legal, Group Competition & Antitrust, Group Compliance, Data Protection, Audit & Consulting, Strategy, Value Creation, Innovation/Digital & Business Development, Group Projects & PMO departments as well as representatives of the MediaMarktSaturn Retail Group's (MMSRG) risk management. Guests are also invited to the meetings when required, for example from the Tax and Treasury & Insurance departments.

RISK MANAGEMENT

Powers 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 warning 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 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. Once a year, the Supervisory Board 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 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. CECONOMY thus guarantees 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 EBITDA or cash effects in terms of the corporate objectives) and probability of occurrence (in per cent). 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. In the current financial year and thus for this risk report, these thresholds were halved compared with the previous year. This is intended to guarantee maximum transparency with regard to CECONOMY's material risks.

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 any future mitigation measures. The risks are presented on a gross basis, i.e. before the initiation of future measures 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 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	D	C	B	A
		≤5% Unlikely	>5–25% Low	>25–50% Possible	>50–90% Likely	>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 the shareholders in the future.

No.	Material risks 2018/19	Risk group	Risk assessment
1	Intensification of competition in the digital transformation	Strategic risks	High
2	Deterioration of consumer confidence – economic crisis	Strategic risks	High
3	Loss of business associates	Strategic risks	High
4	Shortage of qualified employees for key functions	Strategic risks	High
5	Credit ratings	Financial risks	High
6	Impairment of assets	Financial risks	High
7	Violation of data protection law, leakage or manipulation of confidential data	Compliance risks	High
8	Cyberattacks – attacks on IT infrastructure	Operating risks	High

The change in the risk situation in comparison with the previous financial year 2017/2018 has already been detailed in CECONOMY's half-year financial report 2018/2019. Last year's high risk of the failure of the transformation of MMSRG was divided into specific risks, and the associated reorganization program was budgeted accordingly. The risks of bad debts due to the insolvency of business associates and of the reduced forecastability of sales in light of changing customer behaviour were reduced by taking effective measures and are no longer classified as high. In contrast, the risks of the deterioration of consumer confidence and the loss of strategically important suppliers had to be added and classified as high. The material operating risk reported in the previous year of the failure of the measures to strengthen country performance is now reported as the financial risk of the potential impairment of assets. This and the other material risks and the corresponding management measures are detailed below, arranged into various risk groups.

STRATEGIC RISKS RELATED TO THE RETAIL/WHOLESALE BUSINESS

Especially in the saturated markets of Western Europe and in light of the digital transformation, the retail industry is being permanently shaped by dynamic change and intense competition. This is giving rise to factors that can influence business development and constitute natural business risks. A material business risk is the ongoing, significant intensification of competition in the digital transformation, primarily due to global online retailers such as Amazon or Alibaba and European or national online retailers (risk no. 1). The 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 while simultaneously making it harder to recognise trends in consumer behaviour at an early stage. In online business too, which is a strong growth driver for CECONOMY, the intensification of competition could weaken the competitive position and curb further online expansion. Moreover, significantly slower growth than forecast in Services & Solutions may cause CECONOMY to lose market shares to competitors. This could negatively affect sales and EBITDA.

In order to counter this risk, CECONOMY is allocating ample 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 regularly evaluates internal and external information in order to identify and respond to market trends and customers' changing demands at an early stage. Customer expectations determine the prioritisation of market and technological development activities.

Another risk relates to the macroeconomic and political situation with the potential deterioration of consumer confidence in the countries in which CECONOMY operates (risk no. 2). The uneven development of the global economy with significantly weaker growth in Europe recently presents challenges for CECONOMY. The economic downturn, together with the effects of the global trade dispute between the USA and China, and the uncertainties within the European Union (EU) brought about by national conservative governments and national efforts to leave the EU (including Brexit) are resulting in financial and therefore economic uncertainties with potential negative consequences for consumption rates and currency stability. Changing national conditions as well as turmoil and changes in governments also pose risks for the countries in which CECONOMY operates. In the reporting period, this was particularly true for Italy and again Turkey, which are characterised by a persistently fraught 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.

In addition, the loss of strategically relevant business associates 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 the supplier, a change in merchandising concepts, or technical problems in the product but especially the service range. To this end, CECONOMY analyses information about business associates on a regular basis in order, if necessary, 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 associate can jeopardise the forecast EBITDA through lost sales, conditions and commissions. To compensate for such an effect, CECONOMY reduces the risk by managing the sales shares of different suppliers, establishing additional suppliers, expanding the range of services from different providers, and selling some of the receivables (factoring), but also by centralising the flows of goods and thus improving plannability for the suppliers.

Qualified employees provide the foundation for the company's success. Competition for competent specialists remains fierce, especially in the areas relevant for digitalisation. There is therefore a risk that there will not be enough qualified employees for CECONOMY to fill key functions (risk no. 4). This is true 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. These firstly enable effective management and development of the human resources and secondly support the acquisition of new, highly qualified employees. They include, 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 trainee programmes, the implementation of university marketing and the establishment of an employer branding strategy.

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 rating to non-investment grade below Baa3/BBB– as well as lower credit ratings from banks and suppliers could have negative implications for liquidity and Group financing (risk no. 5). 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 effects on suppliers and the payment terms granted to CECONOMY. Despite a small EBITDA effect, it could lead to a significant deterioration of the liquidity situation; negative implications for the net working capital cannot be ruled out. As a rule, deterioration of net working capital would trigger 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 the efficient allocation of investment resources and the active management of assets and liabilities. In addition, CECONOMY holds confirmed, multi-year and undrawn credit facilities with banks as part of the financing strategy.

The aim is to remain or become the market leader in the countries in which CECONOMY operates. Numerous measures have been defined to achieve this, which support the performance of low-margin countries in particular. However, the measures are counteracted by the described effects of competitive pressure and a declining gross margin, among other things. If the measures do not succeed quickly, this could result in operating losses and necessitate the revaluation of assets of the entities in question, including goodwill, and the recognition of provisions for onerous contracts. In addition, sustained and significant declines in prices of listed financial instruments and investments accounted for using the equity method could have a material impact on CECONOMY's earnings position (risk no. 6). After the introduction of IFRS 16, there is also a greater risk of write-downs, because the present value of lease payments is now recognised as a right-of-use asset. This may harm CECONOMY's net assets and earnings position. Measures to strengthen the country performance are therefore made a high priority. 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 and the restaffing of key functions in the units. In this regard, there is a particular focus on countries for which there is an impairment risk.

DATA PROTECTION RISKS (COMPLIANCE)

Data protection is important at CECONOMY AG and not just since the EU's General Data Protection Regulation came into force and the defined requirements were implemented. Due to the significant increase in regulatory and documentary requirements, there is a growing risk that these requirements will not be fully complied with (risk no. 7), resulting in sanctions or reputational damage. One of the core issues is the processing of customers' and employees' personal data. CECONOMY is aware of its significant responsibility and the importance of this matter. In order to permanently guarantee data protection, further measures will be implemented continuously, especially in connection with new business processes, and employees' awareness of the issue will continue to be raised in a sustainable manner. 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 has promptly taken technical and organisational measures to adhere to the required “privacy by design/privacy by default” principles.

OPERATING RISKS

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. 8). 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 standalone 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. In addition, CECONOMY insures against the monetary effects of business disruptions caused by cyber attacks as far as possible. These risks are further reduced by the permanent monitoring of cyber risks and the current implementation of an information security management system (ISMS) in accordance with ISO 27001.

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. We estimate the probability of occurrence for CECONOMY as unlikely and therefore consider these risks to be immaterial.

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 antitrust violations 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. In addition, an intensive dialogue is maintained with relevant start-ups in order to gain insights into new business areas and develop innovative ideas.

CECONOMY has a very high profile in the countries in which the Group is present. Leading positions have been achieved in many markets, which must be further consolidated and extended. Weaker market participants have withdrawn in particular from countries dominated by challenging conditions such as margin and competitive pressure. CECONOMY is trying to fill the gaps thus created or, where appropriate, to take over individual stores. CECONOMY wants to encourage local, national and international market consolidation. The withdrawal of competitors would provide opportunities for further gains in market share. To this end, competitors are being analysed continuously. Furthermore, additional potential is seen in the repositioning of country organisations and subsidiaries that are operating in a difficult economic or fiercely competitive environment. Ongoing transformation and repositioning measures, including within reorganization and efficiency programs, are aimed at improving the market position and increasing profitability. This relates in particular to focus issues such as category management and the consolidation of purchasing, supply chain, logistics and the country portfolio.

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 reorganisation 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. For example, these include the creation of a more sustainable product mix and measures to reduce CO_2 emissions. These opportunities and social engagement can have a positive influence on CECONOMY's reputation. This will 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 will become more attractive to sustainability-oriented investors in particular and 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 within at least a year that could jeopardise CECONOMY AG or the Group as a going concern. 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.

COMBINED MANAGEMENT REPORT

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 follow the German Commercial Code (HGB) and substantially the recommendations of the German Corporate Governance Code (GCGC) in the version of 7 February 2017 valid at the end of financial year 2018/19.

Material elements of the remuneration system for the members of the Management Board

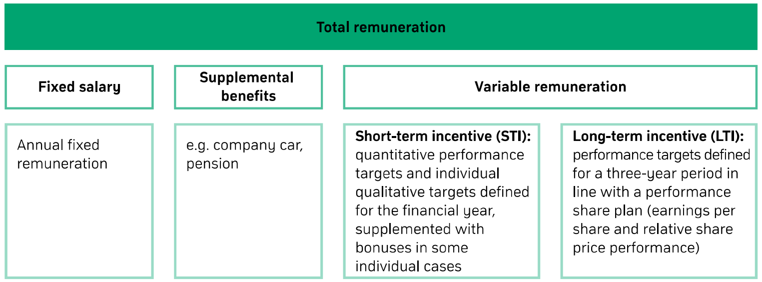
As stipulated by the German Stock Corporation Act (AktG) and the GCGC, the system for the remuneration of the Management Board is resolved by the Supervisory Board of CECONOMY AG. CECONOMY AG has had a new remuneration system since the start of financial year 2017/18. This was approved by the General 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 compensation 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



In the case of 100 per cent target attainment, 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) honours the company's operating development on the basis of financial performance targets for the financial year in question.

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 attainment on the basis of corporate planning, usually at the beginning of the financial year:

- Sales growth adjusted for currency and portfolio change effects (acquisitions and divestments)

- Earnings before interest and taxes – EBIT (as currency-adjusted delta as against the previous year)

- Net working capital – NWC

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

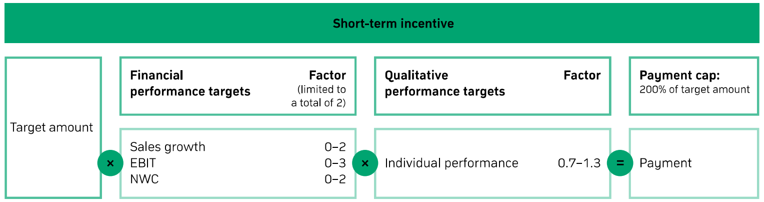
- If target fulfilment is 100 per cent, the target attainment factor equals 1.

- If target fulfilment is at or below the threshold, the target attainment factor equals 0.

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

The target attainment factor is limited to 2 for the sales growth and NWC performance targets and to 3 for the EBIT performance target. The arithmetic mean of the individual performance factors gives the overall target attainment factor, which is limited to 2.

Short-term performance-based remuneration



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 attainment 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 (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; in the event of 100 per cent target attainment the factor is 1. For values between 0 and 1 and over 1, the factor 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 and a defined peer group; 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 (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. 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.

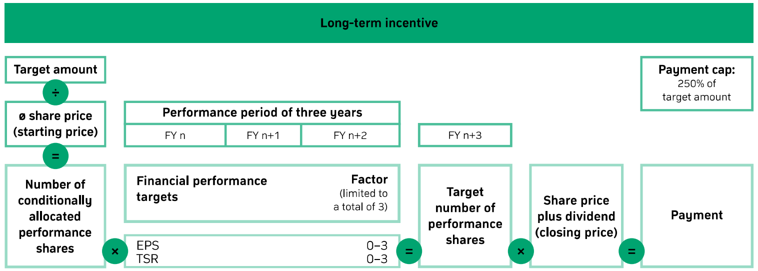
Calculation of the target number of performance shares and the payment amount: The arithmetic mean of the EPS and TSR target attainment factors gives the overall target attainment factor. It is multiplied by the number of conditionally allocated performance shares and gives the target number of performance 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 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. However, this payment is not made before the annual and consolidated financial statements for the financial years of the performance period are approved.

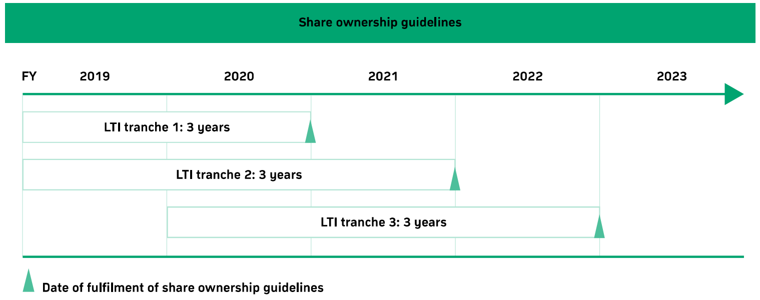
Long-term performance-based remuneration



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



Pre-existing tranches of older plans in the financial year

The Supervisory Board of the former METRO AG resolved in November 2016 that the tranches of performance-based remuneration with long-term incentive effect that were not yet terminated as scheduled at the date the demerger took effect would be settled and paid out during the year. In contrast, the portions not yet vested at this date were contributed to a new long-term incentive plan for CECONOMY AG at their corresponding pro rata temporis target amounts. "Earnings per share – EPS" was defined as a key figure for the portion of the sustainable performance plan 2015/16 tranche contributed to the new plans. This tranche ended in financial year 2018/19 and was paid out as scheduled.

PENSION

Since 2009, the members of the Management Board have received post-services benefit plans in the form of an commitment of services and a defined contribution and 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 March 2020), motor vehicle allowance or 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, 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 250 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 2018/19[1]

€ thousand	Financial year	Fixed salary	Supplemental benefits	STI	LTI[2]	Total
Jörn Werner[3]	2017/18	–	–	-	–	–
	2018/19	**525**	**17**	**617**	**914**	**2,072**
Karin Sonnenmoser[4]	2017/18	–	–	–	–	–
	2018/19	**321**	**19**	**308**	**609**	**1,257**
Dr Dieter Haag Molkenteller[5]	2017/18	700	34	0	229	963
	2018/19	**467**	**33**	**0[6]**	**0**	**499**
Dr Bernhard Düttmann[7]	2017/18	–	–	–	–	–
	2018/19	**618**	**0**	**0**	**0**	**618**
Mark Frese[8]	2017/18	900	33	0	481	1,414
	2018/19	**225**	**10**	**0[6]**	**0**	**235**
Pieter Haas[9]	2017/18	1,340	28	0	609	1,977
	2018/19	**112**	**5**	**0[6]**	**0**	**116**
Total	2017/18	2,940	95	0	1,319	4,354
	2018/19	**2,267**	**83**	**925**	**1,523**	**4,798**

[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] Chief Executive Officer and Labour Director 01/03/2019–17/10/2019
[4] Chief Financial Officer since 01/03/2019
[5] Member of the Management Board until 31/05/2019
[6] The short-term performance-based remuneration was settled pro rata temporis in line with the severance payment.
[7] Member of the Management Board and Labour Director 01/01/2019–25/03/2019
[8] Chief Financial Officer until 31/12/2018 and Labour Director 08/11/2018–31/12/2018
[9] Chief Executive Officer and Labour Director until 12/10/2018

Benefits granted (1/2)

	Jörn Werner				Karin Sonnenmoser				Dr Dieter Haag Molkenteller			
	Chief Executive Officer and Labour Director 01/03/2019–17/10/2019				Chief Financial Officer since 01/03/2019				Member of the Management Board until 31/05/2019			
	2017/18	2018/19	2018/19	2018/19	2017/18	2018/19	2018/19	2018/19	2017/18	2018/19	2018/19	2018/19
€ thousand			Minimum value	Maximum value			Minimum value	Maximum value			Minimum value	Maximum value
Fixed remuneration	–	525	525	525	–	321	321	321	700	467	467	467
Supplemental benefits	–	17	17	17	–	19	19	19	34	33	33	33
Total	**–**	**542**	**542**	**542**	**–**	**340**	**340**	**340**	**734**	**500**	**500**	**500**
One-year variable remuneration	–	408	408[1]	817	–	204	204[1]	408	400	267	0	533
Multi-year variable remuneration												
Performance share plan tranche 2017/18[2]; granted 13/04/2018; end of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2021	–	–	–	–	–	–	–	–	229	–	–	–
Performance share plan tranche 2018/19[2]; granted 11/04/2019; end of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2022	–	914	0	2,250	–	609	0	1,500	–	–	–	–
Total	**–**	**1,865**	**950**	**3,609**	**–**	**1,153**	**544**	**2,248**	**1,363**	**767**	**500**	**1,033**
Pension cost	–	93	93	93	–	53	53	53	154	103	103	103
Total remuneration	**–**	**1,958**	**1,044**	**3,702**	**–**	**1,206**	**597**	**2,301**	**1,517**	**869**	**603**	**1,136**

[1] For the financial year ending 30/09/2019, the pro rata STI was guaranteed at the target amount.
[2] The value shown is the fair value at the grant date of the tranche.

COMBINED MANAGEMENT REPORT

Benefits granted (2/2)

	Dr Bernhard Düttmann				Mark Frese				Pieter Haas			
	Member of the Management Board and Labour Director 01/01/2019–25/03/2019				Chief Financial Officer until 31/12/2018 and Labour Director 08/11/2018–31/12/2018				Chief Executive Officer and Labour Director until 12/10/2018			
	2017/18	2018/19	2018/19	2018/19	2017/18	2018/19	2018/19	2018/19	2017/18	2018/19	2018/19	2018/19
€ thousand			Minimum value	Maximum value			Minimum value	Maximum value			Minimum value	Maximum value
Fixed remuneration	–	618	618	618	900	225	225	225	1,340	112	112	112
Supplemental benefits	–	0	0	0	33	10	10	10	28	5	5	5
Total	**–**	**618**	**618**	**618**	**933**	**235**	**235**	**235**	**1,368**	**117**	**117**	**117**
One-year variable remuneration	–	–	–	–	840	210	0	420	1,064	90	0	181
Multi-year variable remuneration												
Performance share plan tranche 2017/18[1]; granted 13/04/2018; end of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2021	–	–	–	–	481	–	–	–	609	–	–	–
Performance share plan tranche 2018/19[1]; granted 11/04/2019; end of performance period: 40 trading days after CECONOMY AG Annual General Meeting in 2022	–	–	–	–	–	–	–	–	–	–	–	–
Total	**–**	**618**	**618**	**618**	**2,254**	**445**	**235**	**655**	**3,041**	**207**	**117**	**297**
Pension cost	–	–	–	–	244	61	61	61	340	28	28	28
Total remuneration	**–**	**618**	**618**	**618**	**2,498**	**506**	**296**	**716**	**3,381**	**235**	**145**	**325**

[1] The value shown is the fair value at the grant date of the tranche.

COMBINED MANAGEMENT REPORT

Benefits received

	Jörn Werner		Karin Sonnenmoser		Dr Dieter Haag Molkenteller		Dr Bernhard Düttmann		Mark Frese		Pieter Haas	
	Chief Executive Officer and Labour Director 01/03/2019–17/10/2019		Chief Financial Officer since 01/03/2019		Member of the Management Board until 31/05/2019		Member of the Management Board and Labour Director 01/01/2019–25/03/2019		Chief Financial Officer until 31/12/2018 and Labour Director 08/11/2018–31/12/2018		Chief Executive Officer and Labour Director until 12/10/2018	
€ thousand	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Fixed remuneration	–	525	–	321	700	467	–	618	900	225	1,340	112
Supplemental benefits	–	17	–	19	34	33	–	-	33	10	28	5
Total	**–**	**542**	**–**	**340**	**734**	**500**	**–**	**618**	**933**	**235**	**1,368**	**117**
One-year variable remuneration	–	617	–	308	175	0	–	0	828	0	1,049	0
Multi-year variable remuneration												
Payment of the new roll-over LTI plan of the portion of the 2014/15 tranche of the sustainable performance plan (version 2014) not yet earned at the time of the spin-off, depending on ROCE	–	–	–	–	59	–	–	–	428	–	428	–
Payment of the new roll-over LTI plan of the portion of the 2015/16 tranche of the sustainable performance plan 2.0 (version 2014) not yet earned at the time of the spin-off, depending on EPS	–	–	–	–	–	61	–	–	–	–	–	–
Other	–	0	–	0	0	0	–	0	0	0	0	0
Total	**–**	**1,159**	**–**	**648**	**968**	**561**	**–**	**618**	**2,189**	**235**	**2,845**	**117**
Pension cost	–	93	–	53	154	103	–	–	244	61	340	28
Total remuneration	**–**	**1,252**	**–**	**701**	**1,122**	**663**	**–**	**618**	**2,433**	**296**	**3,185**	**145**

Post-service benefits in financial year 2018/19 (including pension)

€ thousand	Jörn Werner[1]	Karin Sonnenmoser[2]	Dr Dieter Haag Molkenteller[3]	Dr Bernhard Düttmann[4]	Mark Frese[5]	Pieter Haas[6]	Total
Expense – post-service benefit plan (as per IFRS)	93	53	103	0	61	28	**337**
Expense – post-service benefit plan (as per HGB)	97	67	103	0	57	−33	**291**
Provision[7] (as per IFRS)	4	15	0	0	0	0	**19**
Provision[7] (as per HGB)	4	15	0	0	0	0	**19**
Present value of obligation volume (as per IFRS)	143	93	1,047	0	2,338	2,010	**5,632**
Present value of obligation volume (as per HGB)	143	93	1,047	0	2,338	2,010	**5,631**

[1] Chief Executive Officer and Labour Director 01/03/2019–17/10/2019
[2] Chief Financial Officer since 01/03/2019
[3] Member of the Management Board until 31/05/2019
[4] Member of the Management Board and Labour Director 01/01/2019–25/03/2019
[5] Chief Financial Officer until 31/12/2018 and Labour Director 08/11/2018–31/12/2018
[6] Chief Executive Officer and Labour Director until 12/10/2018
[7] Provision up to 30/09/2019

TOTAL REMUNERATION OF FORMER MEMBERS OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2018/19

Benefits of €3.0 million (2017/18: €3.3 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 2018/19. The present value of obligations for ongoing pensions and entitlements to pensions in accordance with IFRS is €48.0 million (30/09/2018: €45.3 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €39.1 million (30/09/2018: €38.4 million).

VERTICAL REMUNERATION COMPARISON

In accordance with Sec. 4.2.2 sent. 5 GCGC, 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

TERMINATION BENEFITS IN FINANCIAL YEAR 2018/19

Agreements for the early termination of the respective service agreements were concluded in the reporting period with the former Management Board members Mr Pieter Haas, Mr Mark Frese and Dr Dieter Haag Molkenteller. In this context, payments were agreed with the former Management Board members to settle their remuneration entitlements (especially variable remuneration components) already acquired by the date of termination in order to compensate for the early termination of the service agreements before the end of their respective terms and to settle the waiting allowances. A payment was also agreed with Mr Haas for the duration of the notice period that CECONOMY AG should have observed in the event of termination of the service agreement following dismissal. The payments agreed in this context include the respective contractually agreed payment caps in accordance with GCGC. In addition, the company reimbursed Mr Frese's and Dr Haag Molkenteller's expenses for legal advice.

Termination benefits in financial year 2018/19

€ thousand	Remuneration (until ordinary termination took effect[1])	Severance payment for rest of originally agreed agreement term and settlement of LTI entitlements earned[2]	Non-competition Remuneration[3]	Other[4]	Total
Pieter Haas					
(Agreement terminated: 31/10/2018; original remaining term: until 01/03/2022)	1,389	7,798	2,000	–	11,187
Mark Frese					
(Agreement terminated: 31/12/2018; original remaining term: until 31/12/2020)	–	5,900	1,500	30	7,430
Dr Dieter Haag Molkenteller					
(Agreement terminated: 31/05/2019; original remaining term: until 30/09/2020)	–	3,557[5]	850	30	4,437
Total	**1,389**	**17,255**	**4,350**	**60**	**23,054**

[1] In the period until an ordinary termination took effect, Mr Pieter Haas was already no longer obliged to render services for CECONOMY AG.
[2] The agreements of the severance amount were based – as provided for in the respective service agreement – on a cap of twice the annual remuneration. The severance payment is therefore in line with the recommendations of the GCGC. In addition, the portions of the respective LTI tranches already earned and the respective roll-over LTI tranches were paid out.
[3] Post-contractual prohibition on competition of twelve months for Mr Haas and Mr Frese and six months for Dr Haag Molkenteller
[4] Reimbursement of costs for legal consulting
[5] This amount includes a monthly payment to Dr Haag Molkenteller of €17,500 up to 30/09/2020 to replace the entitlement to long-term remuneration for financial year 2019/20 that he would have acquired if his employment contract had continued after 31/05/2019.

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 two times 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 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 2018/19. 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 2018/19 pursuant to Article 13 of the articles of association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Jürgen Fitschen		
(01/10/2018–30/09/2019, Chairman of the Supervisory Board, Chairman of the Presidential Committee, Chairman of the Nomination Committee and Chairman of the Mediation Committee)	2017/18	240,000
	2018/19	**240,000**
Jürgen Schulz		
(01/10/2018–30/09/2019, Vice Chairman of the Supervisory Board, member of the Presidential Committee and member of the Mediation Committee)	2017/18	140,000
	2018/19	**160,000**
Wolfgang Baur		
(01/10/2018–30/09/2019)	2017/18	46,666
	2018/19	**80,000**
Kirsten Joachim Breuer		
(01/10/2018–30/09/2019)	2017/18	46,666
	2018/19	**80,000**

Remuneration of Supervisory Board members for financial year 2018/19 pursuant to Article 13 of the articles of association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Karin Dohm		
(01/10/2018–30/09/2019, Chairperson of the Audit Committee)	2017/18	143,333
	2018/19	**160,000**
Dr Bernhard Düttmann		
(01/10/2018–31/12/2018 and 26/03/2019–30/09/2019, member of the Nomination Committee and member of the Mediation Committee, of which as member of the Audit Committee: 01/06/2019–30/09/2019)	2017/18	80,000
	2018/19	**100,000**
Daniela Eckardt		
(01/10/2018–30/09/2019)	2017/18	80,000
	2018/19	**80,000**
Dr Florian Funck		
(01/10/2018–30/09/2019, member of the Audit Committee)	2017/18	120,000
	2018/19	**120,000**
Ludwig Glosser		
(01/10/2018–30/09/2019, member of the Audit Committee and member of the Mediation Committee)	2017/18	93,333
	2018/19	**120,000**
Julia Goldin		
(01/10/2018–30/09/2019)	2017/18	80,000
	2018/19	**80,000**
Jo Harlow		
(01/10/2018–30/09/2019)	2017/18	80,000
	2018/19	**80,000**
Peter Küpfer		
(01/10/2018–30/04/2019, member of the Audit Committee)	2017/18	120,000
	2018/19	**70,000**
Rainer Kuschewski		
(01/10/2018–30/09/2019, member of the Audit Committee)	2017/18	110,000
	2018/19	**120,000**
Stefanie Nutzenberger		
(16/09/2019–30/09/2019)	2017/18	–
	2018/19	**6,667**

Remuneration of Supervisory Board members for financial year 2018/19 pursuant to Article 13 of the articles of association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Claudia Plath		
(01/10/2018–30/09/2019, of which member of the Nomination Committee: 11/12/2018–30/09/2019)	2017/18	53,333
	2018/19	**100,000**
Jens Ploog		
(01/10/2018–30/09/2019, member of the Presidential Committee)	2017/18	60,000
	2018/19	**120,000**
Birgit Popp		
(01/10/2018–30/09/2019)	2017/18	80,000
	2018/19	**80,000**
Dr Fredy Raas		
(01/10/2018–13/02/2019 and 13/02/2019 – 30/09/2019)	2017/18	80,000
	2018/19	**80,000**
Regine Stachelhaus		
(01/10/2018–30/09/2019, member of the Presidential Committee and member of the Nomination Committee)	2017/18	120,000
	2018/19	**120,000**
Christoph Vilanek		
(07/05/2019–30/09/2019)	2017/18	–
	2018/19	**33,333**
Lena Widmann		
(30/09/2018–08/06/2019)	2017/18	46,666
	2018/19	**60,000**
Sylvia Woelke		
(01/10/2018–30/09/2019, Vice Chairperson of the Audit Committee)	2017/18	113,333
	2018/19	**120,000**
Total[2]	2017/18	1,933,330
	2018/19	**2,210,000**

[1] Plus any VAT pursuant to Article 13 para. 5 of the articles of association
[2] The 2017/18 values are shown for members of the Supervisory Board active in financial year 2018/19.

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 2018/19, 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 2019 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.

COMBINED MANAGEMENT REPORT

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 2018/19 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 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 of the German Securities Trading Act (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 here 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.

In the 2016/17 financial year, the Management Board decided to grant CECONOMY AG employees ordinary shares in CECONOMY AG in three tranches as an incentive. Utilising the statutory authorisation under Sec. 71 para. 1 no. 2 AktG, the required shares are to be transferred to the employees using three individual buy-back programmes with a total volume of up to approximately €90,000 and the shares acquired immediately prior to being transferred. In accordance with statutory provisions, the shareholders are not to be granted any pre-emption right to the shares acquired as part of the buy-back programme. The first share buy-back programme in the amount required to transfer the first tranche was carried out at the beginning of October 2018. CECONOMY AG purchased a total of 2,448 of its ordinary shares on 2 October 2018 and concluded the first share buy-back programme. The second share buy-back programme thus came into effect at the end of October 2018. Under this, CECONOMY AG purchased a total of 4,080 of its ordinary shares on 25 October 2018 and concluded the second share buy-back programme. The third share buy-back programme began at the end of February 2019. CECONOMY AG purchased a total of 7,638 of its ordinary shares on 21 February 2019 and concluded the third share buy-back programme.

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 currently the borrower in a syndicated loan agreement and multi-year, confirmed, bilateral lending agreements 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 in question was concluded lose this control. Secondly, one or more than one parties must obtain control over CECONOMY AG. In this case, banks may terminate the agreements and require that loans established under the agreements 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 2019.

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, her employment contract included a compensation agreement in the event of a takeover bid. 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 remuneration (increased where necessary), the target short-term incentive (increased where necessary) and the target amount of the long-term incentive (increased where necessary), 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 2018/19 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.

For financial year 2018/19, CECONOMY AG expected net income before dividends from subsidiaries to be slightly lower than in the prior year at €–60 million (prior year figure excluding income from investments and excluding income and expenses from profit and loss transfer agreements). Net income in 2018/19 before dividends from direct and indirect subsidiaries and before income and expenses from profit and loss transfer agreements came to €–78 million, thus falling slightly short of the forecast. This net income includes expenses of €26 million associated with the reorganization and efficiency program and top management changes. After adjusting for expenses associated with the reorganization and efficiency program management changes, net income thus comes to €–52 million. Overall, therefore, this figure was slightly higher than forecast.

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.

Earnings position of CECONOMY AG and profit appropriation

Income statement for the financial year from 1 October 2018 to 30 September 2019 pursuant to HGB

€ million	2017/18	2018/19
Sales	1	3
Investment result	–22	84
Net financial result	–11	–18
Other operating income	4	7
Personnel expenses	–23	–48
Depreciation, amortisation and impairment losses on intangible and tangible assets	0	0
Other operating expenses	–31	–22
Income taxes	0	0
Earnings after taxes	**–82**	**6**
Other taxes	0	0
Net income for the year (in previous year: net loss for the year)	**–82**	**6**
Loss carry-forward from the previous year (in previous year: retained earnings from the previous year)	23	–59
Balance sheet loss	**–59**	**–53**

Revenue in the amount of €3 million (2017/18: €1 million relates to CECONOMY AG's service charges to affiliated companies, which are primarily attributable to Media-Saturn-Holding GmbH.

CECONOMY AG recognised an investment result of €84 million in financial year 2018/19 (2017/18: €−22 million).

The income from investments relates to profit shares from the limited partnership investment in METRO PROPERTIES GmbH & Co. KG of €11 million (2017/18: €4 million) and dividend payments from the investment in METRO AG of €3 million (2017/18: €3 million).

The income from profit transfer agreements of €79 million primarily relates to CECONOMY Retail GmbH, which holds 78.38 per cent of Media-Saturn-Holding GmbH.

The expenses from loss absorption are almost entirely attributable to CECONOMY Digital GmbH (2017/18: €0 million).

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 from interest accrued on provisions for post-employment benefit plans and similar obligations and from interest expenses from the liabilities assumed in connection with the multi-currency commercial paper programme and the promissory note loans. The other finance costs primarily include expenses of €4 million for the valuation allowance on the loan receivable from Retail Media Group GmbH.

Other operating income primarily includes income from the reversal of provisions of €6 million and other income from cost transfers of €1 million.

Personnel expenses total €48 million in the current financial year 2018/19.

Expenses for wages and salaries amount to €44 million. The €28 million increase in expenses for wages and salaries primarily comprises severance payments of €26 million due to top management changes at CECONOMY AG.

Average headcount at CECONOMY AG in financial year 2018/19 was 82 (2017/18: 90, twelve-month average). This includes 11 senior (2017/18: 16) and 71 non-senior employees (2017/18: 74).

In the current financial year 2018/19, CECONOMY AG's other operating expenses primarily include consulting expenses of €10 million (2017/18: €16 million) and other expenses in connection with the holding function.

No dividend payment is planned for financial year 2018/19. The balance sheet loss of €53 million is carried forward to new account as loss carry-forward.

Financial position of CECONOMY AG

CASH FLOWS

The item cash on hand, bank deposits and cheques totalled €214 million as of the closing date (30 September 2018: €173 million) and comprises short-term deposits and financial investments at banks.

The increase against the previous year's closing date as of 30 September 2018 chiefly stems from a financial investment of MWFS Zwischenholding GmbH & Co. KG at CECONOMY AG resulting from the disposal of 5.4 per cent of its shares held in METRO AG. These cash funds were used to reduce financial debt and were also invested on the money market to optimise income.

CAPITAL STRUCTURE

Equity and liabilities

€ million	30/09/2018	30/09/2019
Equity		
Share capital	919	919
Ordinary shares	912	912
Preference shares	7	7
(Contingent capital)	(128)	(128)
Capital reserve	321	321
Balance sheet loss	–59	–53
	1,181	**1,187**
Provisions	**132**	**134**
Liabilities	**637**	**760**
Deferred income	**0**	**1**
	1,950	**2,082**

On the equity and liabilities side of the balance sheet, equity accounted for €1,187 million (30/09/2018: €1,181 million) and provisions, liabilities and deferred income for €895 million (30/09/2018: €769 million). The equity ratio was 57.0 per cent as of the closing date in comparison to 60.6 per cent in the prior year. This change in equity reflects the lower balance sheet loss in the 2018/19 financial year.

Provisions for post-employment benefit plans and similar obligations have been recognised for direct pension commitments in the amount of €82 million (30 September 2018: €82 million) and for shortfalls in underfunded pension funds in the amount of €41 million (30 September 2018: €39 million). In accordance with Sec. 253 para. 2 HGB, the actuarial interest rate was set at 2.82 per cent for financial year 2018/19 (2017/18: 3.34 per cent), which is projected as the average market interest rate for the past ten years. This interest rate assumes a remaining term of 15 years. The difference between the carrying amount of provisions for partial retirement obligations based on the average market interest rate for the past ten years and the carrying amount based on the average market interest rate for the past seven years is €10 million (30 September 2018: €12 million). This amount must be taken into consideration when calculating the amount subject to restriction on distribution.

Assets from pension insurance of €22 million (30 September 2018: €20 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 €6 million, €3 million of which relates to bonus provisions, €2 million to severance payment provisions and €1 million to obligations for share-based payments.

Liabilities from completed commercial paper programmes are recognised under bonds. The multi-currency commercial paper programme covers the short-term financing requirement and has a maximum volume of €500 million as an ongoing capital market programme. As of 30 September 2019, the programme was utilised at a volume of €0 million (30 September 2018: €145 million).

CECONOMY AG possesses liquidity reserves that, as well as the held liquidity, comprise a syndicated credit facility of €550 million (30 September 2018: €550 million) and multi-year, confirmed credit facilities of €430 million (30 September 2018: €465 million). These extensive, multi-year credit facilities had not been utilised as of 30 September 2019.

Liabilities to banks include promissory note loans arranged in financial year 2016/17 of €250 million with a remaining term of two to seven years.

Trade payables include cost and investment accounts.

In financial year 2018/19, €497 million of the liabilities to affiliated companies resulted from short-term financial investments of Group companies at CECONOMY AG and primarily from a liability to CECONOMY Digital GmbH of €9 million from the loss absorption on the basis of the existing profit and loss transfer agreement.

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 primarily includes deferred income of €1 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 2019 primarily include €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.

Asset position of CECONOMY AG

Assets

€ million	30/09/2018	30/09/2019
Fixed assets		
Intangible assets	1	1
Tangible assets	0	1
Financial assets	1,555	1,537
	1,556	**1,539**
Current assets		
Receivables and other assets	219	327
Cash on hand, bank deposits and cheques	173	214
	392	**541**
Prepaid expenses and deferred charges	**2**	**2**
	1,950	**2,082**

Assets totalled €2,082 million as of the closing date (30/09/2018: €1,950 million) and comprise primarily financial investments at €1,537 million (30/09/2018: €1,555 million). Financial investments account for 73.82 per cent (30/09/2018: 79.74 per cent) of total assets.

Intangible assets essentially include purchased software and licences. Property, plant and equipment essentially comprise business and office equipment and own vehicles.

Shares in affiliated companies as of 30 September 2019 came to €1,524 million (30 September 2018: €1,542 million) and essentially comprise 100 per cent of the shares in CECONOMY Retail GmbH with a carrying amount of €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 MWFS Zwischenholding GmbH & Co. KG, with a carrying amount of €410 million, and 100 per cent of shares in CECONOMY Retail International GmbH, with a carrying amount of €453 million. CECONOMY Retail International GmbH has a 24.33 per cent interest in Fnac Darty S.A. Ivry-sur-Seine, France.

The disposal in the item shares in affiliated companies in the amount of €18 million reflects withheld tax on capital gains in connection with the disposal of shares in METRO AG indirectly held by MWFS Zwischenholding GmbH & Co. KG as well as METRO AG's dividend distribution to MWFS Zwischenholding GmbH & Co. KG. Given that CECONOMY AG, as shareholder of MWFS Zwischenholding GmbH & Co. KG, is asserting the tax claim from the withheld tax on capital gains against the tax office, this represents a withdrawal from MWFS Zwischenholding GmbH & Co. KG which has resulted in a corresponding reduction of the carrying amount of the investment in MWFS Zwischenholding GmbH & Co. KG for CECONOMY AG.

The investments comprise 6.61 per cent of shares in METRO PROPERTIES GmbH & Co. KG in the amount of €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 €189 million in receivables resulting from the financing function of CECONOMY AG as holding company to Group companies (30 September 2018: €205 million). Of this, €184 million is attributable to CECONOMY Retail GmbH, €4 million to CECONOMY Digital GmbH and €1 million to Retail Media Group GmbH. The receivable from Retail Media Group GmbH in the amount of €4 million was written down to the lower of cost or fair value. The receivables from affiliated companies also included €80 million in receivables under profit and loss transfer agreements (30 September 2018: €1 million), of which €79 million relates to CECONOMY Retail GmbH and €5 million to receivables from service charges to subsidiaries (30 September 2018: €1 million).

Other assets essentially comprised €53 million in claims to tax refunds (30 September 2018: €10 million). Receivables from withheld tax on capital gains accounts for €52 million of this. €27 million of this (30 September 2018: €1 million) relates to the assumption of the receivable for capital gains tax of CECONOMY Retail GmbH resulting from the distribution of profit or loss by Media-Saturn-Holding GmbH for the 2016/17 financial year and €24 million (30 September 2018: €6 million) relates to the assumption of receivables for capital gains tax of MWFS Zwischenholding GmbH & Co. KG from the disposal of shares in METRO AG and the dividend distribution by METRO AG to MWFS Zwischenholding GmbH & Co. KG. Other assets also include €1 million in value-added tax refund claims.

Prepaid expenses and deferred charges amounted to €2 million as of the closing date (30 September 2018: €2 million). They include €1 million in commission for a syndicated credit facility and a promissory note loan of €250 million issued in the previous year and €1 million in prepaid rental expenses for a building at the Shared Service Centre in Pune, India, previously leased by METRO AG.

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 risk situation depends largely on the 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 2019/20 financial year, excluding dividends from subsidiaries, to be significantly higher than in the 2018/19 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 2018 to 30 September 2019

€ million	Note no.	2017/18	2018/19
Sales	**1**	**21,418**	**21,455**
Cost of sales		−17,104	−17,308
Gross profit on sales		**4,314**	**4,147**
Other operating income	2	194	196
Selling expenses	3	−3,580	−3,456
General administrative expenses	4	−511	−663
Other operating expenses	5	−17	−13
Earnings share of operating companies recognised at equity	6	21	22
Net impairments on operating financial assets and contract assets	7	0	−9
Earnings before interest and taxes EBIT		**419**	**224**
Other investment result	6	−182	46
Interest income	8	28	26
Interest expenses	8	−41	−40
Other financial result	9	−3	−21
Net financial result		**−198**	**12**
Earnings before taxes EBT		**221**	**235**
Income taxes	11	−134	−77
Profit or loss for the period from continuing operations		**87**	**158**
Profit or loss for the period from discontinued operations after taxes	12	−296	1
Profit or loss for the period		**−210**	**160**
Profit or loss for the period attributable to non-controlling interests	13	2	37
from continuing operations		(64)	(37)
from discontinued operations		(−62)	(0)
Profit or loss for the period attributable to shareholders of CECONOMY AG		−212	122
from continuing operations		(23)	(121)
from discontinued operations		(−234)	(1)
Earnings per share in € (basic = diluted)	**14**	**−0.64**	**0.34**
from continuing operations		(0.07)	(0.34)
from discontinued operations		(−0.70)	(0.00)

Reconciliation from profit or loss for the period to total comprehensive income for the financial year from 1 October 2018 to 30 September 2019

€ million	Note no.	2017/18	2018/19
Profit or loss for the period	**12, 13**	**–210**	**160**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**31**	**3**	**–41**
Remeasurement of defined benefit pension plans	32	–4	–47
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income		0	17
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	8	–12
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		0	1
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**31**	**92**	**20**
Currency translation differences from translating the financial statements of foreign operations		20	20
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income		69	0
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	1	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		2	0
Other comprehensive income	**31**	**95**	**–20**
Total comprehensive income	**31**	**–114**	**139**
Total comprehensive income attributable to non-controlling interests	31	2	43
Total comprehensive income attributable to shareholders of CECONOMY AG	31	–116	96

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position as of 30 September 2019
Assets

€ million	Note no.	30/09/2018	30/09/2019
Non-current assets		**2,282**	**2,233**
Goodwill	19	525	524
Other intangible assets	20	124	115
Property, plant and equipment	21	809	736
Financial assets	23	262	278
Investments accounted for using the equity method	23	488	497
Other financial assets	24	3	3
Other assets	24	11	7
Deferred tax assets	25	59	73
Current assets		**6,193**	**5,870**
Inventories	26	2,480	2,548
Trade receivables and similar claims	27	613	455[1]
Receivables due from suppliers	24	1,239	1,295
Other financial assets	24	495	116
Other assets	24	147	120
Entitlements to income tax refunds		103	142
Cash and cash equivalents	29	1,115	1,132
Assets held for sale	30	0	61
		8,475	**8,103**

[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.	30/09/2018	30/09/2019
Equity	**31**	**665**	**784**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		−554	−478
Non-controlling interests		−21	22
Non-current liabilities		**1,025**	**1,042**
Provisions for post-employment benefit plans and similar obligations	32	547	574
Other provisions	33	44	33
Borrowings	34, 36	287	292
Other financial liabilities	34, 37	52	53[1]
Other liabilities	37	64	56
Deferred tax liabilities	25	31	35
Current liabilities		**6,784**	**6,277**
Trade liabilities and similar liabilities	34, 35	5,277	5,321[1]
Provisions	33	190	165
Borrowings	34, 36	153	10
Other financial liabilities	34, 37	400	445[1]
Other liabilities	37	671	215[1]
Income tax liabilities	34	94	51
Liabilities related to assets held for sale	30	0	70
		8,475	**8,103**

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

Statement of changes in equity[1]
for the financial year from 1 October 2018 to 30 September 2019

€ 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
30/09 or 01/10/2017	**835**	**128**	**0**	**−5**	**−40**	**−259**
Earnings after taxes	0	0	0	0	0	0
Other comprehensive income	0	0	0	70	20	−4
Total comprehensive income	**0**	**0**	**0**	**70**	**20**	**−4**
Capital increases	83	194	0	0	0	0
Dividends	0	0	0	0	0	0
Capital transactions with change in equity interest without loss of control	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
30/09 or 01/10/2018	**919**	**321**	**0**	**65**	**−20**	**−263**
Adjustment for IFRS 9	0	0	0	−57	0	0
Adjustment for IFRS 15	0	0	0	0	0	0
01/10/2018 adjusted	**919**	**321**	**0**	**9**	**−20**	**−263**
Earnings after taxes	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
Capital transactions with change in equity interest without loss of control	0	0	0	0	0	−1
Other changes	0	0	0	0	0	0
30/09/2019	**919**	**321**	**0**	**23**	**−5**	**−309**

Statement of changes in equity[1]
for the financial year from 1 October 2018 to 30 September 2019

€ 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
30/09 or 01/10/2017	**0**	**−2**	**11**	**−294**	**668**	**−2**	**666**
Earnings after taxes	0	0	−212	−212	−212	2	−210
Other comprehensive income	9	1	0	96	96	−1	95
Total comprehensive income	**9**	**1**	**−212**	**−116**	**−116**	**2**	**−114**
Capital increases	0	0	0	0	277	0	277
Dividends	0	0	−107[2]	−107	−107	−13[3]	−120
Capital transactions with change in equity interest without loss of control	0	0	−3	−3	−3	3	0
Other changes	0	0	−33	−33	−33	−11	−44
30/09 or 01/10/2018	**9**	**0**	**−344**	**−554**	**686**	**−21**	**665**
Adjustment for IFRS 9	0	0	55	−1	−1	0	−2
Adjustment for IFRS 15	0	0	0	0	0	0	1
01/10/2018 adjusted	**9**	**0**	**−288**	**−554**	**685**	**−22**	**664**
Earnings after taxes	0	0	122	122	122	37	160
Other comprehensive income	−11	1	0	−27	−27	6	−20
Total comprehensive income	**−11**	**1**	**122**	**96**	**96**	**43**	**139**
Capital increases	0	0	0	0	0	28[4]	28
Dividends	0	0	−10[2]	−10	−10	−37[3,4]	−47
Capital transactions with change in equity interest without loss of control	0	0	−10	−11	−11	10	−1
Other changes	0	0	1	1	2	0	1
30/09/2019	**−2**	**0**	**−185**	**−478**	**762**	**22**	**784**

[1] Equity is explained in the notes – note 31 Equity.
[2] The reported dividend includes dividends to minority shareholders in the amount of €−10 million (2017/18: €−22 million), whose shares are reported in full as liabilities due to put options.
[3] The reported dividend includes dividends to minority shareholders in the amount of €−3 million (2017/18: €−6 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.

Cash flow statement[1]
for the financial year from 1 October 2018 to 30 September 2019

€ million	2017/18	2018/19
EBIT	419	224
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	231	241
Change in provisions for pensions and similar obligations	−51	−16
Change in net working capital[2]	302	−310
Income taxes paid	−119	−152
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	6	3
Other	−45	97
Cash flow from operating activities from continuing operations	**743**	**86**
Cash flow from operating activities from discontinued operations	−60	0
Cash flow from operating activities	**684**	**86**
Acquisition of subsidiaries	−1	0
Investments in property, plant and equipment (excl. finance leases)	−203	−154
Other investments	−60	−39
Financial investments and securities	−195	−152
Disposals of financial investments and securities	226	435
Disposal of long-term assets and other disposals	−45	27
Cash flow from investing activities from continuing operations	**−278**	**118**
Cash flow from investing activities from discontinued operations	−164	0
Cash flow from investing activities	**−442**	**118**
Dividends paid	−120	−29
thereof dividends paid to the shareholders of CECONOMY	(−85)	(0)
Payment received from capital increase	277	0
Redemption of liabilities from put options of non-controlling interests	−3	−2
Proceeds from long-term borrowings	168	155
Redemption of borrowings	−289	−305
Interest paid	−22	−29
Interest received	17	15
Profit and loss transfers and other financing activities	28	16
Cash flow from financing activities from continuing operations	**56**	**−178**
Cash flow from financing activities from discontinued operations	1	0
Cash flow from financing activities	**57**	**−178**

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Cash flow statement[1]
for the financial year from 1 October 2018 to 30 September 2019

€ million	2017/18	2018/19
Total cash flows	**299**	**26**
Currency effects on cash and cash equivalents	−46	7
Total change in cash and cash equivalents	**253**	**33**
Cash and cash equivalents as of 01/10	861	1,115
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 01/10	**861**	**1,115**
Total cash and cash equivalents as of 30/09	1,115	1,148
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	15
Total cash and cash equivalents as of 30/09	**1,115**	**1,132**

[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.

NOTES

Segment reporting[1]

Operating segments

	Continuing operations											
	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]	
€ million	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
External sales (net)	12,410	12,565	6,777	6,807	1,689	1,567	542	516	0	0	21,418	21,455
Internal sales (net)	19	23	2	3	0	0	12	10	−33	−36	0	0
Sales (net)	12,430	12,588	6,779	6,810	1,689	1,567	554	527	−33	−36	21,418	21,455
EBITDA	428	304	200	206	63	26	−41[3]	−71[3]	0	0	650	465
Adjusted EBITDA	428	444	200	223	63	28	−41[3]	−44[3]	0	0	650	650
Scheduled depreciation/amortisation and impairment losses	128	137	77	77	21	19	5	9	0	0	231	241
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	300	168	123	129	43	7	−47[3]	−81[3]	0	0	419	224
Adjusted EBIT	300	320	123	146	43	10	−47[3]	−52[3]	0	0	419	423
Investments	177	109	60	61	29	19	12	6	0	0	278	195
Non-current segment assets	869	823	496	470	81	83	26	17	0	0	1,472	1,394

[1] Segment reporting is explained in the notes – note 42 Segment reporting.
[2] Includes external sales in financial year 2018/19 of €10,492 million (2017/18: €10,361 million) for Germany and of €2,158 million (2017/18: €2,097 million) for Italy, as well as non-current segment assets as of 30 September 2019 of €728 million (30/09/2018: €762 million) for Germany, €142 million (30/09/2018: €152 million) for Spain, and €140 million (30/09/2018: €148 million) for Italy.
[3] Includes income from operating companies recognised at equity in the Others segment in the amount of €21 million (2017/18: €21 million).

Notes to the Group accounting principles and methods

Accounting principles

CECONOMY AG, the parent company, had its registered office at Benrather Strasse 18–20 in 40213 Düsseldorf, Germany, until 27 October 2019. Since 28 October 2019, CECONOMY AG's business address has been located at Kaistrasse 3 in 40221 Düsseldorf. 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 2019 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 (3 December 2019) 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 2018/19

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 2018/19 unless it is stated that they were applied early on a voluntary basis.

IFRS 9 (Financial Instruments)

The new standard IFRS 9 (Financial Instruments) supersedes the previous regulations of IAS 39 (Financial Instruments: Recognition and Measurement) on accounting for financial instruments.

Financial instruments are to be recognised when the reporting company becomes a party to a contract and thus obtains rights from the financial instruments or assumes comparable obligations. Regulations on classification must be taken into account as of the recognition date. As under IAS 39, the classification of a financial asset and a financial liability affects its subsequent measurement. Financial assets are classified based on the characteristics of the contractual cash flows of the financial asset and the business model that the company uses to manage the financial asset. IFRS 9 contains three main classification categories for financial assets: measured at amortised cost, measured at fair value through profit or loss, and measured at fair value through other comprehensive income. Within this last classification category, a further distinction can be drawn between changes in value in other comprehensive income with and without recycling.

In contrast to IAS 39 (incurred loss model), IFRS 9 does not focus on losses already incurred, but instead on expected losses. This expected loss model sets out three levels for recognising impairment losses under the general approach. In the first stage, impairment losses attributable to expected payment irregularities over the next twelve months are recognised. In the second stage, defaults from payment irregularities over the entire term are recognised. Financial instruments are transferred from the first stage to the second if the credit risk has increased significantly since initial recognition and exceeds a minimum credit risk. In the third and final stage, impairment losses due to additional objective evidence relating to the individual financial instrument are recognised. CECONOMY generally monitors changes in the credit risk by keeping track of published external credit ratings for each counterparty.

In the case of trade receivables, lease receivables and contract assets, a simplified approach is applied, under which (similarly to stage 2) the relevant period is the entire term. For trade receivables with end customers, credit risks within a group are segmented according to regional or geographical criteria. Expected credit losses are calculated on the basis of actual losses over a period of three years. The results of the actual credit losses are adjusted with a forward-looking element that is based on insolvency forecasts for the individual regions and sectors. By contrast, an individual rating is recorded for calculating the credit risk for trade receivables and contract assets from providers.

CECONOMY exercises the option to continue applying hedge accounting in accordance with IAS 39.

CECONOMY applies the modified retrospective method, which means that the new standard is applied starting from 1 October 2018 without restating the prior period (financial year 2017/18) or the respective prior year tables. As a result, the first-time adoption of IFRS 9 led to a slight increase in the impairment requirement on financial instruments, which had a negative impact on equity of €2 million at the transition date.

Reconciliation of financial assets from IAS 39 categories to IFRS 9 measurement categories

€ million	Original classification in accordance with IAS 39	New classification in accordance with IFRS 9	Original carrying amount in accordance with IAS 39	New carrying amount in accordance with IFRS 9	Difference between the carrying amounts
					01/10/2018
Loans and advance credit granted	LaR[1]	AC[4]	13	13	0
Receivables due from suppliers	LaR	AC	1,239	1,241	1
Trade receivables	LaR	AC	524	521	−3
Trade receivables	LaR	FVPL[5]	89	89	0
Miscellaneous financial assets, not including derivative financial instruments	LaR	AC	229	229	0
Derivative financial instruments	HfT[2]	FVPL	4	4	0
Equity investments	AfS[3]	FVOCI[6]	250	250	0
Securities	AfS	FVPL	265	265	0
Cash and cash equivalents	LaR	AC	1,115	1,115	0
			3,729	**3,727**	**−2**

[1] LaR: Loans and receivables
[2] HfT: Held for trading
[3] AfS: Available for sale
[4] AC: Amortised cost
[5] FVPL: Fair value through profit or loss
[6] FVOCI: Fair value through other comprehensive income

The following features should be noted in connection with classification under IFRS 9:

- CECONOMY generally classifies equity instruments as measured at fair value through other comprehensive income (FVOCI), with one exception. This exception relates to securities which are intended to be sold and are therefore required to be measured at fair value through profit or loss (FVPL). These no longer existed as of 30 June 2019.

- Trade receivables are generally assigned to the “Hold” business model and are therefore measured at amortised cost. An exception to this is the trade receivables of €89 million that are assigned to the “Sell” business model and are accordingly measured at fair value through profit or loss (FVPL).

Impairment of financial assets in accordance with IAS 39 and in accordance with IFRS 9

€ million	
Impairment of financial assets as of 30 September 2018 in accordance with IAS 39	**25**
Changes impairment losses as of 1 October 2018	–
Trade receivables	3
Receivables due from suppliers	−1
Impairment of financial assets as of 1 October 2018 in accordance with IFRS 9	**26**

NOTES

€ million	Closing balance in accordance with IAS 39 as of 30 September 2018	Effects of IFRS 9		Opening balance in accordance with IFRS 9 as of 1 October 2018		
		Classification effect	Measurement effect	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
Loans and receivables						
Loans and advance credit granted	13	−13				13
Receivables due from suppliers	1,239	−1,239	1			1,241
Trade receivables	613	−613	−3	89		521
Miscellaneous financial assets, not including derivative financial instruments	229	−229				229
Available for sale						
Securities	265	−265				
Equity investments	250	−250			250	
Held for trading						
Derivative financial instruments	4	−4		4		
Securities				265		
	2,614	**−2,614**	**−2**	**358**	**250**	**2,004**

IFRS 15 (Revenue from Contracts with Customers)
The new IFRS 15 supersedes IAS 18 (Revenue) and IAS 11 (Construction Contracts) and the associated interpretations and sets out a single, comprehensive model for the recognition of revenue with customers.

CECONOMY sells a large number of standard products to customers. In this context, customers as defined in IFRS 15 particularly comprise private consumers. Sales from product sales are recognised at a specific date when control is transferred. The date when control is transferred and thus when the sales are recognised is generally when the product is handed over to the customer in the market. In the case of online sales, the date when control is transferred is usually the date when the product is delivered to the buyer. The date of sales recognition is not subject to any significant discretionary decisions in this context.

Primarily due to the changed sales allocation on the basis of the relative stand-alone selling prices, IFRS 15 results in different sales recognition as compared to IAS 18, under which the sales allocation was based on the residual values. This change results in a revenue shift at CECONOMY from Services & Solutions sales to sales from product sales. In financial year 2018/19, the revenue shift amounted to €269 million.

CECONOMY exercises the option under IFRS 15.94, which allows the incremental costs of obtaining a contract to be expensed directly if the amortisation period is no longer than one year.

In order to meet the requirements of IFRS 15 in the statement of financial position, “Contract assets” has been added as a new sub-item of “Trade receivables and similar claims” and “Contract liabilities” as a new sub-item of “Liabilities and similar liabilities”. The sub-item “Assets for products to be returned” has been added within the “Inventories” item, and the sub-item “Refund liabilities” within the “Other financial liabilities (current)” item of the statement of financial position.

Contract assets serve to recognise a receivable for which the timing of the corresponding sales recognition varies. If the company satisfies its performance obligation and accordingly recognises sales before the consideration has been paid or before an unconditional right has arisen, then it capitalises a contract asset for the portion of the right to consideration that does not yet meet the definition of a receivable (e.g. because receipt of the consideration still depends on services to be performed in the future). Once the claim from a contract asset has been finalised, for example in connection with claims against mobile providers, it is transferred to trade receivables.

Contract liabilities comprise CECONOMY's obligation to transfer products or perform services for which the customer has already paid its consideration. A sum of €170 million was reclassified from the "Other liabilities (current)" item to the "Contract liabilities (non-current)" sub-item described above as of 1 October 2018. Extended warranties, which are allocated based on their time band, are recognised as contract liabilities. A sum of €299 million was reclassified from the "Other liabilities (current)" item to the "Contract liabilities (current)" sub-item as of 1 October 2018. This relates to prepayments received on orders, accrued sales from guaranteed sales and from the sale of vouchers.

Assets for products to be returned and refund liabilities take account of the customer's right of return. When products with a right of return are sold or 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. To the extent that refunds are expected, a refund liability is recognised in accordance with IFRS 15.55 corresponding to the amount of the consideration that the company is expected to refund to customers. In addition, an asset for products to be returned is recognised and is measured at the original carrying amount of the inventories less all costs incurred to recover the products. The underlying estimate must be adjusted as of each reporting date. Both items are reversed at the latest when the right of return expires.

The newly added sub-item "Refund liabilities" within the "Other financial liabilities (current)" balance sheet item was recognised in the amount of €48 million as of 1 October 2018. This amount was reclassified from the "Other provisions" balance sheet item and from the "Liabilities to customers – cash equivalents" sub-item. The sub-item "Assets for products to be returned" was recognised in the amount of €14 million as of 1 October 2018.

Subsequent to the approval of the new IFRS 15, a clarification was published. This supplements the regulations of IFRS 15 with regard to identifying performance obligations, differentiating between principal-agent and separating licences. It also includes an exemption for the transition to IFRS 15, meaning that contracts do not have to be taken into account for all performance obligations which are already satisfied at the start of the introduction period of IFRS 15. CECONOMY uses this exemption.

CECONOMY introduced IFRS 15 using the modified retrospective approach. This means that IFRS 15 is applied starting from 1 October 2018 without restating the prior period (financial year 2017/18) or the respective prior year tables. As a result, the first-time adoption of IFRS 15 had a positive impact on equity of €1 million at the transition date due to the adjusted accounting for sales from vouchers accrued in the short term, because, in contrast to the method under IAS 18, the allocation of the transaction price on the basis of the relative stand-alone selling prices to the product sold and the voucher issued results in a pro rata sales allocation to the voucher.

The table below shows the impact of the application of IFRS 15 on items of the statement of financial position and the income statement as of 30 September 2019.

€ million	Item/sub-item	As reported	Adjustments in financial year 2018/19	Amounts without application of IFRS 15
Income statement	Sales (net)	21,455	26	21,429
Statement of financial position	Contract assets	316	316	0
	Inventories, thereof assets for products to be returned	17	17	0
	Contract liabilities	407	407	0
	Other financial liabilities, thereof refund liabilities	35	35	0

IFRS 2 (Share-based Payment)
Since 1 October 2018, CECONOMY has applied the amended version of IFRS 2 with regard to the classification and measurement of share-based payment transactions.

The first amendment closes the regulatory gap with regard to the effects that exercise conditions have on the fair value of cash-settled share-based payments. It has been determined that in this case the same approach is to be followed as for the accounting for equity-settled payments. A distinction is made between measurement-related exercise conditions and recognition-related exercise conditions. The measurement-related exercise conditions comprise the market conditions (expected stock market price) and non-exercise conditions, and are taken into account in the fair value. The recognition-related exercise conditions comprise the service conditions (e.g. minimum term) and other performance conditions (e.g. sales, earnings per share, EBIT) that are, by contrast, applied in the quantity structure (number of equity instruments).

The second clarifying amendment relates to agreements with net settlement features, which are to be classified as equity-settled share-based payments in their entirety if the transaction had been classified as such also without the net settlement feature.

The third amendment relates to cash-settled payment transactions that are converted into equity-settled payment transactions due to modifications of the terms and conditions and for which the liability originally recognised for the cash-settled payment must consequently be derecognised. The equity-settled payment must then be recognised at fair value as of the modification date to the extent that services have been performed by the modification date. Differences between the carrying amount of the liability and the amount recognised in equity must be recognised immediately through profit or loss. The amendments do not have any significant impact on the consolidated financial statements of CECONOMY.

Annual improvements to IFRSs (2014–2016 cycle)
The annual improvements to IFRSs (2014–2016 cycle) firstly relate to IFRS 1 (First-time Adoption of IFRSs) and secondly to IAS 28 (Investments in Associates and Joint Ventures). The amendment to IFRS 1 relates to the deletion of short-term exemptions from the application of transitional provisions for IFRS 7, IAS 19 and IFRS 10, as these are no longer relevant now. IFRS 1 is not relevant to CECONOMY. The improvement to IAS 28 grants the option for investments in associates or joint ventures that are held directly or indirectly by venture capital organisations or similar companies, including unit-linked insurance funds, to be measured at fair value through profit or loss instead of using the equity method. These amendments do not currently have any effects on the consolidated financial statements of CECONOMY.

Other amendments to IFRS
The new interpretation relating to IAS 21 is specified in IFRIC 22 (Foreign Currency Transactions and Advance Consideration). IFRIC 22 deals with the conversion of foreign currency transactions in the case of advance consideration paid or received. Specifically, the new interpretation relates to determining the “date of transaction” when applying IAS 21 (The Effects of Changes in Foreign Exchange Rates) when a company either pays or receives advance consideration for contracts in a foreign currency. The new interpretation is based on the “one transaction” approach, under which the advance consideration paid or received and the subsequent delivery of the associated goods or performance of the associated services are regarded as the same transaction (IFRIC 22.BC19(a)). The amendments do not have any significant impact on the consolidated financial statements of CECONOMY.

ACCOUNTING POLICIES THAT HAD BEEN PUBLISHED BUT NOT YET APPLIED IN THE FINANCIAL YEAR 2018/19.

The IASB has issued or revised other accounting standards and interpretations that CECONOMY has not yet implemented in financial year 2018/19 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	No
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	No
IFRS 9	Financial Instruments (amended by Prepayment Features with Negative Compensation)	01/01/2019	01/10/2019	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[4])	Unknown[4]	Unknown[4]	No
IFRS 16	Leases	01/01/2019	01/10/2019	Yes
IFRS 17	Insurance Contracts	01/01/2021	01/10/2021	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	No
IAS 19	Employee Benefits (amended by Plan Amendment, Curtailment or Settlement)	01/01/2019	01/10/2019	Yes
IAS 28	Investments in Associates and Joint Ventures (amended by Long-term Interests in Associates and Joint Ventures[4])	01/01/2019	01/10/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	01/10/2019	Yes
Various	Amendments to References to the Conceptual Framework in IFRS Standards	01/01/2020	01/10/2020	No
Various	Annual Improvements to IFRS 2015–2017	01/01/2019	01/10/2019	Yes

[1] Not including early application
[2] Application only from 1 October due the financial year's deviation from the calendar; on the condition of EU endorsement
[3] As of 3 December 2019 (date of signature by the Management Board of CECONOMY AG)
[4] First-time application indefinitely postponed by the IASB

IFRS 16 (Leases)

The new standard IFRS 16 will replace the current standard 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 surrender 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.

In contrast to IAS 17, the definition of a lease under IFRS 16 prioritises the criterion of control. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a defined period of time in exchange for consideration.

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, the lessee must recognise a liability and a corresponding right to use the leased asset, called a 'right-of-use asset', on the date on which the lessor surrenders the use of the asset.

The lessee must recognise the liability in the amount of the present value of the future lease payments. Lease payments comprise the sum of all fixed lease payments less incentives received 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 must also be included. Purchase price options and extension options must be included if the lessee is reasonably certain to exercise them. Contractually agreed penalties for prematurely terminating the lease must also be recognised, if it can be assumed that the lessee will terminate the lease prematurely.

In principle, the lease must be measured using the interest rate implicit in the lease. If the lessee cannot determine this rate, it can use its incremental borrowing rate. Over the term of the lease, the lease liability is increased using the effective interest method and reduced to reflect the lease payments made. The liability must be remeasured in the event of changes to calculation parameters, such as the lease term, the assessment of a purchase option or the expected lease payments.

The corresponding right-of-use asset must generally be recognised 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 must be deducted. The measurement must also take restoration obligations from leases into account.

The right-of-use asset can be subsequently measured in accordance with IAS 16 (property, plant and equipment) or IAS 40 at amortised cost, or in accordance with the revaluation model. If measured at amortised cost, it must be 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. IAS 36 (Impairment of Assets) must be 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 must be recognised immediately in profit or loss.

There are various options for the lessee. With regard to recognition and measurement, for example, there is an option to recognise a portfolio of leases with identical or similar characteristics. This is also an option not to apply the right-of-use approach to short-term leases (terms of no more than twelve months) and low-value assets. Low-value assets are components of leases that, taken individually, are immaterial for the company's business activities. CECONOMY has decided to exercise the options for short-term leases and low-value assets. The relevant leases are recognised in line with the previous provisions of IAS 17 on operating leases.

In the future, extensive qualitative and quantitative information must be provided in the notes.

The changed definition of a lease also applies to the lessor and can lead to different assessments than under IAS 17. However, leases are still classified as operating and finance leases. IFRS 16 introduces no material changes here, with the exception of sale-and-lease-back transactions.

In the case of sale-and-lease-back transactions, the seller must initially assess whether a sale has actually taken place in accordance with IFRS 15. If this is the case, the transferring entity must recognise a right-of-use asset at the proportion of the carrying amount of the asset that relates to the retained right of use. In this case, any gain is recognised only 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.

IFRS 16 becomes effective for reporting periods beginning on or after 1 January 2019. CECONOMY will apply the regulations for the first time on 1 October 2019. It opts for a 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. The transition is not expected to have any effect on reserves retained from earnings on account of the transition method selected. IFRS 16 is applied exclusively to leases identified according to the previous rules (use of grandfathering). A decision is made on a case-by-case basis as to whether a provision for onerous contracts recognised in connection with leases is to be derecognised at the transition date against the right-of-use asset or whether the right-of-use asset is to be subject to an impairment test at the transition date.

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

The effects of the new standard were analysed over the course of the past financial year as part of a project to introduce IFRS 16 at CECONOMY. In the transition from 30 September 2019 to 1 October 2019, the first-time application of IFRS 16 will extend the statement of financial position by between €2.3 billion and €2.4 billion. Net debt will increase in line with the material increase in the lease liability. In addition, the expected effect on profit or loss for financial year 2019/20 was analysed on the basis of the transitional values as of 1 October 2019 as part of budget planning. As CECONOMY occupies the position of lessee in operating leases, a positive effect on the key forecast performance indicator EBIT of between €5 million and €15 million is expected in the first year after the transition. An effect on EBITDA of between €525 million and €565 million is anticipated in the first year following the transition. In the cash flow statement, cash flow from operating activities will improve by between €525 million and €565 million and cash flow from financing activities will worsen accordingly.

In parallel, an IT solution was implemented that is used for data collection, assessment and preparation of disclosures on leases in the notes, and a new CECONOMY IFRS accounting guideline was drawn up for lease accounting.

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 must be applied for financial years beginning on or after 1 January 2019. The amendments are not expected to have material effects on CECONOMY's future consolidated financial statements.

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 must be applied for the first time in financial years beginning on or after 1 January 2019. CECONOMY currently assumes that the amendment to IAS 28 will have no material influence. Should CECONOMY in the future make net investments in an entity in which CECONOMY holds an investment measured in accordance with IAS 28, the amendments will be complied with accordingly.

Other amendments to IFRS
According to current estimates, the first-time application of the other 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.

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

As part of the enhancement of IFRS 15 accounting practice, various questions were discussed in connection with contract assets. An answer was found to the question of the extent to which variable subcomponents of a total receivable can result in the total receivable being recognised as a contract asset. As a result, trade receivables of €257 million were reclassified within the "Trade receivables and similar claims" balance sheet item to contract assets as of 30 September 2019.

Change in estimates
In connection with inventory measurement, the recognition of maturity-structure-based impairment was refined. This resulted in a positive net effect of €10 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, 450 German (30/09/2018: 462) and 439 international (30/09/2018: 437) companies are included in the consolidated financial statements.

In financial year 2018/19, the consolidation group changed as follows:

As of 01/10/2018	**899**
Sales	4
Other disposals	14
Newly founded companies	8
As of 30/09/2019	**889**

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 iBood Group and the disposal of one company of the RTS Group.

The other disposals relate to twelve mergers and two liquidations.

The newly founded companies relate to four companies in Spain, two companies in Germany and one company each in Poland and the Netherlands.

Two subsidiaries (30/09/2018: one subsidiary) 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 (30/09/2018: four 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 2019, as in the previous year. Minority interests in equity amounted to €22 million on a consolidated basis, after €–21 million in the previous year. Dividends of €37 million were paid to minority interests compared with €13 million in the previous year. Sales generated at subgroup level amounted to €21,454 million (2017/18: €21,415 million). Non-controlling interests in profit or loss for the period from continuing operations amounted to €37 million in financial year 2018/19 (2017/18: €64 million).

The following disclosures on assets and liabilities include consolidations at subgroup level, but not the consolidations at Group level. Non-current assets amounted to €1,622 million as of 30 September 2019 (30/09/2018: €1,683 million), current assets to €5,576 million (30/09/2018: €5,693 million), non-current liabilities to €263 million (30/09/2018: €263 million) and current liabilities to €6,248 million (30/09/2018: €6,604 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. There is also a full list of all Group companies and associates under note 56 Shareholdings of CECONOMY AG as of 30 September 2019 in accordance with Sec. 313 HGB.

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 2018/19, 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 €	
		2017/18	2018/19	30/09/2018	30/09/2019
Pound sterling	GBP	0.88479	0.88412	0.88730	0.88570
Chinese renminbi	CNY	7.78072	7.75616	7.96620	7.77840
Danish krone	DKK	7.44841	7.46385	7.45640	7.46620
Hong Kong dollar	HKD	9.32227	8.83913	9.05790	8.53680
Norwegian krone	NOK	9.59644	9.73765	9.46650	9.89530
Polish złoty	PLN	4.24399	4.30027	4.27740	4.37820
Russian rouble	RUB	72.23349	73.82877	76.14220	70.75570
Swedish krona	SEK	10.13006	10.50394	10.30900	10.69580
Swiss franc	CHF	1.16162	1.12274	1.13160	1.08470
Turkish lira	TRY	5.24182	6.32660	6.96500	6.14910
Hungarian forint	HUF	315.96660	323.02241	324.37000	334.83000
US dollar	USD	1.19026	1.12799	1.15760	1.08890

Income statement

RECOGNITION OF INCOME AND EXPENSES

Since 1 October 2018, **sales** have been recognised according to the new IFRS 15 (Revenue from Contracts with Customers). The new standard supersedes the former IAS 18 (Revenue) and IAS 11 (Construction Contracts).

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 standalone 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.

Previous sales recognition in accordance with IAS 18 (Revenue)

For the previous year's figures of 2017/18, sales and other operating income were recognised as soon as the services were provided or the goods were delivered in accordance with IAS 18 (Revenue). Goods are considered to be delivered when the risk is transferred to the customer. If the customer is granted the right to return goods and cancel services, the sales are only recognised if the probability of return can be reliably estimated. For this purpose, return rates are determined on the basis of historical data and projected to future take-back obligations. No sales are recognised for the portion attributable to the expected returns. A provision is recognised instead. Sales are recognised without value added tax, rebates or discounts. They are recognised gross, i.e. in the amount of the payment by the customer (less value added tax and sales reductions), if the significant risks and rewards associated with the sale of the goods or performance of the service lie with the company. If the transaction constitutes commission business from the company's perspective, the sales are recognised net, i.e. in the amount of the margin. Sales from contracts containing multiple contract components (e.g. product sale with additional service) are recognised when the respective contract components are fulfilled. The sales are recognised on the basis of the statutory relative fair values of the individual contract components.

Government grants that are performance-based and attributable to figure 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.

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. As in the previous year, the annual impairment tests of goodwill in financial year 2018/19 were performed as of 30 September, and not as of 30 June as was previously the rule. The purpose of this rescheduling of the impairment tests is to ensure that they are as current as possible.

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. 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. The optional revaluation model 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 reasons for impairment cease to exist, the impairment is reversed to amortised cost.

In accordance with IAS 17 (Leases), economic ownership of leased assets is attributed to the lessee if the lessee bears all the substantial risks and rewards of ownership of the leased asset **(finance lease)**. If a CECONOMY company acts as lessee and economic ownership is attributable to this company, the leased asset is capitalised at the commencement of the lease in the amount of the fair value or lower present value of the minimum lease payments. It is depreciated – like similar items of property, plant and equipment – over the expected useful life or the lease term, if shorter. However, if it is reasonably certain that ownership of the leased asset will pass to the lessee at the end of the term, it is depreciated over the expected useful life. The payment obligations resulting from future lease payments are recognised as liabilities. As lessor, however, CECONOMY recognises a receivable.

If economic ownership of the leased asset does not pass to the lessee, the lease is an **operating lease**. In this case, the lessee does not recognise an asset or liability in its statement of financial position, but merely shows the rental expenses on a straight-line basis over the term of the lease in the income statement, while CECONOMY as lessor recognises an asset and a receivable.

In the case of a lease for a building and accompanying land, these two elements are 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** have been recognised according to the measurement categories described below pursuant to IFRS 9 (Financial Instruments) since 1 October 2018.

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 from credit cards
- 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 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 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 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.

Previous accounting according to IAS 39 (Financial Instruments)

For the previous year's figures for 2017/18, financial instruments were accounted for in accordance with IAS 39 (Financial Instruments).

Financial assets (financial investments) are assigned to one of the following categories according to IAS 39 (Financial Instruments: Recognition and Measurement):

– "Loans and receivables"

– "Held to maturity"

– "At fair value through profit or loss"

– "Available for sale"

On initial recognition, a financial asset is measured at fair value. Transaction costs are included in all categories apart from "measured at fair value through profit or loss". They are always recognised as of the trade date.

Financial assets are subsequently measured at either amortised cost or fair value depending on their allocation to the above categories:

– **"Loans and receivables"** are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are recognised at amortised cost using the effective interest method.

– The **"held to maturity"** measurement category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the intention and the ability to hold to maturity. They are likewise recognised at amortised cost using the effective interest method.

– In the **"at fair value through profit or loss"** category, all financial assets are classified as "held for trading", because CECONOMY does not utilise the fair value option under IAS 39. To make this clear, the entire category is designated "held for trading" in the notes to the consolidated financial statements. Financial instruments held for trading are those that were acquired or entered into with a short-term sale or repurchase intention, or that are part of a portfolio of financial instruments that are managed together and which was recently used for short-term profit-taking. Derivative financial instruments that are not in an effective hedge are also attributable to this category. Financial instruments held for trading are measured at fair value through profit or loss.

– The **"available for sale"** category is a residual category for those non-derivative financial assets that cannot be allocated to any of the other three categories. CECONOMY does not use the option to allocate financial assets to the "available for sale" category. Financial assets available for sale are measured at fair value through other comprehensive income. Fluctuations in fair value recognised through other comprehensive income are transferred to profit or loss for the period only at the date of disposal or if the asset is permanently impaired.

Investments belong to the "available for sale" category. **Securities** can be allocated to the "held to maturity", "available for sale" or "held for trading" categories. **Loans** are classified as "loans and receivables".

Financial assets designated as a **hedged underlying transaction** within a fair value hedge are recognised at fair value through profit or loss.

Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to such equity instruments, are recognised at cost.

At each closing date, financial assets not measured at fair value through profit or loss are examined for substantial objective evidence of impairment. This evidence includes, for example, delays or defaults in principal or interest payments and changes in the borrower's credit rating. If such evidence exists, the financial asset is tested for impairment by comparing the carrying amount with the present value. The present value of financial assets measured at amortised cost equals the expected future cash flows discounted by the effective interest rate previously used. In contrast, the present value of the equity instruments measured at amortised cost of the "available for sale" category equals the expected future cash flows discounted by the current market rate. If the present value is less than the carrying amount, impairment is recognised in the amount of the difference. If impairment of financial assets of the "available for sale" category was previously recognised through other comprehensive income, it is recognised through profit or loss up to the amount of the calculated permanent impairment.

If the present value increases again at a later date, the impairment is reversed accordingly. For financial assets measured at amortised cost, the impairment reversal is limited to the amortised cost that would have resulted without the impairment. In the "available for sale" category, reversal of impairment on equity instruments is recognised through other comprehensive income, on debt instruments through profit or loss up to the amount of the impairment previously recognised through profit or loss. Further increases in value of debt instruments must be recognised through other comprehensive income.

Financial assets are derecognised if the contractual rights to cash flows from the item are terminated or expired or the financial asset is transferred.

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 newly added sub-item **"Assets for products to be returned (right of return asset)"** takes account of the 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 2018/19 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.

Tax provisions 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 (expected value or 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 provision 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.

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 IFRSs. 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 IFRSs. 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 onerous contracts are recognised if the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it. To calculate the provision for deficient rental cover, the rented properties are viewed individually. For all closed properties or properties sublet below cost, a provision is recognised at the present value of the total coverage shortfall. In addition, a provision is recognised for location-related risks of rented, continued or not yet closed stores if the current corporate planning for the basic rental period results in deficient cover of operating costs or deficient rental cover for the respective store, despite accounting for possible subleasing.

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 on the basis of the actual warranties entered into in the past and the sales of the financial year.

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 finance 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 the 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 IAS 39 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 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 (1/2)

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
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

Summary of selected measurement methods (2/2)

Item	Measurement method
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
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.

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 15 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 15 Scheduled depreciation/amortisation and impairment losses, note 20 Other intangible assets and note 21 Property, plant and equipment)
- Annual goodwill impairment test (note 19 Goodwill – including sensitivity analysis)
- Recoverability and definition of receivables – especially receivables due from suppliers and from commissions (note 24 Receivables due from suppliers, other financial and non-financial 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 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 post-employment benefit plans (note 32 Provisions for post-employment benefit plans and similar obligations)
- Calculation of other provisions – e.g. for deficient rental cover and onerous contracts, reorganization and efficiency program, 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 12 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 €784 million (30/09/2018: €665 million), while liabilities come to €7,320 million (30/09/2018: €7,810 million).

Net liquidity amounted to €830 million as of 30 September 2019 (30/09/2018: €675 million). The increase in net liquidity is primarily due to the reduction in borrowings.

€ million	30/09/2018	30/09/2019
Equity	**665**	**784**
Liabilities	**7,810**	**7,320**
Net liquidity (+)/Net debt (–)	**675**	**830**
Borrowings (incl. finance leases)	439	302
Cash and cash equivalents according to the statement of financial position	1,115	1,132

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 2018/19, all external capital requirements were met. For example, these include compliance with a certain level of indebtedness or a fixed equity ratio.

NOTES

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	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Product sales	11,361	11,762	6,461	6,450	1,618	1,517	500	497	19,940	20,226
Services & Solutions[1]	1,049	803	317	357	70	49	42	19	1,478	1,229
Total sales	**12,410**	**12,565**	**6,777**	**6,807**	**1,689**	**1,567**	**542**	**516**	**21,418**	**21,455**

[1] The previous year's figures are not comparable because different accounting standards were applied. Information on this is provided under "Notes to the Group accounting principles and methods".

In comparison with the previous year, Group sales increased slightly by 0.2 per cent to €21,455 million. The sales trend in the reporting period was mainly shaped by the successful campaign days around Black Friday in November 2018. In addition, sales were supported by various marketing campaigns such as VAT campaigns in various countries and the "40 Years of MediaMarkt" promotion in Germany. This more than compensated for the absence of the successful advertising campaigns relating to the football World Cup in June of the previous year. The online business continued to develop in a very positive fashion in the year as a whole, more than making up for the decline in in-store sales.

28 new stores were opened in financial year 2018/19, with Turkey and Hungary accounting for eight each. Eight stores in total were closed. Three of these were in Germany, two in Belgium and one each in Switzerland, Poland and Turkey. The store network increased to 1,042 stores as of the closing date.

2. OTHER OPERATING INCOME

€ million	2017/18	2018/19
Rents incl. reimbursements of subsidiary rental costs	9	10
Cost refunds	54	57
Services rendered to suppliers	53	34
Gains from the disposal of fixed assets and gains from reversal of impairment losses	2	6
Income from deconsolidation	14	0
Miscellaneous	61	89
	194	**196**

Income from cost refunds primarily relates to services rendered for third parties.

Services rendered to suppliers are primarily attributable to Poland at €14 million (2017/18: €31 million) and Italy at €15 million (2017/18: €16 million). The year-on-year decline resulted from lower service charges in Poland.

In the previous year, the income from deconsolidation resulted from the sale of a company whose assets and liabilities consisted of pension obligations and associated cash assets.

The miscellaneous other operating income particularly includes income from claims for damages of €34 million (2017/18: €11 million). It also includes, among other things, income from the derecognition of statute-barred liabilities of €11 million (2017/18: €5 million), rental income from subleases, e.g. for the erection of cash machines, stand rent for food stands, Packstation machines of €7 million (2017/18: €7 million) and government grants of €2 million (2017/18: €3 million).

3. SELLING EXPENSES

€ million	2017/18	2018/19
Personnel expenses	1,789	1,713
Cost of material	1,791	1,743
	3,580	**3,456**

Under selling expenses, personnel expenses declined primarily because of lower expenses for wages and salaries.

In addition, the cost of material decreased due to reduced costs of recruitment and lower advertising expenses on the one hand and due to lower lease expenses on the other hand.

4. GENERAL ADMINISTRATIVE EXPENSES

€ million	2017/18	2018/19
Personnel expenses	251	385
Cost of material	261	278
	511	**663**

General administrative expenses increased significantly year on year in terms of personnel expenses. The increase in personnel expenses is due primarily to expenses for severance payments in connection with the reorganization and efficiency program and management changes.

The cost of material increased due among other things to higher depreciation and amortisation and increased IT costs, which were partially offset by a drop in consulting costs.

5. OTHER OPERATING EXPENSES

€ million	2017/18	2018/19
Impairment losses on goodwill	7	1
Losses from the disposal of fixed assets	7	9
Miscellaneous	3	3
	17	**13**

The decline in other operating expenses resulted from the lower impairment losses on goodwill at MediaMarkt Switzerland in comparison to the previous year. In the current financial year, there were impairment losses on goodwill in the Others segment at the iBood Group.

The losses from the disposal of fixed assets primarily include expenses from the disposal of business and office equipment of €9 million (2017/18: €7 million).

6. 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. This resulted in an earnings contribution of €21 million in the financial year 2018/19 (2017/18: €21 million). It also includes effects from adjusting goodwill as a result of the purchase price allocation and from the increase in the shareholding in connection with Fnac Darty S.A.'s share buy-back programme.

The Other investment result recognised under the net financial result was €46 million (2017/18: €−182 million). The previous year was shaped chiefly by the impairment of the stake in METRO AG of €268 million. The market valuation of the 5.4 per cent share in METRO AG sold in the financial year 2018/19 also led to a rise in the other investment result. This was countered by the absence of the gain on disposal realised in the previous year in connection with the sale of 3.6 per cent of shares in METRO AG.

Dividends from METRO AG and METRO PROPERTIES GmbH & Co. KG also included in the other investment result amounted to €27 million in the financial year 2018/19 (2017/18: €29 million).

↗ Additional information on the investments can be found under Note 23 Financial investments and investments accounted for using the equity method.

7. NET IMPAIRMENTS ON OPERATING FINANCIAL ASSETS AND CONTRACT ASSETS

Net impairments came to €9 million in the financial year 2018/19. Impairments that in the previous year were subsumed under selling expenses are recognised here.

↗ Additional information on net impairments can be found under Note 28 Impairments of capitalised financial instruments and contract assets.

8. INTEREST INCOME/INTEREST EXPENSES

Interest income and interest expenses from financial instruments are allocated to the measurement categories pursuant to IAS 39/IFRS 9 according to the underlying transactions. The net interest result comprises the following:

€ million	2017/18	2018/19
Interest income	28	26
thereof finance leases	(0)	(0)
thereof post-employment benefit plans	(3)	(1)
thereof from financial instruments of the measurement categories according to IAS 39/IFRS 9:		
Loans and receivables incl. cash and cash equivalents	(13)	(0)
Financial instruments measured at amortised cost	(0)	(13)
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	−41	−40
thereof finance leases	(−1)	(−1)
thereof post-employment benefit plans	(−13)	(−10)
thereof from financial instruments of the measurement categories according to IAS 39/IFRS 9:		
Financial instruments measured at fair value through profit or loss	(0)	(0)
Financial instruments measured at amortised cost	(−14)	(−7)
	−13	**−14**

The decline in interest income and interest expenses is essentially the result of lower interest income/expenses for post-employment benefits plans.

9. OTHER FINANCIAL RESULT

Other financial income and expenses from financial instruments are allocated to the measurement categories pursuant to IAS 39/IFRS 9 according to the underlying transactions. In addition to income and expenses from the measurement of financial instruments in accordance with IAS 39/IFRS 9, this also takes into account measurements of foreign currency items under IAS 21.

€ million	2017/18	2018/19
Other financial income	14	12
thereof currency effects	(9)	(8)
thereof from currency hedges	(0)	(0)
Other financial expenses	−17	−33
thereof currency effects	(−5)	(−15)
thereof from currency hedges	(−5)	(−2)
Other financial result	**−3**	**−21**
thereof from financial instruments of the measurement categories/standards according to IAS 39/IFRS 9		
Loans and receivables incl. cash and cash equivalents	(5)	(0)
Financial instruments measured at amortised cost	(−7)	(−19)
Financial instruments measured at fair value through other comprehensive income	(0)	(0)
Financial instruments measured at fair value through profit or loss	(−1)	(0)

Total comprehensive income from currency effects and measurement results of currency hedging transactions and currency hedging relationships comes to €−9 million (2017/18: €−1 million) and essentially relates to MediaMarkt Switzerland.

The sharp year-on-year rise in Other financial expenses chiefly reflects currency effects.

↗ Additional information on the potential impact of currency risks can be found under Note 43 Management of financial risks.

10. NET GAINS/LOSSES BY MEASUREMENT CATEGORY

The main effects on earnings from financial instruments are as follows:

2017/18

€ million	Equity investments	Interest	Fair value measurements	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	13	0	4	0	−8	0	9
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	0	−1	0	0	0	0	−1
Available for sale	−182	0	0	0	0	0	0	−182
Other financial liabilities	0	−14	−3	0	4	0	−4	−16
	−182	**−1**	**−4**	**4**	**4**	**−8**	**−4**	**−190**

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	−2	0	0	0	−2
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**	**−2**	**−9**	**8**	**1**	**16**

Income and expenses from financial instruments are allocated to the measurement categories pursuant to IAS 39/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.

11. INCOME TAXES

Expected income taxes and deferred taxes for the individual countries are to be recognised as income taxes.

€ million	2017/18	2018/19
Current taxes	**132**	**84**
thereof Germany	(75)	(49)
thereof international	(57)	(35)
thereof tax expenses/income of current period	(127)	(88)
thereof tax expenses/income of previous periods	(5)	(−4)
Deferred taxes	**2**	**−7**
thereof Germany	(14)	(−16)
thereof international	(−12)	(9)
	134	**77**

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 per cent (2017/18: 9 per cent and 34 per cent).

Deferred tax expenses for the financial year 2018/19 include €1 million in expenses from changes to tax rates (2017/18: €1 million).

€ million	2017/18	2018/19
Deferred taxes in the income statement	**2**	**−7**
thereof from temporary differences	(0)	(10)
thereof from loss and interest carry-forwards	(2)	(−17)

Income tax expenses of €77 million (2017/18: €134 million), which are attributable in full to the result from ordinary business operations, are €5 million higher (2017/18: €67 million) than expected income tax expenses of €72 million (2017/18: €67 million), calculated by applying the overall German tax rate (30.53 per cent) to the Group's net income before income taxes.

The reconciliation of expected to recognised income tax expenses is as follows:

€ million	2017/18	2018/19
Earnings before taxes	**221**	**235**
Expected income tax expenses (30.53%)	67	72
Effects of differing national tax rates	−11	−8
Tax expenses and income relating to other periods	3	−3
Non-deductible business expenses for tax purposes	32	20
Effects of not recognised or impaired deferred taxes	7	17
Additions and reductions for local taxes	7	6
Tax holidays	−7	−4
Other deviations	36	−21
Income tax expenses according to the income statement	**134**	**77**
Group tax rate (in %)	**60.7**	**32.7**

Other deviations essentially relate to changes in permanent differences for carrying amounts of the investments in the amount of €−20 million (2017/18: €35 million), which were reversed on account of share disposals.

Actual income tax expenses were reduced by €2 million (2017/18: €22 million) due to using previously unrecognised tax losses. Reversal of impairment losses for deferred taxes on loss carry-forwards and temporary differences also resulted in deferred tax income of €31 million (2017/18: €16 million).

12. PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES

The financial year 2018/19 includes income of €1 million (2017/18: €−296 million) from discontinued operations in connection with the sale of the MediaMarkt Russia business, mainly resulting from the reversal of other provisions and, contrary to this, from subsequent expenses.

€ million	2017/18	2018/19
Revenue	544	0
Expenses	−709	0
Current profit or loss from discontinued operations before taxes	**−165**	**0**
Income taxes on current profit or loss	−13	0
Current profit or loss from discontinued operations after taxes	**−178**	**0**
Profit or loss on remeasurement/disposal from discontinued operations before taxes	−118	1
Income taxes on profit or loss on remeasurement/disposal	0	0
Profit or loss on remeasurement/disposal from discontinued operations after taxes	**−118**	**1**
Profit or loss for the period from discontinued operations after taxes	**−296**	**1**

13. PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit or loss for the period attributable to non-controlling interests includes €64 million (2017/18: €102 million) in profit shares and €27 million (2017/18: €99 million) in loss shares. Discontinued operations accounted for profit shares of €0 million (2017/18: €0 million) and loss shares of €0 million (2017/18: €62 million). These were chiefly profit/loss shares of non-controlling shareholders of the MediaMarktSaturn Retail Group.

14. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss for the period attributable to shareholders of CECONOMY AG by a weighted 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.

	2017/18	2018/19
(Weighted) number of no-par-value shares outstanding	333,586,186	359,421,084
Profit or loss for the period attributable to shareholders of CECONOMY AG (€ million)	−212	122
Earnings per share in € (basic = diluted)	**−0.64**	**0.34**
from continuing operations	(0.07)	(0.34)
from discontinued operations	(−0.70)	(0.00)

Earnings per share from continuing operations amounted to €0.34 (2017/18: €0.07).

Earnings per share including discontinued operations amounts to €0.34 (2017/18: €−0.64). In the previous year, earnings per share including discontinued operations contained non-cash profit or loss on measurement/disposal after taxes of €−118 million.

NOTES

15. SCHEDULED DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES

Scheduled depreciation/amortisation and impairments recognised in EBIT of €241 million (2017/18: €231 million) included impairments of €19 million (2017/18: €12 million), of which €5 million (2017/18: €5 million) related to property, plant and equipment and €13 million (2017/18: €1 million) to other intangible assets. Goodwill was impaired by €1 million (2017/18: €7 million). Impairment of property, plant and equipment essentially relates to the Others segment, with impairment of intangible assets relating to the DACH segment. Goodwill was impaired in the Others segment.

The breakdown of amounts of depreciation/amortisation in the income statement and into the relevant asset categories is as follows:

2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	3	2	5
thereof scheduled depreciation/amortisation	(0)	(3)	(2)	(5)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	10	180	190
thereof scheduled depreciation/amortisation	(0)	(10)	(176)	(185)
thereof impairment losses	(0)	(0)	(4)	(4)
General administrative expenses	0	14	16	30
thereof scheduled depreciation/amortisation	(0)	(13)	(15)	(29)
thereof impairment losses	(0)	(1)	(0)	(1)
Other operating expenses	7	0	0	7
thereof impairment losses	(7)	(0)	(0)	(7)
Total	**7**	**27**	**198**	**231**
thereof scheduled depreciation/amortisation	(0)	(26)	(193)	(219)
thereof impairment losses	(7)	(1)	(5)	(12)

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)

Of impairment totalling €19 million (2017/18: €12 million), DACH accounted for €14 million (2017/18: €8 million), Western/Southern Europe for €2 million (2017/18: €3 million), Eastern Europe for €0 million (2017/18: €1 million) and the Others segment for €4 million (2017/18: €0 million).

16. COST OF MATERIALS

The cost of sales includes costs of materials for purchased goods in the sum of €16,938 million (2017/18: €16,707 million).

17. PERSONNEL EXPENSES

Personnel expenses comprise the following:

€ million	2017/18	2018/19
Wages and salaries	1,874	1,969
Social security expenses, expenses for post-employment benefit plans and related employee benefits	411	406
thereof post-employment benefits	(29)	(29)
	2,285	**2,375**

Wages and salaries listed under personnel expenses include expenses associated with the reorganization and efficiency program as well as management changes amounting to €157 million. Wages and salaries in the previous year included €17 million in expenses for severance payments and €1 million in restructuring expenses. Variable remuneration rose slightly from €79 million in the previous year to €83 million in the financial year 2018/19.

Average number of employees at the Group during the year:

Workforce by headcount	2017/18[1]	2018/19
Wage-/salary-earning employees	59,022	56,781
Trainees	2,940	2,640
	61,962	**59,421**

[1] From continuing operations.

This includes 12,843 part-time employees (2017/18: 12,998). 5,033 of the wage/salary earning employees are in management positions (2017/18: 5,631) and 51,743 are non-executive staff (2017/18: 53,391). 32,393 members of staff were employed outside Germany (2017/18: 33,053).

18. OTHER TAXES

Other taxes (such as land tax, vehicle tax, excise and transfer tax) break down as follows:

€ million	2017/18	2018/19
Other taxes	**11**	**10**
thereof from selling expenses	(9)	(9)
thereof from general administrative expenses	(2)	(1)

Notes to the statement of financial position

19. GOODWILL

Goodwill was €524 million (30/09/2018: €525 million).

This decline is the result of the impairment of goodwill attributable to the iBood Group. The impairment was recognised as of 30 June 2019 in response to intentions to sell relating to the Group. The iBood Group was sold to iBood Holding B.V., which had been newly established by investors, on 29 August 2019.

As of the reporting date, material goodwill was broken down among the following groups of cash-generating units:

	30/09/2018		30/09/2019	
		WACC		WACC
	€ million	%	€ million	%
Germany	314	5.9	314	5.3
Italy	72	7.3	72	7.7
Netherlands	51	6.0	51	5.4
Spain	49	6.8	49	6.2
Other countries	39		38	
	525		**524**	

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 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. A growth rate of one 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 0.25 per cent (30/09/2018: 1.00 per cent) and a market risk premium of 6.85 per cent (30/09/2018: 6.85 per cent) in Germany and a beta factor of 1.03 (30/09/2018: 0.95). 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 5.3 per cent to 7.7 per cent (30/09/2018: 5.9 per cent to 7.3 per cent).

As in the previous year, the annual impairment tests of goodwill in financial year 2018/19 were performed as of 30 September, and not as of 30 June as was previously the rule. The purpose of this rescheduling of the impairment tests is to ensure that they are as current as possible.

For goodwill considered to be material, the mandatory annual impairment test as of 30 September 2019 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	Significant growth	Significant growth	3
Italy	Slight growth	Slight growth	Slight growth	3
Netherlands	Slight growth	Significant growth	Significant growth	3
Spain	Slight growth	Slight decline	Slight decline	3

The mandatory annual test confirmed the impairment of all goodwill capitalised as of 30 September 2019.

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 not result in impairment for any of the groups of cash-generating units.

€ million	Goodwill
Cost	
As of 01/10/2017	531
Currency translation	0
Additions to consolidation group	1
Disposals	0
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09 or 01/10/2018	532
Currency translation	0
Additions to consolidation group	0
Disposals	−1
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09/2019	531
Impairment	
As of 01/10/2017	0
Currency translation	0
Additions	0
Additions to impairment	7
Disposals	0
Reclassifications to IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/09 or 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 30/09/2019	7
Carrying amount as of 01/10/2017	531
Carrying amount as of 30/09/2018	525
Carrying amount as of 30/09/2019	**524**

NOTES

20. OTHER INTANGIBLE ASSETS

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Cost		
As of 01/10/2017	386	(70)
Currency translation	−3	(0)
Additions to consolidation group	0	(0)
Additions	63	(13)
Disposals	−9	(0)
Reclassifications to IFRS 5	−23	(−1)
Transfers	0	(4)
As of 30/09 or 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)
Scheduled depreciation/amortisation and impairment losses		
As of 01/10/2017	285	(50)
Currency translation	−2	(0)
Additions	29	(6)
Additions to impairment	1	(0)
Disposals	−7	(0)
Reclassifications to IFRS 5	−16	(−1)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/09 or 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)
Carrying amount as of 01/10/2017	100	(20)
Carrying amount as of 30/09/2018	124	(30)
Carrying amount as of 30/09/2019	**115**	**(25)**

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 €39 million (2017/18: €63 million), of which €2 million (2017/18: €12 million) relates to internally generated software, €7 million (2017/18: €21 million) to purchased concessions, rights and licenses and €30 million (2017/18: €30 million) to software under development.

Disposals came to €5 million (2017/18: €2 million), of which €1 million (2017/18: €0 million) relates to customer relationships and contracts, €3 million (2017/18: €0 million) to purchased concessions, rights, licenses and trademarks and €2 million (2017/18: €2 million) to software under development.

Depreciation and amortisation amounted to €31 million (2017/18: €26 million from continuing operations). Of this, €16 million (2017/18: €13 million from continuing operations) was recognised in general administrative expenses, €13 million (2017/18: €10 million from continuing operations) in selling expenses and €2 million (2017/18: €3 million from continuing operations) in the cost of sales.

Of impairment of €13 million (2017/18: €1 million), €8 million (2017/18: €1 million relates to purchased concessions, rights and licenses and €4 million (2017/18: €0 million) to internally generated software. These are chiefly a result of MediaMarktSaturn siebte Beteiligungsgesellschaft mbH (formerly: Juke Entertainment GmbH) discontinuing operations and the decision not to continue individual components of a web platform.

As in the previous year, there are no restrictions on ownership or title for intangible assets. Purchase obligations of €2 million (30/09/2018: €3 million) were concluded for intangible assets.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of €736 million (30/09/2018: €809 million) was recognised as of 30 September 2019. Changes in property, plant and equipment can be seen in the following table.

NOTES

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Cost				
As of 01/10/2017	43	3,015	23	3,081
Currency translation	0	−44	−2	−45
Additions to consolidation group	0	0	0	0
Additions	15	187	19	221
Disposals	0	−156	−2	−158
Reclassifications to IFRS 5	0	−109	−5	−114
Transfers	0	17	−17	0
As of 30/09 or 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 30/09/2019	50	2,882	13	2,944
Scheduled depreciation/amortisation and impairment losses				
As of 01/10/2017	15	2,207	0	2,222
Currency translation	0	−31	0	−31
Additions	4	193	0	197
Additions to impairment	0	25	2	27
Disposals	0	−131	0	−131
Reclassifications to IFRS 5	0	−106	−2	−108
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/09 or 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 30/09/2019	18	2,190	0	2,208
Carrying amount as of 01/10/2017	27	808	23	858
Carrying amount as of 30/09/2018	39	753	17	809
Carrying amount as of 30/09/2019	**32**	**691**	**13**	**736**

Property, plant and equipment decreased by €73 million from €809 million to €736 million as depreciation exceeded investments.

Depreciation amounted to €192 million (2017/18: €193 million from continuing operations). Of this, €17 million (2017/18: €15 million from continuing operations) was recognised in general administrative expenses, €174 million (2017/18: €176 million from continuing operations) in selling expenses and €1 million (2017/18: €2 million from continuing operations) in the cost of sales.

There were no restrictions on title in the form of liens or encumbrances for property, plant and equipment in either the financial year 2018/19 or in the previous year.

Purchase obligations of €8 million (30/09/2018: €11 million) were concluded for property, plant and equipment.

22. LEASES

Assets used by CECONOMY as part of a finance lease were capitalised in the amount of €45 million (30/09/2018: €39 million). In the financial year 2018/19, €31 million of these were attributable to buildings (30/09/2018: €35 million) and €14 million to other plant, business and office equipment (30/09/2018: €4 million).

Finance leases are generally concluded for a basic rental period of between ten and 25 years and provide the option to extend the lease by five years on at least one occasion after this basic rental period ends.

In addition to the finance leases, there are also rental agreements and leases that, in line with their substance, are to be categorised as operating leases. Operating leases are typically concluded for a basic rental period of up to 15 years. The leases include lease payments, some of which are based on variable rent and some on fixed rent.

Obligations from finance and operating leases fall due in subsequent periods as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/09/2018			
Future lease payments due (nominal)	7	21	18
Discount	−1	−2	−1
Net present value	**6**	**19**	**18**
Operating leases 30/09/2018			
Future lease payments due (nominal)	588	1,478	386

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/09/2019			
Future lease payments due (nominal)	8	26	18
Discount	−1	−2	0
Net present value	**8**	**24**	**18**
Operating leases 30/09/2019			
Future lease payments due (nominal)	589	1,474	388

Future lease payments due from finance leases include purchase price payments required to exercise favourable purchase options in the amount of €9 million (30/09/2018: €9 million).

As in the previous year, there are no lease payments that CECONOMY will receive from properties in the future and that are classified as finance leases (subleasing).

Lease payments that CECONOMY will receive from properties in the future and that are classified as operating leases (subleasing) amount to €7 million nominally.

Profit or loss for the period includes lease expenses of €612 million (2017/18: €628 million). In addition, profit or loss for the period also includes income from rentals of €10 million (2017/18: €9 million).

Expenses from contingent rental payments recognised from operating leases come to €49 million (2017/18: €48 million).

23. FINANCIAL INVESTMENTS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Financial assets of €278 million (30/09/2018: €262 million) were recognised as of 30 September 2019. The €16 million rise in financial assets essentially reflects the fair value measurement of the 15 per cent investment in Russia's leading consumer electronics retailer M.video.

Financial assets include €266 million (30/09/2018: €250 million) in investments and €12 million (30/09/2018: €13 million) in loans.

As well as the M.video investment, included in financial assets in the amount of €161 million as of 30 September 2019 (30/09/2018: €145 million), an approximately one per cent share in METRO AG amounting to €53 million (30/09/2018: €49 million) and a 6.61 per cent interest in METRO PROPERTIES GmbH & Co. KG of €51 million (30/09/2018: €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 &. Co. 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	Dividend income recognised in 2018/19
METRO AG	53	16
M.video	161	–
METRO PROPERTIES	51	11
Others	1	0
Total	**266**	**27**

No investments were disposed of in the financial year 2018/19 and so no cumulative gains or losses were transferred within equity.

CECONOMY entered into an agreement to purchase a minority interest in Fnac Darty S.A. from Artemis S.A. on 26 July 2017. 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 2019 was 24.33 per cent.

Reconciliation of financial market information for Fnac Darty S.A. with the carrying amounts of the investments

€ million	30/09/2018	30/09/2019
Net assets 100%	1,130	1,177
CECONOMY's share in net assets	273	286
Adjusted goodwill from purchase price allocation	214	211
Carrying amount of the investment	**487**	**497**

NOTES

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.

CECONOMY generated profit for the period of € 21 million in the financial year 2018/19 (2017/18: €20 million). This also includes effects from adjusting goodwill as a result of the purchase price allocation and from the increase in the shareholding in connection with Fnac Darty S.A.'s share buy-back programme.

€−11 million was reported in other comprehensive income in the financial year 2018/19 (2017/18: €9 million).

No permanent impairment was determined as of 30 September 2019 for the shares in Fnac Darty S.A. measured using the equity method.

The following table provides information about Fnac Darty S.A.:

	Fnac Darty S.A.	
€ million	30/09/2018	30/09/2019
Size of share (in %)	24.08	24.33
Stock market value	443	373
Carrying amount	487	497
Disclosures on the income statement	**2017/18[1]**	**2018/19[2]**
Sales	3,200	3,285
Post-tax earnings from continuing operations	7	−39
Post-tax earnings from discontinued operations	1	0
Other comprehensive income	26	−36
Total comprehensive income	34	−76
Dividends paid to the Group	0	0
Disclosures on the statement of financial position	**30/06/2018[1]**	**30/06/2019[2]**
Non-current assets	2,722	3,692
Current assets	2,094	2,059
Non-current liabilities	1,370	2,165
Current liabilities	2,316	2,409

[1] Information according to the interim financial report as of 30 June 2018 for the period 1 January 2018–30 June 2018
[2] Information according to the interim financial report as of 30 June 2019 for the period 1 January 2019–30 June 2019

NOTES

24. RECEIVABLES DUE FROM SUPPLIERS, OTHER FINANCIAL ASSETS AND OTHER ASSETS

	30/09/2018			30/09/2019		
		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	**1,239**	**1,239**	**0**	**1,295**	**1,295**	**0**
Receivables from credit cards	71	71	0	51	51	0
Securities	265	265	0	0	0	0
Miscellaneous financial assets	162	158	3	68	65	3
Other financial assets	**498**	**495**	**3**	**119**	**116**	**3**
Entitlements to other tax refunds	93	93	0	66	66	0
Prepaid expenses and deferred charges	64	54	11	60	53	7
Miscellaneous other assets	0	0	0	1	1	0
Other assets	**158**	**147**	**11**	**127**	**120**	**7**

Receivables due from suppliers in the amount of €1,295 million (30/09/2018: €1,239 million) essentially include invoiced receivables and accruals for subsequent supplier compensation (such as costs of bonuses and advertising).

Receivables from credit cards amounting to €51 million (30/09/2018: €71 million) decreased largely on account of calendar effects.

The 5.4 per cent interest in METRO AG of €265 million, recognised in the previous year under short-term securities, was sold in the financial year 2018/19. Disposing of this investment allowed CECONOMY to strengthen its financial position.

Miscellaneous financial assets declined by €94 million from €162 million to €68 million. The decrease can be attributed to a cash receivables reduction of €40 million, which primarily related to the utilisation of retained net working capital from portfolio changes in the previous year. In addition, refund claims against METRO AG as a result of tax receivables (30/09/2018: €20 million) and €14 million in receivables from the disposal of METRO AG shares reclassified to tax receivables from tax authorities also contributed to this development.

A further key component of miscellaneous financial assets is receivables from financing provisions.

Other entitlements to tax refunds include input taxes that cannot yet be offset of €50 million (30/09/2018: €74 million), entitlements to VAT refunds of €13 million (30/09/2018: €15 million) and other entitlements to tax refunds of €3 million (30/09/2018: €4 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 €133 million (30/09/2018: €128 million), representing a rise of €5 million against the figure as of 30 September 2018. Deferred tax liabilities before offsetting came to €96 million (30/09/2018: €100 million) and decreased by €4 million in comparison to 30 September 2018. After offsetting, €73 million in deferred tax assets and €35 million in deferred tax liabilities were recognised as of the closing date. Total deferred taxes are on par with the previous year.

Deferred taxes relate to the following balance sheet items:

	30/09/2018		30/09/2019	
€ million	Assets	Liabilities	Assets	Liabilities
Goodwill	0	2	0	3
Other intangible assets	0	6	1	6
Property, plant and equipment	11	26	10	26
Inventories	18	11	16	4
Receivables and other assets	3	22	3	30
Provisions for post-employment benefit plans and similar obligations	61	12	53	5
Other provisions	13	3	9	5
Borrowings	9	0	9	0
Other financial and non-financial liabilities	29	13	21	13
Outside basis differences	0	4	0	4
Write-downs of temporary differences	−64	0	−54	0
Loss carry-forwards	47	0	64	0
Subtotal before offsetting	**128**	**100**	**133**	**96**
Offsetting	−69	−69	−60	−60
Carrying amount of deferred taxes	**59**	**31**	**73**	**35**

The table below shows the loss and interest carry-forwards in the Group as a whole:

€ million	30/09/2018	30/09/2019
Corporate tax losses	1,953	2,049
Trade tax losses	1,469	1,640
Interest carry-forwards/other carry-forwards	87	88

The increase in loss carry-forwards reflects a tax loss from the disposal of shares in METRO AG. The corresponding tax loss carry-forwards are fully impaired. Restructuring at market level carried out in the financial year initially resulted only in impairment of the deferred taxes on the loss carry-forwards in question. These loss carry-forwards will be used in the next five financial years.

€1,217 million of corporate income tax loss carry-forwards as of 30 September 2019 is attributable to German companies and €832 million to foreign companies. Trade tax loss carry-forwards include €145 million of loss carry-forwards relating to local taxation of companies outside Germany.

In addition to the interest carry-forward of €40 million (30/09/2018: €36 million), a carry-forward item within the meaning of Sec. 4f of the German Income Tax Act (EStG) arose in the previous year in the amount of €51 million in connection with the disposal of certain pension obligations. This item is reversed over 15 years and totalled €48 million as of the reporting date.

With regard to the loss and interest carry-forwards in the Group as a whole (see table above) and temporary differences, 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	30/09/2018	30/09/2019
Corporate tax losses	1,770	1,790
Trade tax losses	1,352	1,456
Interest carry-forwards/other carry-forwards	87	88
Temporary differences	224	191

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 2019, €4 million (30/09/2018: €4 million) was recognised in deferred tax liabilities from outside basis differences.

Tax effects on components of other comprehensive income

€ million	2017/18			2018/19		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Currency translation differences from translating the financial statements of foreign operations	20	2	22	20	0	20
thereof currency translation differences of net investments in foreign operations	(−9)	(2)	(−7)	(0)	(0)	(0)
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	69	0	69	17	0	17
Remeasurement of defined benefit pension plans	−4	0	−4	−47	1	−46
Subsequent measurement of associates/joint ventures accounted for using the equity method	9	0	9	−11	0	−11
	94	**2**	**95**	**−21**	**1**	**−20**

26. INVENTORIES

Inventories rose by €68 million in comparison to the previous period, from €2,480 million to €2,548 million.

€57 million of this increase stems from the DACH segment, with the €34 million decline in the Western/Southern Europe segment offset by the €37 million upturn in the Eastern Europe segment.

Inventories take into account impairments of €108 million (30/09/2018: €116 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 €17 million (30/09/2018: €0 million).

27. TRADE RECEIVABLES AND SIMILAR CLAIMS

Trade receivables and similar claims fell from €613 million to €455 million.

€ million	30/09/2018	30/09/2019
Trade receivables	613	139
Contract assets	–	316
Trade receivables and similar claims	**613**	**455**
thereof remaining term <12 months	(511)	(352)
thereof remaining term > 12 months	(103)	(103)

The €474 million fall in CECONOMY’s trade receivables against the previous period from €613 million to €139 million relates for the most part to the DACH segment, which was responsible for €456 million of this decline.

Contract assets of €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 increase in contract assets is due essentially to a reclassification of €257 million from trade receivables to contract assets.

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 €103 million (30/09/2018: €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 2019, the carrying amount of the original asset was €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.

Commission receivables due from a contract partner in the mobile communications area were sold for the first time as part of another factoring programme. Here, CECONOMY AG provides guarantees for partial defaults of up to a maximum of €20 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 2019 was €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.

The previous year figures in the following tables relate to capitalised financial instruments in accordance with IAS 39 and are provided for the purpose of comparability.

€ million	"Loans and receivables" category	Thereof "loans and advance credit granted"	Thereof "other current receivables"
As of 01/10/2017	**29**	**3**	**26**
Currency translation	0	0	0
Additions	19	0	19
Reversal	−11	−1	−10
Reclassifications to IFRS 5	−1	0	−1
Utilisation	−11	0	−11
Transfers	0	0	0
As of 30/09 or 01/10/2018	**25**	**2**	**23**

€ million	Total carrying amount as of 30/09/2018	Thereof not past due, not impaired	Thereof 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
Assets							
Of the “loans and receivables” category	2,095	1,870	55	7	2	1	1
thereof “loans and advance credit granted”	(13)	(13)	(0)	(0)	(0)	(0)	(0)
thereof “other current receivables”	(2,082)	(1,857)	(55)	(7)	(2)	(1)	(1)
Of the “held to maturity” category	0	0	0	0	0	0	0
Of the “held for trading” category	4	0	0	0	0	0	0
Of the “available for sale” category	515	0	0	0	0	0	0
	2,614	**1,870**	**55**	**7**	**2**	**1**	**1**

IFRS 9 was applied for the first time in the current financial year. Under this standard, a difference is to be drawn regarding impairments between the use of the general approach and the simplified approach.

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 2018/19, 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 gives information for these receivables on the credit risk associated with the gross carrying amount and the expected credit losses for receivables due from suppliers as of 30 September 2019.

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit impaired	Total
Suppliers with investment grade credit ratings	2	0	0	2
Other suppliers	0	1	13	14
	2	**1**	**13**	**15**

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.

The gross carrying amounts of impairments on receivables due from suppliers in stage 3 total €25 million.

Impairments in 2018/19 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 2018	**–**	**–**	**–**	**15**
Retroactive restatement via reserves retained from earnings	–	–	–	−1
Risk provisions as of 1 October 2018	**3**	**0**	**10**	**13**
Newly granted/purchased financial assets	2	0	5	6
Remeasurement of impairment	0	1	0	1
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Sold financial assets	−3	0	−2	−5
Other changes[1]	0	0	0	0
Risk provisions as of 30 September 2019	**2**	**1**	**13**	**15**

[1] Other changes includes currency translation differences, changes to the consolidation group and changes to model parameters/assumptions.

As of 30 September 2019, there were no receivables due from suppliers that were written down in the financial year 2018/19 and that are not yet subject to enforcement measures.

Simplified approach

In the financial year 2018/19, 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 trade receivables 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 following table shows impairments of trade receivables together with the impairment matrix applied and 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

In addition to the risk provisions shown in the table above, €10 million in specific bad debt allowances was recognised on a gross carrying amount of the trade receivables totalling €137 million.

As of 30 September 2019, there were no trade receivables that were written down in the financial year 2018/19 and that are not yet subject to enforcement measures.

Trade receivables and contract assets from mobile communications providers are measured individually using the individual providers’ credit risks. Risk provisions of €0 million were made in this way on a gross carrying amount of €326 million. Of the gross carrying amount, 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, €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.

As of 30 September 2019, there were no trade receivables from mobile communications providers that were written down in the financial year 2018/19 and that are not yet subject to enforcement measures.

€ million	2018/19
Impairments as of 30/09/2018 as per IAS 39	**8**
Adjustments due to first-time application of IFRS 9	3
Impairments as of 01/10/2018 as per IFRS 9	**11**
Currency translation	0
Additions	16
Reversal	–8
Reclassifications to IFRS 5	0
Utilisation	–5
Transfers	0
Impairments as of 30/09/2019 as per IFRS 9	**14**

↗ 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	30/09/2018	30/09/2019
Cheques and cash on hand	66	55
Bank deposits and other financial assets that can quickly be converted into cash	1,048	1,077
	1,115	**1,132**

↗ 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

MediaMarkt Greece disposal group

On 2 July 2019, CECONOMY AG announced that Media-Saturn-Holding GmbH (MSH) and Olympia Group Ltd. had signed a deal to create a new corporation covering the Greek and Cypriot market. Accordingly, Olympia holds 75 per cent and MSH holds 25 per cent of the new company. Both organisations contribute the operating companies MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus to the new company. The stores of both companies are continued under their respective brand names. All warranties and obligations to customers and suppliers are taken over by the new company and continue to apply as before. The deal was closed after the closing date on 29 November 2019.

Deconsolidation income from the transaction is expected in the mid-double-digit million euro range in the first quarter of 2019/20. This income is adjusted as part of the outlook as it is to be considered in connection with the reorganization and efficiency program announced on 29 April 2019.

As of 30 September 2019, the MediaMarkt Greece business represents a disposal group for CECONOMY within the meaning of IFRS 5. The statement of financial position as of 30 June 2019 presented the affected assets and liabilities separately as “assets held for sale” or “liabilities related to assets held for sale”. As of the closing date 30 September 2019, these assets and liabilities break down as follows:

€ million	
Assets	
Property, plant and equipment	6
Other assets (non-current)	2
Inventories	23
Trade receivables and similar claims	1
Receivables due from suppliers	12
Other assets (current)	1
Cash and cash equivalents	15
	61
Liabilities	
Provisions for post-employment benefit plans and similar obligations	1
Other provisions (non-current)	5
Trade liabilities and similar liabilities	58
Provisions (current)	3
Other financial liabilities (current)	3
Other liabilities (current)	1
	70

31. EQUITY

Share capital has not changed in terms of its amount or breakdown into ordinary and preference shares in comparison to 30 September 2018 and comes to €918,845,410.90. It is divided as follows:

No-par-value bearer shares, accounting par value approx. €2.56		30/09/2018	30/09/2019
	Number	356,743,118	356,743,118
Ordinary shares	€ approx.	911,999,300	911,999,300
	Number	2,677,966	2,677,966
Preference shares	€ 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, predefined 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.

Capital reserve

The capital reserve amounts to €321 million (30/09/2018: €321 million).

Reserves retained from earnings

Reserves retained from earnings include Other comprehensive income and Other reserves retained from earnings.

€ million	30/09/2018	30/09/2019
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	65	23
Currency translation differences from translating the financial statements of foreign operations	−20	−5
Remeasurement of defined benefit pension plans	−263	−309
Subsequent measurement of associates/joint ventures accounted for using the equity method	9	−2
Income tax attributable to items of other comprehensive income	0	0
Other reserves retained from earnings	−344	−185
	−554	**−478**

Reserves retained from earnings rose by €75 million year on year from €−554 million to €−478 million as of 30 September 2019, due chiefly to Other reserves retained from earnings. This was essentially influenced by earnings after taxes of €122 million. In particular, there was a contrary effect from the remeasurement of defined benefit pension plans through other comprehensive income at €−45 million.

The changes to the financial instruments shown above and the related deferred tax effects break down as follows:

€ million	2017/18	2018/19
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	70	14
	70	**14**

Gains of €14 million on remeasuring financial instruments measured at fair value through other comprehensive income in the amount of €14 million (2017/18: €70 million) relate entirely to the financial year 2018/19.

↗ 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 €22 million at the end of the financial year (30/09/2018: €−21 million). The change essentially reflects earnings after taxes of €37 million. Material non-controlling interests are held only in Media-Saturn-Holding GmbH.

NOTES

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 2017/18 on account of the balance sheet loss. The balance sheet loss of €59 million was carried forward to new account as a loss carry-forward.

No dividend is planned for financial year 2018/19. The net loss of €53 million is carried forward to new account as a loss carry-forward.

32. PROVISIONS FOR POST-EMPLOYMENT BENEFIT PLANS AND SIMILAR OBLIGATIONS

Provisions for post-employment benefit plans are recognised in accordance with IAS 19 (Employee Benefits) applies.

Provisions for post-employment benefit plans 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:

%	30/09/2018	30/09/2019
Germany	86	86
Switzerland	10	11
Other countries	4	3
	100	**100**

CECONOMY's plan assets are split in percentage terms between the following countries:

%	30/09/2018	30/09/2019
Germany	60	56
Switzerland	40	44
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.

%	30/09/2018 Germany	30/09/2018 Switzerland	30/09/2018 Other countries	30/09/2019 Germany	30/09/2019 Switzerland	30/09/2019 Other countries
Actuarial interest rate	1.60 to 2.00	1.05	2.47	0.60 to 1.10	0.20	1.76
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 0.6 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 1.10 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.

NOTES

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:

		30/09/2018			30/09/2019		
€ million		Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	Increase by 100 basis points	−49.40	−8.60	−2.80	−51.90	−10.70	−2.80
	Decline by 100 basis points	58.10	11.40	3.40	60.90	14.20	3.40
Inflation rate	Increase by 25 basis points	12.60	1.80	0.00	13.00	2.20	0.00
	Decline by 25 basis points	−12.20	−1.70	0.00	−12.50	−2.10	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:

	30/09/2018		30/09/2019	
	%	€ million	%	€ million
Fixed-interest securities	32	63	16	30
Shares, funds	15	30	18	35
Real estate	36	72	44	85
Other assets	17	35	22	42
	100	**200**	**100**	**192**

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.

Actual income from plan assets came to €12 million in the reporting period (2017/18: €5 million).

For financial year 2019/20, employer payments to external pension providers of €4 million and employee contributions of €4 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	2017/18	2018/19
Present value of defined benefit obligations		
At beginning of period	851	726
Recognised through profit or loss	**17**	**15**
Interest expenses	13	11
Current service cost	4	3
Past service cost (incl. curtailments and amendments)	0	1
Income from settlement	0	0
Recognised through other comprehensive income under "remeasurement of defined benefit pension plans"	**2**	**61**
Actuarial gains/losses from change		
in demographic assumptions (–/+)	5	0
in financial assumptions (–/+)	–2	64
due to experience adjustments (–/+)	–1	–3
Other effects	**–144**	**–54**
Benefit payments (incl. tax payment)	–67	–61
Contributions from plan participants	5	5
Change in consolidation group/transfers	–83	–1
Currency effects	1	3
At end of period	**726**	**748**

Overall, changes in actuarial parameters resulted in an increase in the present value of defined benefit obligations of €64 million (2017/18: €3 million). The effects mostly resulted from the reduction of the actuarial interest rates used.

The weighted average term of defined benefit obligation for the countries with material pension obligations was:

Years	30/09/2018	30/09/2019
Germany	9	9
Switzerland	13	14
Other countries	14	13

The present value of defined benefit obligations is allocated to the individual groups of beneficiaries as follows:

%	30/09/2018	30/09/2019
Active members	13	13
Former claimants	8	8
Pensioners	79	79

NOTES

The fair value of plan assets developed as follows:

€ million	2017/18	2018/19
Change in plan assets		
Fair value of plan assets as of beginning of period	229	200
Recognised through profit or loss	**3**	**2**
Interest income	3	2
Recognised through other comprehensive income under "remeasurement of defined benefit pension plans"	**2**	**10**
Gains/losses on plan assets not including return on plan assets (+/−)	2	10
Other effects	**−34**	**−20**
Benefit payments (incl. tax payment)	−43	−39
Settlement payments	0	0
Employer contributions	4	10
Contributions from plan participants	5	5
Change in consolidation group/transfers	0	0
Currency effects	0	4
Fair value of plan assets as of end of period	**200**	**192**

€ million	30/09/2018	30/09/2019
Financing status		
Present value of defined benefit obligations	726	748
Fair value of plan assets	−200	−192
Asset adjustment (asset ceiling)	4	0
Net liability/asset	**530**	**556**
thereof recognised as provision	(530)	(−556)
thereof recognised as net assets	(0)	(0)

At a company in Switzerland, the asset ceiling applied in the previous year is no longer applied this year, as the value of the obligation in the corresponding pension plan exceeds the fair value of plan assets as of the closing date. The change in the asset ceiling of €−4 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	2017/18	2018/19
Current service cost[1]	4	3
Net interest expenses	10	9
Past service cost (incl. curtailments and amendments)	0	1
Settlements	0	0
Other pension expenses	0	0
Pension expenses	**14**	**13**

[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 €23 million (2017/18: €24 million) and payments to statutory pension insurance providers of €158 million (2017/18: €168 million) for defined contribution pension commitments.

Media-Saturn Netherlands participates in a multi-employer plan classified as a defined benefit pension plan. However, it is managed by a fund that cannot provide sufficient information to allow recognition as a defined benefit pension plan. It is therefore recognised as a defined contribution plan in accordance with the provisions of IAS 19.34 and IAS 19.148. The plan is typical for the Netherlands and is subject to strict regulation. In the event of deficient cover, Media-Saturn Netherlands would be obliged to compensate for this deficient cover with higher contributions in the future.

The higher contributions would then apply for all participating companies. Media-Saturn Netherlands cannot be called upon for the obligations of other companies. Around 27,600 companies in the retail industry participate in the plan, with contributions collected for a total of more than 255,000 employees from all companies. Media-Saturn Netherlands currently contributes to the plan for 6,368 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 €13,582 and no more contributions have to be made for salaries above €55,927. In financial year 2018/19, contributions to “Bedrijfspensioenfonds voor de Detailhandel” are expected to amount to around €10.5 million. In September 2019, the coverage ratio was 109.1 per cent (September 2018: 111.3 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 (30/09/2018: €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 01/10/2018	**71**	**37**	**51**	**75**	**234**
Adjustment for IFRS 15	0	−23	0	0	−23
As of 01/10/2018 adjusted	**71**	**14**	**51**	**75**	**211**
Currency translation	0	0	−1	0	−1
Addition	27	17	3	74	121
Reversal	−17	0	−13	−15	−45
Utilisation	−23	−15	−1	−35	−74
Interest portion in addition/change in interest rate	1	0	0	0	1
IFRS 5 disposal	−9	0	0	−4	−13
Transfer	0	0	0	0	0
As of 30/09/2019	**49**	**15**	**39**	**95**	**199**
Long-term	21	0	0	12	33
Short-term	28	15	39	83	165
As of 30/09/2019	**49**	**15**	**39**	**95**	**199**

↗ Information on adjustments of provisions for reimbursement to other financial liabilities is provided under “Notes to the Group accounting principles and methods”.

Provisions for real estate-related obligations relate to location-related risks of €27 million (30/09/2018: €42 million), rental obligations of €14 million (30/09/2018: €15 million), deficient rental cover of €4 million (30/09/2018: €11 million) and asset retirement obligations of €4 million (30/09/2018: €3 million).

Provisions for warranties of €15 million (30/09/2018: €14 million) are a significant component of the provisions for obligations from trade transactions.

As in the previous year, the provisions for tax risks of €39 million (30/09/2018: €51 million) mainly include provisions for VAT matters.

The miscellaneous provisions include provisions for severance payments of €42 million (30/09/2018: €5 million), which in financial year 2018/19 mainly resulted from the reorganization and efficiency program and related in particular to the DACH segment. In addition, provisions of €30 million (30/09/2018: €34 million) are recognised in connection with discontinued operations. There are also provisions for litigation costs/risks of €6 million (30/09/2018: €7 million) and for interest on tax provisions of €11 million (30/09/2018: €13 million).

It is assumed that the majority of the provisions (€165 million of a total of €199 million) will result in payouts within a year. €21 million of the non-current portion of the provisions of €33 million is attributable to real estate-related obligations. This primarily relates to provisions for location-related risks and 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 share-based payments 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 3.97 per cent depending on the term, country and currency.

34. LIABILITIES

€ million	30/09/2018 Total	Remaining term Up to 1 year	Remaining term 1 to 5 years	Remaining term Over 5 years	30/09/2019 Total	Remaining term Up to 1 year	Remaining term 1 to 5 years	Remaining term Over 5 years
Trade liabilities and similar liabilities	**5,277**	**5,277**	**0**	**0**	**5,321**[1]	**5,162**	**160**	**0**
Bonds	145	145	0	0	0	0	0	0
Liabilities to banks	1	1	0	0	1	1	0	0
Promissory note loans	251	1	189	61	251	1	239	12
Liabilities from finance leases	43	6	19	18	50	8	24	18
Borrowings	**439**	**153**	**208**	**79**	**302**	**10**	**262**	**30**
Payroll liabilities	223	223	0	0	285	285	0	0
Liabilities from other financial transactions	3	3	0	0	2	2	0	0
Miscellaneous financial liabilities	225	173	39	13	211	158	38	15
Other financial liabilities	**452**	**400**	**39**	**13**	**498**[1]	**445**	**38**	**15**
Other tax liabilities	171	171	0	0	159	159	0	0
Prepayments received on orders	46	46	0	0	0	0	0	0
Deferred income	488	447	29	12	82	47	26	9
Miscellaneous non-financial liabilities	30	6	18	6	29	8	17	4
Other liabilities	**736**	**671**	**47**	**18**	**270**	**215**	**43**	**13**
Income tax liabilities	**94**	**94**	**0**	**0**	**51**	**51**	**0**	**0**
	6,997	**6,594**	**294**	**109**	**6,442**	**5,883**	**502**	**57**

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

35. TRADE LIABILITIES AND SIMILAR LIABILITIES

The trade liabilities and similar liabilities item increased from €5,277 million in the previous year to €5,321 million.

€ million	30/09/2018	30/09/2019
Trade liabilities	5,277	4,878
Contract liabilities	–	407
Liabilities from continuing involvement	–	36
Trade liabilities and similar obligations	**5,277**	**5,321**
thereof remaining term <12 months	(5,277)	(5,161)
thereof remaining term >12 months	(0)	(160)

The decline in trade liabilities was due mainly to the DACH segment at €260 million and the Western/Southern Europe segment at €156 million.

Contract liabilities totalled €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 €229 million and deferred sales from the sale of vouchers of €128 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 €160 million (30/09/2018: €0 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 liabilities from finance leases. In total, borrowings have decreased by €137 million from €439 million to €302 million. The decline is primarily attributable to the full repayment of bonds (€145 million).

CECONOMY AG uses issues on the capital market for medium- and long-term financing. Currently CECONOMY AG has several outstanding promissory notes together totalling €250 million with a remaining term of two to seven years.

For obtaining short-term financial funding, CECONOMY AG has a 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 2019 (30/09/2018: €145 million).

In addition, syndicated credit facilities are available to CECONOMY AG in a total amount of €550 million and with a term ending in calendar year 2024. The syndicated credit facilities were not utilised.

Additional bilateral credit facilities of €431 million were available to CECONOMY AG as of 30 September 2019, of which €1 million had a remaining term of less than one year. As of the closing date, a total of €1 million was drawn from the intrayear bilateral credit facilities.

Undrawn credit facilities of CECONOMY AG

	30/09/2018			30/09/2019		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	491	26	465	431	1	430
Utilisation	−1	−1	0	−1	−1	0
Undrawn bilateral credit facilities	**490**	**25**	**465**	**430**	**0**	**430**
Syndicated credit facilities	550	0	550	550	0	550
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**550**	**0**	**550**
Total credit facilities	1,041	26	1,015	981	1	980
Total utilisation	−1	−1	0	−1	−1	0
Total undrawn credit facilities	**1,040**	**25**	**1,015**	**980**	**0**	**980**

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 bonds and promissory note loans. As in the previous year, there are only current account liabilities for the liabilities to banks. The stated carrying amounts and fair values included accrued interest, the remaining term of which is less than one year in each case.

Bonds

		30/09/2018				30/09/2019			
		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	145	145	145		0	0	0	
	1 to 5 years	0	0	0		0	0	0	
	Over 5 years	0	0	0		0	0	0	
	Total	**145**	**145**	**145**	**145**	**0**	**0**	**0**	**0**

Promissory note loans

		30/09/2018				30/09/2019			
		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	189	189	189		239	239	239	
	Over 5 years	61	61	61		11	11	11	
	Total	**250**	**250**	**251**	**251**	**250**	**250**	**251**	**255**

Amortising loans, which are recognised under liabilities to banks, are presented in the remaining terms according to their repayment dates.

The tables below show the interest rate structure of the borrowings from bonds and promissory note loans:

Bonds

Interest rate structure	Currency	Remaining term	30/09/2018 Nominal value € million	30/09/2019 Nominal value € million
Fixed interest	EUR	Up to 1 year	145	0
		1 to 5 years	0	0
		Over 5 years	0	0
Variable interest	EUR	Up to 1 year	0	0
		1 to 5 years	0	0
		Over 5 years	0	0

Promissory note loans

Interest rate structure	Currency	Remaining term	30/09/2018 Nominal value € million	30/09/2019 Nominal value € million
Fixed interest	EUR	Up to 1 year	0	0
		1 to 5 years	120	148
		Over 5 years	40	11
Variable interest	EUR	Up to 1 year	0	0
		1 to 5 years	69	91
		Over 5 years	22	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 €24 million (30/09/2018: €35 million), liabilities from non-Group shareholders' put options of €60 million (30/09/2018: €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 for the first time in the previous year of €44 million (30/09/2018: €47 million) and real estate-related liabilities of €6 million (30/09/2018: €7 million).

The other tax liabilities comprise value added tax, land tax, payroll and church tax and other taxes.

Deferred income includes deferred rent and advertising subsidies as well as other deferred items.

Material items in the miscellaneous non-financial liabilities are lease liabilities (not including finance leases) of €28 million (30/09/2018: €28 million).

	30/09/2018			30/09/2019		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Payroll liabilities	223	223	0	285	285	0
Miscellaneous financial liabilities	229	177	52	178	125	53
Refund liabilities	0	0	0	35	35	0
Other financial liabilities	**452**	**400**	**52**	**498**	**445**	**53**
Other tax liabilities	171	171	0	159	159	0
Deferred income	488	447	40	82	47	34
Miscellaneous non-financial liabilities	77	53	24	29	8	21
Other liabilities	**736**	**671**	**64**	**270**	**215**	**56**

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:

						30/09/2018
	(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						
Loans and advance credit granted	13	0	13	0	0	13
Receivables due from suppliers	1,361	121	1,239	37	0	1,203
Trade receivables	628	14	613	18	0	595
Equity investments	250	0	250	0	0	250
Miscellaneous financial assets	494	0	494	0	0	494
Derivative financial instruments	4	0	4	0	0	4
Cash and cash equivalents	1,115	0	1,115	0	0	1,115
Receivables from finance leases	0	0	0	0	0	0
	3,864	**135**	**3,729**	**55**	**0**	**3,673**
Financial liabilities						
Borrowings excluding finance leases	397	0	397	0	0	397
Trade liabilities	5,390	114	5,277	42	0	5,234
Miscellaneous financial liabilities	471	22	450	13	0	437
Derivative financial instruments	2	0	2	0	0	2
Liabilities from finance leases	43	0	43	0	0	43
	6,303	**135**	**6,168**	**55**	**0**	**6,113**

NOTES

						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	398	0	398	0	0	398
Cash and cash equivalents	1,132	0	1,132	0	0	1,132
	3,114	**150**	**2,964**	**67**	**0**	**2,897**
Financial liabilities						
Trade liabilities and similar liabilities[2]	5,028	114	4,914	40	0	4,874
Further financial liabilities	1,279	36	1,243	27	0	1,215
	6,307	**150**	**6,157**	**67**	**0**	**6,089**

[1] This item does not include contract assets of €316 million.
[2] This item does not include contract liabilities of €407 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:

€ million	Carrying amount as of 30/09/2018	Cash flows up to 1 year		Cash flows 1 to 5 years		Cash flows over 5 years	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	145	0	145	0	0	0	0
Liabilities to banks	1	0	1	0	0	0	0
Promissory note loans	251	3	1	8	189	1	61
Finance leases	43	1	6	2	19	1	18
Trade liabilities	5,277	0	5,277	0	0	0	0
Currency derivatives carried as liabilities	2	0	2	0	0	0	0

€ million	Carrying amount as of 30/09/2019	Cash flows up to 1 year		Cash flows 1 to 5 years		Cash flows over 5 years	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	0	0	0	0	0	0	0
Liabilities to banks	1	0	1	0	0	0	0
Promissory note loans	251	3	1	6	239	1	12
Finance leases	50	1	8	2	24	0	18
Trade liabilities and similar liabilities [1]	4,914	0	4,894	0	20	0	0
Currency derivatives carried as liabilities	1	0	1	0	0	0	0

[1] This item does not include contract liabilities of €407 million.

40. CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

The reported financial instruments were allocated to categories as of 30 September 2018 in line with the provisions of IAS 39 applied in financial year 2017/18, resulting in the following allocation:

					30/09/2018
		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	**8,475**				
Loans and receivables	**2,095**	**2,095**	**0**	**0**	**2,095**
Loans and advance credit granted	13	13	0	0	13
Receivables due from suppliers	1,239	1,239	0	0	1,239
Trade receivables	613	613	0	0	613
Miscellaneous financial assets	229	229	0	0	229
Held for trading	**4**	**0**	**4**	**0**	**4**
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	4
Available for sale	**515**	**53**	**0**	**462**	
Equity investments	250	53	0	197	
Securities	265	0	0	265	265
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**1,115**	**1,115**	**0**	**0**	**1,115**
No IAS 39 category	**4,746**				
Equity and liabilities	**8,475**				
Held for trading	**2**	**0**	**2**	**0**	**2**
Derivative financial instruments not in a hedging relationship according to IAS 39	2	0	2	0	2
Other financial liabilities	**6,123**	**6,123**	**0**	**0**	**6,124**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	397	397	0	0	397
Trade liabilities	5,277	5,277	0	0	5,277
Miscellaneous financial liabilities	450	450	0	0	450
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Liabilities from finance leases (measured in acc. with IAS 17)	**43**				**44**
No IAS 39 category	**2,307**				

In financial year 2018/19, financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate categories as follows:

€ million	30/09/2019				
		Value in statement of financial position			
	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	1,132	1,132	0	0	1,132
Receivables due from suppliers	1,295	1,295	0	0	1,295
Trade receivables and similar claims[1]	124	124	0	0	124
Loans and advance credit granted	12	12	0	0	12
Miscellaneous financial assets	118	118	0	0	118
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[2]	252	252	0	0	256
Trade liabilities and similar liabilities	4,878	4,878	0	0	4,878
Miscellaneous financial 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 financial liabilities	0	0	0	0	0

[1] This item does not include €15 million resulting from a continuing involvement.
[2] This item does not include liabilities from finance leases of €50 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 €266 million are subsequently measured at fair value through other comprehensive income. €214 million of this relates to listed companies, with €161 million attributable to the 15 per cent investment in Russia's leading consumer electronics retailer M.video and €53 million attributable to the roughly 1 per cent share in METRO AG recognised in the non-current part of the statement of financial position.

Equity instruments of €52 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 €51 million is the 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG.

NOTES

The table below shows the financial instruments as of 30 September 2018 in accordance with IAS 39, which are measured at fair value in the statement of financial position. These are classified within a fair value hierarchy whose three levels reflect the market proximity of the data used to calculate the fair values:

€ million	30/09/2018 Total	Level 1	Level 2	Level 3
Assets	**466**	**462**	**0**	**4**
Held for trading				
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	0	4
Available for sale				
Equity investments	197	197	0	0
Securities	265	265	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**
Equity and liabilities	**2**	**0**	**2**	**0**
Held for trading				
Derivative financial instruments not in a hedging relationship according to IAS 39	2	0	2	0
Miscellaneous financial liabilities	0	0	0	0
Other financial liabilities				
Miscellaneous financial liabilities	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**
	464	**462**	**−2**	**4**

The financial instruments measured at fair value as of 30 September 2019 in accordance with IFRS 9 are allocated as follows within the three-level fair value hierarchy:

€ million	30/09/2019 Total	Level 1	Level 2	Level 3
Assets	**267**	**266**	**1**	**0**
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**	**266**	**0**	**0**
Equity instruments	266	266	0	0
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**	**266**	**0**	**0**

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 derivative financial instruments of €4 million recognised on the asset side as of 30 September 2018 (level 3) are attributable in full to put/call options in connection with agreements regarding the transfer of the roughly 5.4 per cent share in METRO AG recognised as current in the statement of financial position.

During the reporting period, no transfers were made between levels 1 and 2.

There were no transfers to or from level 3 in the 2018/19 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.

Cash flows from discontinued operations relate to the discontinued operations of the Russian MediaMarkt business that has since been disposed of.

The information below relates to continuing operations.

Cash flows from operating activities amounted to €86 million (2017/18: €743 million). Total depreciation, amortisation and impairment losses of €241 million (2017/18: €231 million) comprise €197 million (2017/18: €197 million) on property, plant and equipment and €45 million (2017/18: €34 million) on other intangible assets and goodwill.

The change in net working capital amounts to €–310 million (2017/18: €302 million) and includes changes in inventories, trade receivables and similar receivables, receivables due from suppliers, credit card receivables included in "Other financial assets" and advances on inventories included in "Other assets". Furthermore, it includes changes in trade liabilities and similar liabilities, liabilities to customers, deferred sales from vouchers and customer loyalty programmes, provisions for customer loyalty programmes and rights of return in addition to prepayments received on orders.

Other operating activities generated a total cash inflow of €97 million (2017/18: cash outflow of €45 million). The change as against the previous year essentially relates to higher severance obligations that predominantly relate to the reorganization and efficiency program and the management changes. In addition, there was a cash receivables reduction of €40 million that essentially relates to the utilisation of retained net working capital from portfolio changes in the previous year. In total, this item includes changes in other assets and liabilities, payroll liabilities and changes in prepaid expenses and deferred charges. Furthermore, it contains adjustments for unrealised currency effects and the elimination of the results of deconsolidation in EBIT. Non-cash amounts included in EBIT from investments accounted for using the equity method are also corrected for within other operating cash flow.

Investing activities generated a cash inflow of €118 million (2017/18: cash outflow of €278 million). The positive cash flow from investing activities is primarily attributable to the sale of a 5.4 per cent share in METRO AG in the third quarter of 2018/19. Declining investment in modernisation and selective expansion activities also contributed to this development. It also benefited from the absence of a cash outflow for a 15 per cent investment in M.video acquired in the previous year and the similarly absent cash outflow from the sale of a company in the previous year, whose assets and liabilities consisted of pension liabilities and the associated cash assets.

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 additions from finance leases, currency effects and changes in liabilities from the acquisition of other assets.

The cash outflow from financing activities amounted to €178 million in the 2018/19 financial year (2017/18: cash inflow of €56 million). This development is due to the fact that redemptions of borrowings exceed new borrowing. The effect of the cash inflow of €277 million from the resolved ten per cent increase in the share capital of CECONOMY AG contained in the previous year is also absent in the current financial year. This was countered by the payment of a dividend of €85 million to CECONOMY AG's shareholders in the previous year. The cash inflows from profit and loss transfers and other financing activities include dividends from METRO AG and METRO PROPERTIES GmbH & Co. KG of €27 million (2017/18: €29 million). This is offset by the effects of other financing activities that predominantly relate to price losses in the 2018/19 financial year of €−11 million (2017/18: €−1 million).

Cash and cash equivalents were not subject to any restrictions on title.

The following table shows the reconciliation of changes from liabilities from financing activities.

		Cash flows	Non-cash changes				
€ million	01/10/2018	Cash change	Due to exchange rate movements	Acquisition or disposal of companies	Fair values	Miscellaneous	30/09/2019
Bonds	145	−145	0	0	0	0	0
Liabilities to banks	1	0	0	0	0	0	1
Promissory note loans	251	0	0	0	0	0	251
Liabilities from finance leases	43	−5	0	0	0	12	50
Other liabilities in connection with financing activities[1]	107	−13	0	0	−1	11	105
Liabilities from financing activities	**546**	**−163**	**0**	**0**	**−1**	**24**	**406**

[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 of "Other liabilities in connection with financing activities" reported under "Miscellaneous" comprise €6 million in long-term compensation payments to non-controlling interests that were expensed for the first time in the previous year and result from profit transfer agreements entered into with selected market companies. The increase resulted from the annual remeasurement of this compensation obligation.

The cash flows from discontinued operations are calculated as follows:

€ million	2017/18	2018/19
EBIT	−144	1
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	29	0
Change in provisions for pensions and similar obligations	57	0
Change in net working capital	43	0
Income taxes paid	0	0
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	1	0
Other	−45	−1
Cash flow from operating activities of discontinued operations	**−60**	**0**

€ million	2017/18	2018/19
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment (excl. finance leases)	−5	0
Other investments	−4	0
Disposals of companies	−156	0
Disposal of long-term assets	1	0
Cash flow from investing activities of discontinued operations	**−164**	**0**

€ million	2017/18	2018/19
Dividends paid	0	0
Redemption of liabilities from put options of non-controlling interests	0	0
Proceeds from long-term borrowings	0	0
Redemption of borrowings	0	0
Interest paid	0	0
Interest received	0	0
Profit and loss transfers and other financing activities	1	0
Cash flow from financing activities of discontinued operations	**1**	**0**

The figures for both financial years include the Russian MediaMarkt business disposed of in the previous year.

Cash outflows as of the time of the disposal of €0 million (2017/18: €46 million) are included in the disposals of companies.

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, 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 EBITDA comprises EBIT before depreciation, amortisation, impairment losses and reversals of impairment losses on property, plant and equipment and intangible assets.

- 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. Location-related risks and 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.

- In financial year 2018/19, adjusted EBITDA and adjusted EBIT are adjusted for expenses in connection with the reorganization and efficiency program and management changes. The 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 focuses on central functions and administrative units in Germany, in particular. The program also includes the review of business activities of smaller portfolio companies. Expenses for the reorganization and efficiency program are included in EBITDA in the amount of €151 million and in EBIT in the amount of €165 million. The expenses of €34 million incurred for top management changes in the first quarter of 2018/19 relate to the first and second management level at CECONOMY AG, Media-Saturn-Holding GmbH and the MediaMarktSaturn country organisations. In total, expenses in connection with the reorganization and efficiency program and management changes are included in EBITDA in the amount of €186 million and in EBIT in the amount of €200 million in the 2018/19 financial year.

The reconciliation of adjusted EBITDA to EBITDA and of adjusted EBIT to EBIT for the 2018/19 financial year are presented below:

€ million	2018/19
Adjusted EBITDA	**650**
Top management changes	–34
Reorganization and efficiency program	–151
EBITDA	**465**

€ million	2018/19
Adjusted EBIT	**423**
Top management changes	–34
Reorganization and efficiency program	–165
EBIT	**224**

↗ Further information on adjusted EBITDA and adjusted EBIT can be found under "Management system".

– Segment investments comprises additions (including additions to consolidation group) to non-current intangible assets and to property, plant and equipment, with the exception of additions due to the reclassification of "assets held for sale" as non-current assets.

– Non-current segment assets include all non-current assets with the exception of financial assets, investments accounted for using the equity method and tax positions.

The reconciliation of non-current segment assets to the Group's assets is shown below:

€ million	30/09/2018	30/09/2019
Non-current segment assets	**1,472**	**1,394**
Financial assets	262	278
Investments accounted for using the equity method	488	497
Cash and cash equivalents	1,115	1,132
Deferred tax assets	59	73
Entitlements to income tax refunds	103	142
Other tax receivables[1]	93	66
Inventories	2,480	2,548
Trade receivables and similar claims	613	455
Receivables due from suppliers	1,239	1,295
Credit card receivables[2]	71	51
Prepaid expenses and deferred charges[1]	54	53
Receivables from other financial transactions[2, 3]	269	1
Assets held for sale (not including non-current segment assets)	0	52
Other[1,2,3,4]	155	65
Group assets	**8,475**	**8,103**

[1] Included in the "Other assets (current)" balance sheet item
[2] Included in the "Other financial assets (current)" balance sheet item
[3] Included in the "Other financial assets (non-current)" balance sheet item
[4] Included in the "Other assets (non-current)" balance sheet item

Transfers between segments are generally based on the costs incurred for the Group.

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.

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 €986 million (30/09/2018: €957 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 (2017/18: €1 million) per year. A reduction in interest rates of ten basis points would have an opposite effect of €–1 million (2017/18: €–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	30/09/2018	Volume	30/09/2019
Profit or loss for the period			+/–		+/–
	CHF/EUR	+5	+1	–45	–5
	NOK/EUR	–9	–1	–9	–1
	PLN/EUR	+25	+3	+30	+3
	SEK/EUR	+28	+3	+29	+3
	USD/EUR	–3	0	0	0

In addition to the currency pairs shown in the table, there is a US dollar foreign currency position at a subsidiary whose functional currency is the Turkish lira (currency pair: USD/TRY). Given a volume of USD 14 million, a depreciation of the US dollar of 10 per cent would have a positive effect on the profit or loss for the period of €1 million. Conversely, an appreciation of the US dollar of 10 per cent would have a negative effect on the profit or loss for the period of €–1 million.

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.

NOTES

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:

	30/09/2018			30/09/2019		
		Fair values			Fair values	
€ million	Nominal volume	Financial assets	Financial liabilities	Nominal volume	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	−417	0	2	−393	1	1
	−417	**0**	**2**	**−393**	**1**	**1**

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 US dollar.

NOTES

The maturity dates of the derivative financial instruments are as follows:

€ million	30/09/2018			30/09/2019		
	Maturity dates			Maturity dates		
	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	2	0	0	0	0	0
	2	**0**	**0**	**0**	**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-effectively 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.

Financing instruments include money market and capital market products (term and demand deposits, promissory note loans, commercial papers) and long-term bilateral and syndicated credit facilities. CECONOMY therefore has a sufficient liquidity reserve to prevent liquidity risks from arising, even in the event of an unexpected negative financial impact on liquidity. 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 €2,949 million (30/09/2018: €3,729 million).

There was no material collateral for financial assets as at the closing date.

The cash holdings included in "Cash and cash equivalents" of €55 million (30/09/2018: €66 million) are not subject to any significant risk of default.

In the context of the management of financial investments of a total amount of €1,025 million (30/09/2018: €1,001 million) and asset-side derivative financial instruments of a total amount of €1 million (30/09/2018: €0 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 2019, 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 two per cent of the total volume.

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 €2 million as at the end of the 2018/19 financial year (2017/18: €1 million).

45. OTHER FINANCIAL LIABILITIES

The nominal value of other financial liabilities is €153 million as at 30 September 2019 (30/09/2018: €148 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 section 133(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" and note 21 "Property, plant and equipment" for details of purchase obligations for other intangible assets, property, plant and equipment and finance and operating 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.

By way of resolution of May/June 2018, the minority shareholder voted against the adoption of the annual financial statements of MSH for the 2016/17 financial year and the distribution of a dividend from the net profit for the year. By way of a legal challenge brought before the Ingolstadt Regional Court on 31 July 2018, CE Retail requested a ruling to adopt the annual financial statements of MSH for the 2016/17 financial year and to distribute a dividend from the net profit for the year to the shareholders. In response to a joint motion by the parties involved, the Court ordered the suspension of the proceedings on 31 August 2018. The parties involved have since settled out of court. CE Retail therefore withdrew its action by way of pleading dated 29 May 2019.

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. 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. CECONOMY is of the opinion that the action for annulment has little chance of success.

Assertion of antitrust claims for damages

Companies of CECONOMY had filed claims for damages against credit card companies with a London court. They are claiming damages on the basis of the EU Commission's ruling that cross-border inter-bank fees determined as part of a payment card system, which also played a role in determining national inter-bank fees, violated European antitrust law. Some of the claims pursued were economically attributable to the current METRO AG. The proceedings have since been terminated as part of settlements.

Furthermore, CECONOMY companies have brought an action against Toshiba and Panasonic companies before a London court. They are claiming 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.

Other legal issues

CECONOMY companies are parties/participants in other court actions and antitrust law proceedings. These also included investigations by the EU

Commission into Redcoon GmbH, which were initiated with searches over suspected anticompetitive agreements with suppliers in 2015, but which have since ended without producing any conclusion.

With pleading of 9 May 2019, the minority shareholder of MSH appealed in accordance with Sec. 104 para. 2 sent. 4 German Stock Corporation Act (AktG) against the court appointment of Christoph Vilanek as a member of the Supervisory Board of CECONOMY AG. By way of rulings dated 8 July 2019 and 13 August 2019, the Düsseldorf Local Court did not remedy the appeal proceedings and submitted them to the Düsseldorf Higher Regional Court for further decision. The Düsseldorf Higher Regional Court rejected the complaint on 26 August 2019. The appeal was not allowed. The decision is therefore final.

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 current members of corporate bodies at what was then METRO AG (now CECONOMY AG). The Düsseldorf public prosecutor's office's investigations concern 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. 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. It is currently being evaluated whether the proceedings against CECONOMY AG can be closed in return for a very moderate fine and whether this course of action should be followed in the company's interests on pragmatic and procedural grounds.

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 2019) and the date of the preparation of the consolidated financial statements (3 December 2019).

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

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

On 23 October 2019, CECONOMY AG announced the provisional figures for the past financial year 2018/19 by ad hoc communication. On the basis of provisional figures, CECONOMY expected EBITDA and EBIT in the 2018/19 financial year, not including the earnings contributions from the investment in Fnac Darty S.A., to be at the previous year's level (previous year: EBITDA of €630 million and EBIT of €399 million). Earnings are therefore slightly above the original forecast for the 2018/19 financial year, which predicted a slight decline of both EBITDA and EBIT. This is mainly attributable to a better-than-expected development of operating business in Spain, Italy and Germany in the fourth quarter of 2018/19. In addition, CECONOMY expected an increase in sales adjusted for currency and portfolio changes of around 0.8 per cent for the 2018/19 financial year. As expected, net working capital (NWC) moderately declined and is set to be around €330 million lower than in the corresponding prior-year period. This does not include around €–20 million due to the separate recognition of assets and liabilities of the MediaMarkt Greece disposal group. Taking this effect from the disposal group into account, net working capital is set to be around €310 million lower than in the corresponding prior-year period.

A transaction between Media-Saturn-Holding (MSH) and Olympia Group Ltd. (Olympia) was closed on 29 November 2019. The transaction concerns the formation of a new company to cover the market in Greece and Cyprus, in which Olympia holds 75 per cent of the shares and MSH 25 per cent. Both organisations contribute their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the new company. The stores of both companies are continued under their respective brand names. All warranties and obligations to customers and suppliers are taken over by the new company and continue to apply as before.

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 (2017/18: €0 million) in the 2018/19 financial year. Existing liabilities from services received in the previous year also amount to €0 million in the 2018/19 financial year (2017/18: €0 million).

Business relations with related parties are contractually agreed at arm's-length conditions.

Key management personnel
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 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
There were no transactions with related parties other than those referred to above in the 2018/19 financial year (2017/18: €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.

NOTES

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 Management Board of the former METRO AG resolved in November 2016 that the tranches of performance-based remuneration with long-term incentive effect that were not yet terminated as scheduled at the date the spin-off took effect would be settled and paid out during the year. In contrast, the portions not yet vested at this date were contributed to a new long-term incentive plan for CECONOMY AG at their corresponding pro rata temporis target amounts. "Earnings per share – EPS" was defined as a key figure for the portion of the sustainable performance plan 2014/15 tranche contributed to the new plans. The tranche ended in financial year 2018/19 and was paid out as scheduled.

The total payment amount from the LTI tranche ended in financial year 2018/19 amounted to €0.20 million for thirteen CECONOMY AG beneficiaries.

Expenses of €0.17 million (2017/18: €0.62 million) were incurred from ongoing tranches of share-based payment programmes in the financial year.

The provisions associated with the programmes amounted to €0.60 million as of 30 September 2019 (30/09/2018: €0.67 million). They are allocated to the ongoing programmes as follows:

€ million	Provision as of 30 September 2018	Provision as of 30 September 2019
EPS rollover	0.24	0.00
PPP 2017	0.33	0.28
PPP 2018	0.10	0.18
PPP 2019	0.00	0.14
	0.67	**0.60**

50. MANAGEMENT BOARD AND SUPERVISORY BOARD

Remuneration of members of the Management Board in financial year 2018/19

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).

The short-term incentive for members of the Management Board is composed of defined financial goals and the attainment 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 attainment in advance on the basis of corporate planning:

- Sales growth adjusted for currency and portfolio change effects (acquisitions and divestments)
- Earnings before interest and taxes – EBIT (as currency-adjusted delta as against the previous year)
- Net working capital – NWC

Remuneration for members of the Management Board active in the financial year 2018/19 amounts to €4.8 million (2017/18: €4.4 million). €2.3 million (2017/18: €2.9 million) of this relates to fixed salary, €0.9 million (2017/18: €0.0 million) to short-term performance-based remuneration, €1.5 million (2017/18: €1.3 million) to performance-based remuneration with long-term incentive effect and €0.1 million (2017/18: €0.1 million) to other remuneration. The figures shown for the previous year relate to members of the Management Board in office in the 2017/18 financial year.

The performance-based remuneration with long-term incentive effect granted in the 2018/19 financial year (performance share plan) is shown at fair value as at the grant date. There were changes in the current tranches of performance-based remuneration programmes with long-term incentive effect in the 2018/19 financial year. The cost to the company in connection with the 2018/19 tranche amounted to €0.1 million for Mr Werner and €0.1 million for Ms Sonnenmoser.

The target amount of the 2018/19 tranche for members of the Management Board is €1.5 million in total.

In addition, there are post-service benefit plans for members of the Management Board in the form of an commitment of services and a defined contribution and 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 (2017/18: €3.3 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 2018/19. The present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with IFRS is €48.0 million (30/09/2018: €45.3 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €39.1 million (30/09/2018: €38.4 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 2018/19 financial year amounts to €2.2 million (2017/18: €2.0 million).

↗ Further information on the remuneration of Supervisory Board members can be found in the remuneration report in the combined management report.

51. FEES FOR THE AUDITOR OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR IN ACCORDANCE WITH SECTION 314(1) NO. 9 HGB

The total fee shown below was charged for services provided by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft.

€ million	2018/19
Audit of financial statements	6
Other assurance and audit-related services	0
Tax consultation services	0
Other services	0
Group auditor's fees	**6**

Only services compatible with the task 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.

In addition to a business audit of the appropriateness and effectiveness of the risk management system, other assurance services also include agreed assurance services in relation to, for example, sales-based rental agreements and compliance certificates.

In particular, tax advisory services include the preparation of benchmarking analyses for the purposes of transfer pricing documentation for transfer pricing within the Group.

Other services include fees for a review and gap analysis in relation to internal planning processes, consultation services in relation to accounting issues limited to the analysis of issues and the identification of options, and designing and carrying out training for Accounting and Controlling employees.

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 September 2019, the supplement of November 2019 and previous declarations of conformity and supplements permanently available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

↗ The current declaration and supplement are reproduced in full in the Corporate Governance report 2018/19.

53. ELECTION TO BE EXEMPT ACCORDING TO SEC. 264 PARA. 3 AND SEC. 264 B HGB

The following domestic subsidiaries in the legal form of a corporation or partnership elect to be exempt according to Sec. 264 para. 3 and Sec. 264 b HGB and therefore refrain from disclosing their 2018/19 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

			30/09/2018	30/09/2019
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 Management AG	Switzerland	Dietikon	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]

Jürgen Fitschen (Chairman of the Supervisory Board)
Senior Advisor, Deutsche Bank AG
a) Vonovia SE, Bochum
Syntellix AG, Hanover
b) Kühne + Nagel International AG, Schindellegi, Switzerland (until 7 May 2019)
Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co. KG, Hamburg

Jürgen Schulz (Vice Chairman)
Service Department Manager, Saturn Bielefeld
Chairman of the Works Council, Saturn Bielefeld
a) None
b) None

Wolfgang Baur
Logistics Department Manager, Saturn Techno-Electro-Handelsgesellschaft mbH, Cologne
Chairman of the Works Council, Saturn Cologne
a) None
b) None

Kirsten Joachim Breuer
Deputy Managing Director, IG Metall Geschäftsstelle Erfurt
a) None
b) None

Karin Dohm
Global Head of Government & Regulatory Affairs and Group Structuring
Deutsche Bank AG
a) Deutsche EuroShop AG, Hamburg
DB Europe GmbH, Frankfurt am Main
b) Deutsche Bank Luxembourg S.A., Luxembourg

Dr Bernhard Düttmann (from 1 October 2018 to 31 December 2018, from 26 March 2019 to 30 September 2019 and from 1 October 2019 to 17 October 2019)
Self-employed business consultant
a) Alstria Office Reit AG, Hamburg
Vossloh AG, Werdohl
b) None

Daniela Eckardt
Member of the checkout/information team, Saturn Alexanderplatz Berlin
Vice Chairperson of the Works Council, Saturn Alexanderplatz Berlin
a) None
b) None

Dr Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH
a) METRO AG, Düsseldorf
TAKKT AG, Stuttgart
Vonovia SE, Bochum
b) None

[1] As of 3 December 2019
a) Memberships in other Supervisory Boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Membership in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

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

Peter Küpfer (until 30 April 2019)
Self-employed business consultant
a) METRO AG, Düsseldorf
b) AHRB AG, Zurich, Switzerland
ARH Resort Holding AG, Zurich, Switzerland
Breda Consulting AG, Zurich, Switzerland
Cambiata Ltd, Road Town (Tortola), British Virgin Islands
Cambiata Schweiz AG, Zurich, Switzerland
Gebr. Schmidt GmbH & Co. KG, Essen
Lake Zurich Fund Exempt Company, George Town (Grand Cayman), Cayman Islands
Supra Holding AG, Zug, Switzerland

Rainer Kuschewski
Self-employed entrepreneur
a) None
b) None

Stefanie Nutzenberger (since 17 September 2019)
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) Hochbahn AG, Hamburg (until 23 August 2019)
Deutsche EuroShop AG, Hamburg (since 12 June 2019)
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 Staff/Organisational Development & Change, Media-Saturn Deutschland GmbH
a) None
b) None

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland, and Beisheim Group GmbH & Co. KG
a) METRO AG, Düsseldorf
b) Arisco Holding AG, Baar, Switzerland
Montana Capital Partners AG, Baar, Switzerland (until 22 February 2019)
HUWA Finanz und Beteiligungs AG, Au, Switzerland

Regine Stachelhaus
Self-employed entrepreneur
a) Covestro AG, Leverkusen
Covestro Deutschland AG, Leverkusen
SPIE Deutschland und Zentraleuropa GmbH, Ratingen
b) ComputaCenter plc, Hatfield, UK (until 16 May 2019)
Spie SA, Cergy-Pontoise, France

Christoph Vilanek (since 10 May 2019)
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

Lena Widmann (until 8 June 2019)
Trade Union Secretary, retail, ver.di Federal Administration, Berlin
a) dm-drogerie markt GmbH + Co. KG (until 30 April 2019)
b) None

Sylvia Woelke
Manager Corporate Risk Management & Internal Controls, Media-Saturn-Holding GmbH
Chairwoman of the Works Council, Media-Saturn-Holding GmbH
a) None
b) None

Committees of the Supervisory Board and their composition

Presidential Committee
Jürgen Fitschen (Chairman)
Jürgen Schulz
Regine Stachelhaus
Jens Ploog

Audit Committee
Karin Dohm (Chairperson)
Dr Bernhard Düttmann (from 1 June 2019 to 17 October 2019)
Dr Florian Funck
Ludwig Glosser
Peter Küpfer (until 30 April 2019)
Rainer Kuschewski
Claudia Plath (since 1 December 2019)
Sylvia Woelke (Vice Chairperson)

Nomination Committee
Jürgen Fitschen (Chairman)
Dr Bernhard Düttmann (until 17 October 2019)
Claudia Plath (since 11 December 2018)
Regine Stachelhaus

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

Members of the Management Board[2]

Jörn Werner (Chairman of the Management Board and Labour Director from 1 March 2019 to 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 (since 2 April 2019, Member of the Advisory Board since 1 April 2019)
VELUX A/S, Copenhagen, Denmark

Karin Sonnenmoser (Chief Financial Officer since 1 March 2019)
a) None
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (since 13 May 2019)
Vivantes - Netzwerk für Gesundheit GmbH, Berlin

Dr Bernhard Düttmann (Member of the Management Board and Labour Director from 1 January 2019 to 25 March 2019 and Chairman of the Management Board and Labour Director since 17 October 2019)
a) Alstria Office Reit AG, Hamburg
Vossloh AG, Werdohl
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (since 4 November 2019)

Dr Dieter Haag Molkenteller (Member of the Management Board until 31 May 2019)
a) None
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (until 13 May 2019)

Mark Frese (Chief Financial Officer until 31 December 2018 and Labour Director from 7 November 2018 to 31 December 2018)
a) METRO Re AG, Düsseldorf (formerly METRO Reinsurance N.V.) (until 31 December 2018)
b) Media-Saturn-Holding GmbH, Ingolstadt – Chairman of the Advisory Board (until 31 March 2019)
Allistro Capital Gesellschaft für Beteiligungsberatung mbH, Frankfurt am Main – Member of the Advisory Board

Pieter Haas (Chief Executive Officer and Labour Director until 12 October 2018)
a) None
b) Tertia Handelsbeteiligungsgesellschaft mbH, Cologne (until 9 November 2018)
Silver Ocean B.V., Amsterdam, Netherlands (until 9 November 2018)

[2] Mandates as of 3 December 2019 unless stated otherwise
a) Memberships in other Supervisory Boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Membership in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

56. SHAREHOLDINGS OF CECONOMY AG AS OF 30 SEPTEMBER 2019 IN ACCORDANCE WITH SEC. 313 HGB

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Accelerate Commerce GmbH	Munich	Germany	EUR	100.00
CECONOMY Data GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Digital GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung mbH	Ingolstadt	Germany	EUR	100.00
CECONOMY Erste Vermögensverwaltungs GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Invest GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Pensionssicherungs GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Retail GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Retail International GmbH	Düsseldorf	Germany	EUR	100.00
Electronic Online Services Invest GmbH	Munich	Germany	EUR	100.00
Electronic Repair Logistics B.V. (ERL)	Goes	Netherlands	EUR	51.00
Hansa Foto-Handelsgesellschaft mit beschränkter Haftung	Cologne	Germany	EUR	100.00
Imtron Asia Hong Kong Limited	Hong Kong	Hong Kong	HKD	100.00
Imtron GmbH	Ingolstadt	Germany	EUR	100.00
JUKE ENTERTAINMENT ESPAÑA, S.L., Unipersonal	El Prat de Llobregat	Spain	EUR	100.00
Media - Saturn Beteiligungsges.m.b.H.	Vösendorf	Austria	EUR	100.00
MEDIA MARKT - BUDAÖRS Video TV Hifi Elektro Fotó Computer Kereskedelmi Kft.	Budaörs	Hungary	HUF	100.00
Media Markt 14 - Produtos Electronicos LdA	Alfragide (Carnaxide)	Portugal	EUR	100.00
MEDIA MARKT 3 DE MAYO SANTA CRUZ DE TENERIFE S.A.	Tenerife	Spain	EUR	99.90
MEDIA MARKT A CORUÑA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	A Coruña	Spain	EUR	99.90
Media Markt Aigle SA	Aigle	Switzerland	CHF	100.00
MEDIA MARKT ALACANT VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alacant	Spain	EUR	99.90
MEDIA MARKT ALBACETE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Albacete	Spain	EUR	99.90
MEDIA MARKT ALCALA DE GUADAIRA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Alcalà de Guadaira	Spain	EUR	99.90
MEDIA MARKT ALCALÁ DE HENARES VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alcalá de Henares	Spain	EUR	99.90
MEDIA MARKT ALCORCON VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alcorcon	Spain	EUR	99.90
Media Markt Alexandrium B.V.	Rotterdam	Netherlands	EUR	90.10
MEDIA MARKT ALFAFAR VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alfafar	Spain	EUR	99.90
MEDIA MARKT ALFRAGIDE - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
Media Markt Alkmaar B.V.	Alkmaar	Netherlands	EUR	90.10

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Almere B.V.	Almere	Netherlands	EUR	90.10
MEDIA MARKT ALMERÍA, S.A.U.	El Prat de Llobregat	Spain	EUR	100.00
Media Markt Alphen aan den Rijn B.V.	Alphen aan den Rijn	Netherlands	EUR	90.10
Media Markt Amersfoort B.V.	Amersfoort	Netherlands	EUR	95.24
Media Markt Amsterdam Centrum B.V.	Amsterdam	Netherlands	EUR	94.60
Media Markt Amsterdam Noord B.V.	Amsterdam	Netherlands	EUR	94.60
Media Markt Amsterdam West B.V.	Amsterdam	Netherlands	EUR	100.00
Media Markt Amstetten TV-Hifi-Elektro GmbH	Amstetten	Austria	EUR	90.00
Media Markt Apeldoorn B.V.	Apeldoorn	Netherlands	EUR	90.10
Media Markt Arena B.V.	Amsterdam	Netherlands	EUR	95.24
MEDIA MARKT ARENA Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
MEDIA MARKT Árkád Video TV Hifi Elektro Foto Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Arnhem B.V.	Arnhem	Netherlands	EUR	94.60
Media Markt Assen B.V.	Assen	Netherlands	EUR	90.10
MEDIA MARKT AVEIRO - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
MEDIA MARKT BADAJOZ S.A.	Badajoz	Spain	EUR	99.90
MEDIA MARKT BARAKALDO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	San Vicente de Barakaldo	Spain	EUR	99.90
MEDIA MARKT BARCELONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Barcelona	Spain	EUR	99.90
Media Markt Basel AG	Basel	Switzerland	CHF	100.00
MEDIA MARKT Basilix NV	Sint-Agatha-Berchem	Belgium	EUR	100.00
Media Markt Békéscsaba Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Békéscsaba	Hungary	HUF	100.00
MEDIA MARKT BENFICA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
Media Markt Bergen op Zoom B.V.	Bergen op Zoom	Netherlands	EUR	100.00
Media Markt Biel-Brügg AG	Brügg bei Biel	Switzerland	CHF	100.00
MEDIA MARKT BILBAO - ZUBIARTE, S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT Bilbondo Video-TV-Hifi-Elektro-Computer-Foto, SA	Bizkaia	Spain	EUR	99.90
Media Markt Borås TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT BRAGA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
MEDIA MARKT Braine-l'Alleud SA	Braine-l'Alleud	Belgium	EUR	90.00
Media Markt Breda B.V.	Breda	Netherlands	EUR	97.62
Media Markt Brugge NV	Bruges	Belgium	EUR	100.00
Media Markt Brussel Docks NV	Brussels	Belgium	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
MEDIA MARKT Bruxelles Rue Neuve - MEDIA MARKT Brussel Nieuwstraat SA	Brussels	Belgium	EUR	90.00
Media Markt Bürs TV-Hifi-Elektro GmbH	Bürs	Austria	EUR	90.00
MEDIA MARKT CARTAGENA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Cartagena	Spain	EUR	99.90
MEDIA MARKT CASTELLÒ DE LA Plana VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Castellòn de la Plana	Spain	EUR	99.90
Media Markt CCCI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCVIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT CCLXIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXXXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXXXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT CCXLIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
MEDIA MARKT CCXLIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT Century Center NV	Antwerp	Belgium	EUR	90.00
Media Markt Chur AG	Chur	Switzerland	CHF	100.00
Media Markt CLXXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT COLLADO VILLALBA, S.A.	Collado Villalba	Spain	EUR	99.90
Media Markt Conthey SA	Conthey	Switzerland	CHF	100.00
MEDIA MARKT CORDOBA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Cordoba	Spain	EUR	99.90
MEDIA MARKT CORDOVILLA-PAMPLONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Pamplona	Spain	EUR	99.90
Media Markt Crissier SA	Crissier	Switzerland	CHF	100.00
Media Markt Cruquius B.V	Cruquius	Netherlands	EUR	95.24
MEDIA MARKT Debrecen Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Debrecen	Hungary	HUF	100.00
Media Markt Den Bosch B.V.	Den Bosch	Netherlands	EUR	100.00
Media Markt Den Haag B.V.	The Hague	Netherlands	EUR	92.35
MEDIA MARKT Deurne NV	Antwerp	Belgium	EUR	100.00
Media Markt Deventer B.V.	Deventer	Netherlands	EUR	94.60
MEDIA MARKT DIAGONAL MAR-BARCELONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Barcelona	Spain	EUR	99.90
Media Markt Doetinchem B.V.	Doetinchem	Netherlands	EUR	94.60
MEDIA MARKT DONOSTI VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Donosti	Spain	EUR	99.90
Media Markt Dordrecht B.V.	Dordrecht	Netherlands	EUR	90.10
Media Markt Drachten B.V.	Drachten	Netherlands	EUR	90.10
Media Markt Duiven B.V.	Duiven	Netherlands	EUR	90.10
MEDIA MARKT DUNA Video Tv Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt E298, S.A.U	El Prat de Llobregat	Spain	EUR	100.00
Media Markt E301, S.A.U	El Prat de Llobregat	Spain	EUR	100.00
Media Markt E302, S.A.U	Barcelona	Spain	EUR	100.00
Media Markt E303, S.A.U	Barcelona	Spain	EUR	100.00
Media Markt E304, S.A.U	Barcelona	Spain	EUR	100.00
Media Markt E-Business GmbH	Ingolstadt	Germany	EUR	100.00
Media Markt E-Commerce AG	Dietikon	Switzerland	CHF	100.00
Media Markt Ede B.V.	Ede	Netherlands	EUR	90.10
Media Markt Eindhoven Centrum B.V.	Eindhoven	Netherlands	EUR	94.60
Media Markt Eindhoven Ekkersrijt B.V.	Son en Breugel	Netherlands	EUR	90.10

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
MEDIA MARKT EL PRAT VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT ELCHE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Elche	Spain	EUR	99.90
Media Markt Emmen B.V.	Emmen	Netherlands	EUR	100.00
Media Markt Enschede B.V.	Enschede	Netherlands	EUR	100.00
Media Markt Eskilstuna TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Esplugues, S.A.	El Prat de Llobregat	Spain	EUR	99.90
Media Markt Feldkirch TV-Hifi-Elektro GmbH	Feldkirch	Austria	EUR	90.00
MEDIA MARKT FERROL, SA	A Coruña	Spain	EUR	99.90
MEDIA MARKT FINESTRAT S.A.U.	Finestrat	Spain	EUR	99.90
MEDIA MARKT GAIA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
MEDIA MARKT GANDIA S.A.	Gandia	Spain	EUR	99.90
MEDIA MARKT GAVÁ VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Gava	Spain	EUR	100.00
Media Markt Gävle TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Genève SA	Geneva	Switzerland	CHF	100.00
MEDIA MARKT GETAFE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Getafe	Spain	EUR	99.90
MEDIA MARKT GIRONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Girona	Spain	EUR	99.90
Media Markt GmbH TV-HiFi-Elektro	Munich	Germany	EUR	90.00
MEDIA MARKT Gosselies/Charleroi SA	Gosselies	Belgium	EUR	90.00
Media Markt Göteborg-Bäckebol TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Göteborg-Högsbo TV-HiFi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Göteborg-Torpavallen TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT GRANADA - NEVADA, S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT GRANADA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Pulianas (Granada)	Spain	EUR	99.90
Media Markt Grancia SA	Grancia	Switzerland	CHF	100.00
Media Markt Granges-Paccot AG	Granges-Paccot	Switzerland	CHF	100.00
Media Markt Graz-Liebenau TV-Hifi-Elektro GmbH	Graz	Austria	EUR	90.00
Media Markt Groningen Centrum B.V.	Groningen	Netherlands	EUR	100.00
Media Markt Groningen Sontplein B.V.	Groningen	Netherlands	EUR	90.10
MEDIA MARKT Győr Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Győr	Hungary	HUF	100.00
Media Markt Heerhugowaard B.V.	Heerhugowaard	Netherlands	EUR	90.10
Media Markt Heerlen B.V.	Heerlen	Netherlands	EUR	100.00
Media Markt Helsingborg TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Hengelo B.V.	Hengelo Ov	Netherlands	EUR	90.10
MEDIA MARKT Herstal SA	Lüttich	Belgium	EUR	90.00
Media Markt Hoofddorp B.V.	Hoofddorp	Netherlands	EUR	94.60
Media Markt Hoorn B.V.	Hoorn	Netherlands	EUR	90.10
MEDIA MARKT HUELVA VÍDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Huelva	Spain	EUR	99.90
Media Markt Imst TV-Hifi-Elektro GmbH	Imst	Austria	EUR	90.00
MEDIA MARKT ISLAZUL MADRID S.A.	Madrid	Spain	EUR	99.90
MEDIA MARKT Jemappes/Mons SA	Jemappes	Belgium	EUR	90.00
MEDIA MARKT JEREZ DE LA FRONTERA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Jerez de la Frontera	Spain	EUR	99.90
Media Markt Jönköping TV-Hifi- Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Kalmar TV-Hifi-Elektro AB	Kalmar	Sweden	SEK	100.00
Media Markt Kecskemét Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Kecskemét	Hungary	HUF	100.00
MEDIA MARKT KISPEST Video TV HiFi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Kortrijk NV	Kortrijk	Belgium	EUR	100.00
Media Markt Kriens AG	Kriens	Switzerland	CHF	100.00
Media Markt Kristianstad TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT L´ HOSPITALET VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	L'Hospitalet	Spain	EUR	99.90
MEDIA MARKT LAS ARENAS S.A.	Las Palmas de Gran Canaria	Spain	EUR	99.90
MEDIA MARKT LAS PALMAS DE GRAN CANARIA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Las Palmas de Gran Canaria	Spain	EUR	99.90
Media Markt Leeuwarden B.V.	Leeuwarden	Netherlands	EUR	95.24
MEDIA MARKT LEGANES VIDEO-TV- HIFI-ELEKTRO-COMPUTER-FOTO, SA	Leganes	Spain	EUR	99.90
Media Markt Leidschendam B.V.	Leidschendam	Netherlands	EUR	90.10
MEDIA MARKT LEIRIA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
Media Markt Leoben TV-Hifi-Elektro GmbH	Leoben	Austria	EUR	90.00
MEDIA MARKT LEÓN VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	León	Spain	EUR	99.90
Media Markt Liège Médiacité SA	Lüttich	Belgium	EUR	100.00
MEDIA MARKT Liège Place Saint-Lambert SA	Lüttich	Belgium	EUR	100.00
Media Markt Liezen TV-Hifi-Elektro GmbH	Liezen	Austria	EUR	90.00
Media Markt Linköping TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Linz TV-Hifi-Elektro GmbH	Linz	Austria	EUR	90.00
MEDIA MARKT LLEIDA, SA	Lleida	Spain	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Logistics AG	Dietikon	Switzerland	CHF	100.00
MEDIA MARKT LOGRONO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Logrono	Spain	EUR	99.90
MEDIA MARKT LORCA S.A.	Lorca, Murcia	Spain	EUR	100.00
MEDIA MARKT LOS BARRIOS VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Barrios. Cadiz	Spain	EUR	99.90
MEDIA MARKT LUGO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO,SA	Lugo	Spain	EUR	99.90
Media Markt Luleå TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Lund TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Maastricht B.V.	Maastricht	Netherlands	EUR	90.10
MEDIA MARKT Machelen NV	Machelen	Belgium	EUR	100.00
MEDIA MARKT MADRID - PLAZA DEL CARMEN S.A.U.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT MADRID - VALLECAS S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT MADRID BENLLIURE SA	Madrid	Spain	EUR	100.00
MEDIA MARKT MADRID CASTELLANA SA	Madrid	Spain	EUR	99.90
MEDIA MARKT MADRID PLENILUNIO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Madrid	Spain	EUR	99.90
MEDIA MARKT MADRID-VILLAVERDE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Madrid-Villaverde	Spain	EUR	99.90
MEDIA MARKT Majadahonda Video-TV-HiFi-Elektro-Computer-Foto, S.A.	Majadahonda	Spain	EUR	99.90
MEDIA MARKT MÁLAGA – PLAZA MAYOR S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT MALAGA-CENTRO VÍDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Malaga	Spain	EUR	99.90
Media Markt Malmö-Bernstorp TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Malmö-Svågertorp TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT MAMMUT Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Management AG	Dietikon	Switzerland	CHF	100.00
Media Markt Marin SA	La Tène	Switzerland	CHF	100.00
MEDIA MARKT MASSALFASSAR S.A.	Valencia	Spain	EUR	99.90
MEDIA MARKT MATARO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Mataro	Spain	EUR	99.90
MEDIA MARKT MATOSINHOS PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Carnaxide	Portugal	EUR	100.00
Media Markt Meyrin SA	Meyrin	Switzerland	CHF	100.00
Media Markt Middelburg B.V.	Middelburg	Netherlands	EUR	90.10
MEDIA MARKT Miskolc Video TV Hifi Elektro Photo Computer Kereskedelmit Kft	Miskolc	Hungary	HUF	100.00
MEDIA MARKT MURCIA NUEVA CONDOMINA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Murcia	Spain	EUR	99.90
MEDIA MARKT MURCIA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Murcia	Spain	EUR	99.90
MEDIA MARKT NASCENTE - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Nieuwegein B.V.	Nieuwegein	Netherlands	EUR	94.60
Media Markt Norrköping TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Nyíregyháza Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Nyíregyháza	Hungary	HUF	100.00
Media Markt Oberwart TV-Hifi-Elektro GmbH	Oberwart	Austria	EUR	90.00
Media Markt Oftringen AG	Oftringen	Switzerland	CHF	100.00
Media Markt Online LdA	Alfragide (Carnaxide)	Portugal	EUR	100.00
MEDIA MARKT ONLINE SAU	El Prat de Llobregat	Spain	EUR	100.00
MEDIA MARKT Oostakker NV	Oostakker	Belgium	EUR	90.00
MEDIA MARKT Oostende NV	Oostende	Belgium	EUR	100.00
Media Markt Örebro TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT ORIHUELA SA	Orihuela	Spain	EUR	99.90
MEDIA MARKT PALMA DE MALLORCA FAN SAU	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT PALMA DE MALLORCA S.A.	Palma de Mallorca	Spain	EUR	99.90
MEDIA MARKT Pécs Video TV Hifi Elektro Photo Computer Kereskedelmit Kft.	Pécs	Hungary	HUF	90.00
MEDIA MARKT PLAÇA DE CATALUNYA, S.A.U.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT PLAZA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
Media Markt Polska Bis sp. z o.o. Warschau VII spółka komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis sp. z o.o. Wrocław V spółka komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Bydgoszcz II spółka komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Gdańsk IV Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Gdynia II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Katowice III Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis spółka z ograniczoną odpowiedzialnością Kraków III spółka komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Kraków IV Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Łódź III Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Łódź IV Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis spółka z ograniczoną odpowiedzialnością Lubin Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Lublin II Spółka Komandytowa	Warsaw	Poland	PLN	90.00

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Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Polska Bis spółka z ograniczoną odpowiedzialnością Poznań III spółka komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Poznań IV Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Szczecin III Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Tychy Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis spółka z ograniczoną odpowiedzialnością Warschau IX spółka komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warschau VI Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warschau VIII Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warschau X Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Wrocław IV Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o.	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 19 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 22 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 25 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 26 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 27 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Białystok Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Bydgoszcz Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Chorzów Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Elbląg Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Gdańsk II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Gdynia I Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Gliwice Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Głogów Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Gorzów Wielkopolski Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Kalisz Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Konin Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Koszalin Spółka Komandytowa	Warsaw	Poland	PLN	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Polska Sp. z o.o. Kraków II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Legnica Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Nowy Sącz Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Piotrków Trybunalski Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Płock Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Poznań II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Przemyśl Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Radom Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Rybnik Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Słupsk Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Tarnów Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Toruń Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z o.o. Wałbrzych Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Zamość Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. Zielona Góra Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Bielsko-Biała Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Czeladź Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Częstochowa Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Gdańsk I Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Katowice I Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z.o.o. Kielce Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Kraków I Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Łódź I Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z.o.o. Łódź II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Lublin Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Olsztyn Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Opole Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Poznań I Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Rzeszów Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Szczecin Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Warschau 1 Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Warschau II Spółka Komandytowa	Warsaw	Poland	PLN	90.00

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Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Polska Sp. z.o.o. Warschau III Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Warschau IV Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Wrocław I Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Wrocław II Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska Sp. z.o.o. Zabrze Spółka Komandytowa	Warsaw	Poland	PLN	90.00
Media Markt Polska spółka z ograniczoną odpowiedzialnością Proximity Spółka komandytowa	Warsaw	Poland	PLN	100.00
Media Markt Polska Spółka z ograniczoną odpowiedzialnością Warschau V spółka komandytowa	Warsaw	Poland	PLN	100.00
MEDIA MARKT Pólus Center Video TV Hifi Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Power Service AG	Dietikon	Switzerland	CHF	100.00
MEDIA MARKT PROTECT SOLUTIONS, S.A.U.	El Prat de Llobregat	Spain	EUR	100.00
MEDIA MARKT PUERTO REAL VIDEO-TV-HIFI-ELECTRO-COMPUTER-FOTO, S.A.	Cadiz	Spain	EUR	99.90
MEDIA MARKT QUART DE POBLET, S.A.	Quart de Poblet	Spain	EUR	99.90
Media Markt Region Bern AG	Muri b. Bern	Switzerland	CHF	100.00
Media Markt Retail Cooperation Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Ried TV-Hifi-Elektro GmbH	Ried im Innkreis	Austria	EUR	90.00
Media Markt Rijswijk B.V.	Rijswijk	Netherlands	EUR	94.60
MEDIA MARKT RIVAS-VACIAMADRID VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Madrid	Spain	EUR	99.90
Media Markt Roermond B.V.	Roermond	Netherlands	EUR	94.60
MEDIA MARKT Roeselare NV	Roeselare	Belgium	EUR	100.00
Media Markt Rotterdam Beijerlandselaan B.V.	Rotterdam	Netherlands	EUR	90.10
MEDIA MARKT SALAMANCA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Sta. Marta de Tormes	Spain	EUR	99.90
MEDIA MARKT San Juan de Aznalfarache VIDEO-TV-HIFI-ELECTRO-COMPUTER-FOTO, S.A.	Seville	Spain	EUR	99.90
MEDIA MARKT SAN SEBASTIAN DE LOS REYES VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	San Sebastian de los Reyes	Spain	EUR	99.90
MEDIA MARKT SANT CUGAT DEL VALLÈS VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Sant Cugat del Vallès	Spain	EUR	99.90
MEDIA MARKT Santander Video-TV-Hifi-Elektro-Computer-Foto, SA	Santander	Spain	EUR	99.90
MEDIA MARKT SANTIAGO DE COMPOSTELA S.A.	El Prat de Llobregat	Spain	EUR	99.90
MEDIA MARKT SATURN ADMINISTRACION ESPAÑA, S.A.U.	El Prat de Llobregat	Spain	EUR	100.00
Media Markt Saturn Holding Magyarország Kft.	Budapest	Hungary	HUF	100.00
Media Markt Saturn Holding Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
Media Markt Saturn Vertriebs-GmbH	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT SATURN, S.A. UNIPERSONAL	El Prat de Llobregat	Spain	EUR	100.00
MEDIA MARKT Schoten NV	Schoten	Belgium	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Service Pro, SAU	Pinto	Spain	EUR	100.00
Media Markt Setúbal - Produtos Informáticos e Electrónicos, LDA.	Lisbon	Portugal	EUR	100.00
MEDIA MARKT SEVILLA-SANTA JUSTA VIDEO-TV-HIFIi-ELEKTRO-COMPUTER-FOTO, S.A.	Seville	Spain	EUR	99.90
MEDIA MARKT SIERO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Lugones-Siero	Spain	EUR	99.90
MEDIA MARKT Sint-Lambrechts-Woluwe NV	Sint-Lambrechts-Woluwe	Belgium	EUR	90.00
MEDIA MARKT Sint-Pieters-Leeuw NV	Sint-Pieters-Leeuw	Belgium	EUR	90.00
MEDIA MARKT SINTRA - PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	100.00
Media Markt Skövde TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Södertälje TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT SOROKSÁR Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Spittal TV-Hifi-Elektro GmbH	Spittal an der Drau	Austria	EUR	90.00
Media Markt St. Gallen AG	St. Gallen	Switzerland	CHF	100.00
Media Markt St. Lorenzen TV-Hifi-Elektro GmbH	St. Lorenzen im Mürztal	Austria	EUR	90.00
Media Markt Steyr TV-Hifi-Elektro GmbH	Steyr	Austria	EUR	90.00
Media Markt Stockholm-Barkarby TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Gallerian TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Heron City TV-HiFi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Länna TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Nacka TV-Hifi-Elektro AB	Nacka	Sweden	SEK	100.00
Media Markt Stockholm-Täby TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT Stop Shop Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Sundsvall TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT Szeged Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Szeged	Hungary	HUF	100.00
MEDIA MARKT Székesfehérvár Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Székesfehérvár	Hungary	HUF	100.00
Media Markt Szolnok Video Tv Hifi Elektro Photo Computer Kereskedelmi Kft.	Szolnok	Hungary	HUF	100.00
MEDIA MARKT Szombathely Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Szombathely	Hungary	HUF	100.00
MEDIA MARKT TARRAGONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Tarragona	Spain	EUR	99.90
MEDIA MARKT TELDE VÍDEO-TV- HIFI- ELEKTRO- COMPUTER- FOTO, SA	Telde, Las Palmas	Spain	EUR	99.90
MEDIA MARKT TENERIFE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Tenerife	Spain	EUR	99.90
MEDIA MARKT TERRASSA SA	Terrassa	Spain	EUR	99.90
Media Markt The Corner B.V.	Rotterdam	Netherlands	EUR	95.24

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Tilburg B.V.	Tilburg	Netherlands	EUR	90.10
MEDIA MARKT TOLEDO S.A.	Toledo	Spain	EUR	99.90
MEDİA MARKT TURKEY TİCARET LİMİTED ŞİRKETİ	Istanbul	Turkey	TRY	100.00
Media Markt Turnhout NV	Turnhout	Belgium	EUR	90.00
Media Markt TV-HiFi-Elektro Athens II Commercial Anonymi Eteria	Maroussi	Greece	EUR	100.00
MEDIA Markt TV-Hifi-Elektro Gesellschaft m.b.H.	Salzburg	Austria	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro Gesellschaft m.b.H.	Innsbruck	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Pasching	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Vösendorf	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Klagenfurt	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Villach	Austria	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro Gesellschaft m.b.H.	Seiersberg	Austria	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH	Hallstadt-Bamberg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH	Bad Dürrheim	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH	Belm-Osnabrück	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH	Herzogenrath	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Schwentinental	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Lüneburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Porta Westfalica/Minden	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH	Halle-Peißen	Germany	EUR	90.05
MEDIA MARKT TV-Hifi-Elektro GmbH	Wiener Neustadt	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro GmbH	St. Pölten	Germany	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro GmbH	Dornbirn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Krems an der Donau	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Aalen	Aalen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Albstadt	Albstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Alzey	Alzey	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Amberg	Amberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Ansbach	Ansbach	Germany	EUR	90.05
MEDIA Markt TV-HiFi-Elektro GmbH Aschaffenburg	Aschaffenburg	Germany	EUR	90.05
MEDIA Markt TV-HiFi-Elektro GmbH Augsburg	Augsburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Augsburg-Göggingen	Augsburg	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
MEDIA MARKT TV-HiFi-Elektro GmbH Bad Kreuznach	Bad Kreuznach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Baden-Baden	Baden-Baden	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH Bayreuth	Bayreuth	Germany	EUR	90.05
MEDIA Markt TV-HiFi-Elektro GmbH Berlin-Biesdorf	Berlin-Biesdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Charlottenburg	Berlin-Charlottenburg	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH Berlin-Gropiusstadt	Berlin (Gropiusstadt)	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Hohenschönhausen	Berlin-Hohenschönhausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Mitte	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Neukölln	Berlin-Neukölln	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Prenzlauer Berg	Berlin	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Schöneweide	Berlin (Schöneweide)	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Spandau	Berlin-Spandau	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Steglitz	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Tegel	Berlin (Tegel)	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Tempelhof	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Wedding	Berlin-Wedding	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Bielefeld	Bielefeld	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bischofsheim	Bischofsheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bochum	Bochum	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bochum-Ruhrpark	Bochum (Ruhrpark)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bonn	Bonn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Brandenburg an der Havel	Brandenburg an der Havel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Braunschweig	Braunschweig	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bremen	Bremen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bremen-Waterfront	Bremen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bruchsal	Bruchsal	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Buchholz in der Nordheide	Buchholz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Buxtehude	Buxtehude	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Castrop-Rauxel	Castrop-Rauxel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Chemnitz	Chemnitz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Chemnitz-Röhrsdorf	Chemnitz	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Coburg	Coburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Cottbus/Groß Gaglow	Cottbus	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Dessau	Dessau-Roßlau	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Dietzenbach	Dietzenbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Donauwörth	Donauwörth	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dorsten	Dorsten	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dortmund-Hörde	Dortmund	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dortmund-Oespel	Dortmund	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dresden Centrum	Dresden	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Dresden-Mickten	Dresden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Duisburg	Duisburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Düsseldorf	Düsseldorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Egelsbach	Egelsbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eiche	Ahrensfelde-Eiche	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eisenach	Eisenach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eislingen	Eislingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Elmshorn	Elmshorn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Emden	Emden	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Erding	Erding	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Erfurt Thüringen-Park	Erfurt	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Erfurt-Daberstedt	Erfurt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Erlangen	Erlangen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eschweiler	Eschweiler	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Essen	Essen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Esslingen	Esslingen/Weil	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Fellbach	Fellbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Flensburg	Flensburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Frankfurt	Frankfurt a.M.	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Frankfurt-Borsigallee	Frankfurt a.M.	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Freiburg	Freiburg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Friedrichshafen	Friedrichshafen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Fulda	Fulda	Germany	EUR	90.05

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Gifhorn	Gifhorn	Germany	EUR	90.00
Media Markt TV-Hifi-Elektro GmbH Goslar	Goslar	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Göttingen	Göttingen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Greifswald	Greifswald	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Gründau-Lieblos	Gründau-Lieblos	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Günthersdorf	Leuna	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Gütersloh	Gütersloh	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Halberstadt	Halberstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Halstenbek	Halstenbek	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg- Wandsbek	Hamburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Altona	Hamburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Billstedt	Hamburg-Billstedt	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Hamburg-Harburg	Hamburg-Harburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Hummelsbüttel	Hamburg-Hummelsbüttel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Nedderfeld	Hamburg-Nedderfeld	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hameln	Hameln	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Hannover-Vahrenheide	Hanover-Vahrenheide	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Hannover-Wülfel	Hanover-Wülfel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heide	Heide	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH Heidelberg	Heidelberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Heidelberg-Rohrbach	Heidelberg (Rohrbach)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heilbronn	Heilbronn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Henstedt-Ulzburg	Henstedt-Ulzburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heppenheim	Heppenheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hildesheim	Hildesheim	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Hof	Hof	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Homburg/Saar	Homburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hückelhoven	Hückelhoven	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Idar-Oberstein	Idar-Oberstein	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Itzehoe	Itzehoe	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Jena	Jena	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Kaiserslautern	Kaiserslautern	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Karlsfeld	Karlsfeld	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Karlsruhe	Karlsruhe	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Karlsruhe-Ettlinger Tor	Karlsruhe	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Kassel	Kassel	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Kempten	Kempten	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Kiel	Kiel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Kirchheim	Kirchheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Koblenz	Koblenz	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Köln Hohe Straße	Cologne	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Köln-Chorweiler	Cologne	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Köln-Kalk	Cologne	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Köln-Marsdorf	Cologne-Marsdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Konstanz	Konstanz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Krefeld	Krefeld	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Kulmbach	Kulmbach	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Lahr	Lahr	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landau/Pfalz	Landau	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landsberg/Lech	Landsberg am Lech	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landshut	Landshut	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Leipzig Höfe am Brühl	Leipzig	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Leipzig-Paunsdorf	Leipzig	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Limburg	Limburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Lingen	Lingen	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Lübeck	Lübeck	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ludwigsburg	Stuttgart	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ludwigshafen	Ludwigshafen/Rh.	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH M258	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT TV-HiFi-Elektro GmbH Magdeburg	Magdeburg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Magdeburg-Bördepark	Magdeburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Main-Taunus-Zentrum	Sulzbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mainz	Mainz	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Mannheim	Mannheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mannheim-Sandhofen	Mannheim-Sandhofen	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Marburg	Marburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Marktredwitz	Marktredwitz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Meerane	Meerane	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Memmingen	Memmingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mönchengladbach	Mönchengladbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mühldorf/Inn	Mühldorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mülheim	Mülheim/Ruhr-Dümpten	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH München-Haidhausen	Munich	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH München-Pasing	Munich	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH München-Solln	Munich-Solln	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Münster	Münster	Germany	EUR	100.00
Media Markt TV-Hifi-Elektro GmbH Nagold	Nagold	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neubrandenburg	Neubrandenburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Neuburg an der Donau	Neuburg an der Donau	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Neumünster	Neumünster	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Neunkirchen	Neunkirchen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neuss	Neuss	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neustadt an der Weinstraße	Neustadt/Weinstraße	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neu-Ulm	Neu-Ulm	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neuwied	Neuwied	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Nienburg	Nienburg	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Nordhausen	Nordhausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Nordhorn	Nordhorn	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH Nürnberg-Kleinreuth	Nuremberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Nürnberg-Langwasser	Nuremberg	Germany	EUR	90.00
Media Markt TV-Hifi-Elektro GmbH Nürnberg-Schoppershof	Nuremberg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Offenburg	Offenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Oldenburg	Oldenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Oststeinbek	Oststeinbek	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Paderborn	Paderborn	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Papenburg	Papenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Passau	Passau	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Peine	Peine	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Pforzheim	Pforzheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Pirmasens	Pirmasens	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Plauen	Plauen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Potsdam	Potsdam	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ravensburg	Ravensburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Recklinghausen	Recklinghausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Regensburg	Regensburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Rendsburg	Rendsburg	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Reutlingen	Reutlingen	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Rheine	Rheine	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Rosenheim	Rosenheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Rostock	Sievershagen b. Rostock	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Rostock-Brinckmansdorf	Rostock	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Saarbrücken	Saarbrücken	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Saarbrücken-Saarterrassen	Saarbrücken (Saarterrassen)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Saarlouis	Saarlouis	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schiffdorf-Spaden	Schiffdorf-Spaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schwabach	Schwabach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schwedt	Schwedt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schweinfurt	Schweinfurt	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Schwerin	Schwerin	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Siegen	Siegen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Sindelfingen	Sindelfingen	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Singen	Singen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Sinsheim	Sinsheim	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Speyer	Speyer	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stade	Stade	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt TV-HiFi-Elektro GmbH Stralsund	Stralsund	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Straubing	Straubing	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stuhr	Stuhr	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stuttgart-Feuerbach	Stuttgart-Feuerbach	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Stuttgart-Vaihingen	Stuttgart-Vaihingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Traunreut	Traunreut	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Traunstein	Traunstein	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Trier	Trier	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Ulm	Ulm	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Velbert	Velbert	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Viernheim	Viernheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Waltersdorf bei Berlin	Schönefeld/OT Waltersdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Weiden	Weiden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Weilheim	Weilheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Weiterstadt	Weiterstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wetzlar	Wetzlar	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wiesbaden	Wiesbaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wiesbaden-Äppelallee	Wiesbaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wolfsburg	Wolfsburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Worms	Worms	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wuppertal	Wuppertal	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Würzburg	Würzburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Würzburg - Alfred-Nobel-Straße	Würzburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Zella-Mehlis	Zella-Mehlis	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Zwickau	Zwickau	Germany	EUR	90.05
MEDIA Markt TV-HiFi-Elektro Licht GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT TV-Hifi-Elektro Wien XI Gesellschaft m.b.H.	Vienna-Simmering	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Wien XIII GmbH	Vienna	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Wien XXI Gesellschaft m.b.H.	Vienna	Austria	EUR	90.00
Media Markt Umeå TV-Hifi-Elektro AB	Umeå	Sweden	SEK	100.00
Media Markt Uppsala TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Utrecht Hoog Catharijne B.V.	Utrecht	Netherlands	EUR	90.10

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Markt Utrecht The Wall B.V.	Utrecht	Netherlands	EUR	95.24
MEDIA MARKT VALENCIA COLON SA	Valencia	Spain	EUR	99.90
MEDIA MARKT VALÈNCIA-CAMPANAR VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Valencia	Spain	EUR	99.90
MEDIA MARKT VALLADOLID VÍDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Valladolid	Spain	EUR	99.90
Media Markt Västerås TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Växjö TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Venlo B.V.	Venlo	Netherlands	EUR	94.60
MEDIA MARKT VIGO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Vigo	Spain	EUR	99.90
MEDIA MARKT VITORIA-GASTEIZ VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Vitoria	Spain	EUR	99.90
Media Markt Vöcklabruck TV-Hifi-Elektro GmbH	Vöcklabruck	Austria	EUR	90.00
Media Markt Wels TV-Hifi-Elektro GmbH	Wels	Austria	EUR	90.00
MEDIA MARKT- West End Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Wholesale	Rotterdam	Netherlands	EUR	100.00
Media Markt Wien III TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wien XV TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wien XXII TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wilrijk NV	Wilrijk	Belgium	EUR	90.00
MEDIA MARKT Wörgl TV-Hifi-Elektro GmbH	Wörgl	Austria	EUR	90.00
MEDIA MARKT XCV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt Zaandam B.V.	Zaandam	Netherlands	EUR	90.10
MEDIA MARKT ZARAGOZA PUERTO VENEZIA VÍDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Zaragoza	Spain	EUR	99.90
MEDIA MARKT ZARAGOZA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Zaragoza	Spain	EUR	99.90
Media Markt Zell am See TV-Hifi-Elektro GmbH	Zell am See	Austria	EUR	90.00
Media Markt Zoetermeer B.V.	Zoetermeer	Netherlands	EUR	100.00
Media Markt Zürich AG	Zurich	Switzerland	CHF	100.00
Media Markt zwei TV-HiFi-Elektro GmbH Dresden-Prohlis	Dresden-Prohlis	Germany	EUR	90.00
MEDIA MARKT Zwijnaarde NV	Gent	Belgium	EUR	90.00
Media Markt Zwolle B.V.	Zwolle	Netherlands	EUR	95.24
MEDIA MARKTPARETS DEL VALLES SA	Parets del Valles	Spain	EUR	100.00
MEDIA MARKT-SATURN BELGIUM NV	Asse-Zellik	Belgium	EUR	100.00
Media Saturn - Servicos de Apoio Adminstrativo, Lda.	Lisbon	Portugal	EUR	100.00
Media Saturn Electronics Hellas Commercial and Holding Anonymi Eteria	Maroussi	Greece	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media Saturn Holding Polska Sp.z.o.o.	Warsaw	Poland	PLN	100.00
Media Saturn LogistykaSpółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Media Saturn Online Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Mediamarket S.p.A.con Socio Unico	Curno	Italy	EUR	100.00
MediaMarkt Central Warehouse	Hasselt	Belgium	EUR	90.00
MEDIA-Markt TV-HiFi-Elektro GmbH Aachen	Aachen	Germany	EUR	90.00
MediaMarktSaturn Beschaffung und Logistik GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn fünfte Beteiligungsgesellschaft mbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Markenlizenz GmbH	Munich	Germany	EUR	100.00
MediaMarktSaturn Markenservice GmbH & Co. KG	Munich	Germany	EUR	100.00
MediaMarktSaturn Markenservice Holding GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Markenservice Verwaltungs-GmbH	Munich	Germany	EUR	100.00
MediaMarktSaturn Marketing GmbH	Munich	Germany	EUR	100.00
MediaMarktSaturn Medienhaus GmbH	Vösendorf	Austria	EUR	100.00
MediaMarktSaturn N3XT GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Retail Cooperation GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn sechste Beteiligungsgesellschaft mbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn siebte Beteiligungsgesellschaft mbH	Ingolstadt	Germany	EUR	99.99
MediaMarktSaturn Wholesale GmbH	Vösendorf	Austria	EUR	100.00
MEDIA-SATURN (PORTUGAL), SGPS, UNIPESSOAL LDA	Lisbon	Portugal	EUR	100.00
Media-Saturn Beteiligungen Polska GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Deutschland Beteiligungsgesellschaft mbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Deutschland GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn e-handel Sverige AB	Stockholm	Sweden	SEK	100.00
Media-Saturn Helvetia Holding GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Holding Norway AS	Oslo	Norway	NOK	100.00
Media-Saturn Holding Sweden AB	Stockholm	Sweden	SEK	100.00
Media-Saturn Internationale Beteiligungen GmbH	Munich	Germany	EUR	100.00
Media-Saturn IT Services GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Marketing GmbH	Munich	Germany	EUR	100.00
Media-Saturn Nordic Shared Services AB	Stockholm	Sweden	SEK	100.00
media-saturn-e-business GmbH	Ingolstadt	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Media-Saturn-Holding GmbH	Ingolstadt	Germany	EUR	78.38
MMS Alliance GmbH	Munich	Germany	EUR	100.00
MMS Connect B.V.	Rotterdam	Netherlands	EUR	90.10
MMS Coolsingel BV	Rotterdam	Netherlands	EUR	90.10
MMS ERA Holdco B.V.	Rotterdam	Netherlands	EUR	100.00
MMS ONLINE BELGIUM NV	Zellik	Belgium	EUR	100.00
MMS Online Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
MS CE Retail GmbH	Düsseldorf	Germany	EUR	100.00
MS E-Business Concepts & Service GmbH	Ingolstadt	Germany	EUR	100.00
MS E-Commerce GmbH	Vösendorf	Austria	EUR	100.00
MS E-Commerce Kereskedelmi Korlátolt Feleősségű Társaság	Budapest	Hungary	HUF	100.00
MS Griechenland Beteiligungen GmbH	Munich	Germany	EUR	100.00
MS New CO Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
MS Powerservice GmbH	Vösendorf	Austria	EUR	100.00
MWFS Zwischenholding GmbH & Co. KG	Düsseldorf	Germany	EUR	100.00
MWFS Zwischenholding Management GmbH	Düsseldorf	Germany	EUR	100.00
my-xplace GmbH	Ingolstadt	Germany	EUR	75.10
OOO MEDIA-SATURN TRANSACTION SERVICES RUS	Moscow	Russia	RUB	100.00
OOO xplace	Moscow	Russia	RUB	100.00
Option 5 B.V.	Goes	Netherlands	EUR	100.00
PayRed Card Services AG	Dietikon	Switzerland	CHF	100.00
Power Service GmbH	Cologne	Germany	EUR	100.00
PowerService Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
red blue Marketing GmbH	Munich	Germany	EUR	100.00
redblue services GmbH	Munich	Germany	EUR	100.00
Redcoon Benelux B. V.	Tilburg	Netherlands	EUR	20.00
REDCOON ELECTRONIC TRADE, S.L.U.	El Prat de Llobregat	Spain	EUR	100.00
redcoon GmbH	Vienna	Germany	EUR	100.00
Redcoon GmbH i. L.	Aschaffenburg	Germany	EUR	100.00
REDCOON ITALIA S.R.L.	Turin	Italy	EUR	100.00
redcoon Logistics GmbH	Erfurt	Germany	EUR	100.00
REDCOON POLSKA Sp. z.o.o.	Bydgoszcz	Poland	PLN	100.00

NOTES

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
redcoon.pl Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Retail Media Group GmbH	Düsseldorf	Germany	EUR	100.00
RTS Elektronik Systeme GmbH	Wolnzach	Germany	EUR	100.00
RTS Service Solutions GmbH & Co. KG	Wolnzach	Germany	EUR	100.00
RTS Service Solutions Verwaltungs GmbH	Wolnzach	Germany	EUR	100.00
Saturn Athens III Commercial Anonymi Eteria	Maroussi	Greece	EUR	100.00
SATURN E–517 ELECTRO, S.A.U. (Do not use)	El Prat de Llobregat	Spain	EUR	100.00
Saturn Electro-Handelsges.m.b.H.	Salzburg	Austria	EUR	90.00
Saturn Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Electro-Handelsges.m.b.H.	Graz	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft m.b.H.	Wiener Neudorf	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft m.b.H.	Linz	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH	Karlsruhe	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Ansbach	Ansbach	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Augsburg	Augsburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bad Homburg	Bad Homburg v. d. Höhe	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bad Oeynhausen	Bad Oeynhausen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Baunatal	Baunatal	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin I	Berlin (Alexanderplatz)	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Charlottenburg	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Gesundbrunnen	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Köpenick	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Leipziger Platz	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Märkische Zeile	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Marzahn	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Schloßstraße	Berlin	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Berlin-Spandau	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Treptow	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Bielefeld	Bielefeld	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Bocholt	Bocholt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bochum	Bochum	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Saturn Electro-Handelsgesellschaft mbH Braunschweig	Braunschweig	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bremen	Bremen	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Bremen-Habenhausen	Bremen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bremerhaven	Bremerhaven	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Celle	Celle	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Chemnitz	Chemnitz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Darmstadt	Darmstadt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Dessau	Dessau	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Dortmund	Dortmund	Germany	EUR	0.01
Saturn Electro-Handelsgesellschaft mbH Dortmund-Eving	Dortmund-Eving	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Dresden	Dresden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Duisburg	Duisburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Erfurt	Erfurt	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Erlangen	Erlangen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Essen	Essen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Esslingen	Esslingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Euskirchen	Euskirchen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Flensburg	Flensburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Frankfurt/Main	Frankfurt a.M.	Germany	EUR	90.04
Saturn Electro-Handelsgesellschaft mbH Freiburg	Freiburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Freising	Freising	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Fürth	Fürth	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Gelsenkirchen	Gelsenkirchen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Gelsenkirchen-Buer	Gelsenkirchen-Buer	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Gießen	Gießen	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Göttingen	Göttingen	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Gummersbach	Gummersbach	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hagen	Hagen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hamburg-Altstadt	Hamburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hamm	Hamm	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hanau	Hanau	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hannover	Hanover	Germany	EUR	90.01

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Saturn Electro-Handelsgesellschaft mbH Heidelberg	Heidelberg	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Herford	Herford	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hilden	Hilden	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Hildesheim	Hildesheim	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Ingolstadt	Ingolstadt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Isernhagen	Isernhagen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Jena	Jena	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kaiserslautern	Kaiserslautern	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kassel	Kassel	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kempten	Kempten	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kerpen	Kerpen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kiel	Kiel	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Kleve	Kleve	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Koblenz	Koblenz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Krefeld	Krefeld	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Landshut	Landshut	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leipzig	Leipzig	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leipzig-Hauptbahnhof	Leipzig/Hbf.	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leonberg	Leonberg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lübeck	Lübeck	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lüdenscheid	Lüdenscheid	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Ludwigsburg	Ludwigsburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Ludwigshafen	Ludwigshafen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lünen	Lünen	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Magdeburg	Magdeburg	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Mainz	Mainz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Mannheim	Mannheim	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Marl	Marl	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Moers	Moers	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Mülheim	Mülheim an der Ruhr	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH München	Munich	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH München-Riem	Munich	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Saturn Electro-Handelsgesellschaft mbH Münster	Münster	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Neckarsulm	Neckarsulm	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Neu-Isenburg	Neu-Isenburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Norderstedt	Norderstedt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Nürnberg	Nuremberg	Germany	EUR	90.01
Saturn Electro-Handelsgesellschaft mbH Oberhausen	Oberhausen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Oldenburg	Oldenburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Osnabrück	Osnabrück	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Paderborn	Paderborn	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Passau	Passau	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Pforzheim	Pforzheim	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Potsdam	Potsdam	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Regensburg	Regensburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Remscheid	Remscheid	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Reutlingen	Reutlingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Rostock	Rostock	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH S050	Ingolstadt	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH S065	Ingolstadt	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH S314	Ingolstadt	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Saarbrücken	Saarbrücken	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Senden	Senden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Solingen	Solingen	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Stuttgart	Stuttgart	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Stuttgart-City	Stuttgart	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Troisdorf	Troisdorf	Germany	EUR	90.10
Saturn Electro-Handelsgesellschaft mbH Tübingen	Tübingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Weimar	Weimar	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Weiterstadt	Weiterstadt	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Wiesbaden	Wiesbaden	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Wolfsburg	Wolfsburg	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Zwickau	Chemnitz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mit beschränkter Haftung	Cologne	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Saturn Gerasdorf Electro-Handelsges.m.b.H.	Gerasdorf	Austria	EUR	90.00
Saturn Graz V VertriebsgmbH	Graz	Austria	EUR	90.00
Saturn Haid Electro-Handelsges.m.b.H.	Haid	Austria	EUR	90.00
Saturn Innsbruck Electro-Handeslges.m.b.H.	Innsbruck	Austria	EUR	90.00
Saturn Klagenfurt Electro-Handelsges.m.b.H.	Klagenfurt	Austria	EUR	90.00
Saturn Luxembourg S.A.	Luxembourg	Luxembourg	EUR	100.00
Saturn Marketing GmbH	Munich	Germany	EUR	100.00
Saturn Mega Markt GmbH Wuppertal	Wuppertal	Germany	EUR	90.05
Saturn online GmbH	Ingolstadt	Germany	EUR	100.00
Saturn Planet Sp. z o.o. 11 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Saturn Planet Sp. z o.o. 16 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Saturn Planet Sp. z o.o. 19 Spółka Komandytowa	Warsaw	Poland	PLN	100.00
Saturn Techno-Electro-Handelsgesellschaft mbH	Cologne	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	St. Augustin	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Düren	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Mönchengladbach	Germany	EUR	90.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Neuss	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Leverkusen	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Aachen	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Cologne	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Siegen	Germany	EUR	90.01
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Hürth	Germany	EUR	90.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Bergisch Gladbach	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH Düsseldorf - Flingern	Düsseldorf	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH Düsseldorf - Königsallee	Düsseldorf	Germany	EUR	90.00
Saturn Thessaloniki II Comercial Anonymi Eteria	Maroussi	Greece	EUR	100.00
Saturn Wien X VertriebsgmbH	Vienna	Austria	EUR	90.00
Saturn Wien XIV Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Wien XX VertriebsgmbH	Vienna	Austria	EUR	90.00
Saturn Wien XXII Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Wien XXIII Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn-Mega Markt GmbH Halle	Halle	Germany	EUR	90.05

Consolidated subsidiaries

Company name	Registered office	Country	Currency	% share of capital
Saturn-Mega Markt GmbH Trier	Trier	Germany	EUR	100.00
Tec-Repair GmbH	Wolnzach	Germany	EUR	100.00
Tertia Handelsbeteiligungsgesellschaft mbH	Cologne	Germany	EUR	60.00
XPLACE DIJITAL COZÜM TICARET LIMITED SIRKETI	Istanbul	Turkey	TRY	100.00
xplace GmbH	Göttingen	Germany	EUR	58.04
XPLACE ITALY S.R.L.	Pianoro	Italy	EUR	100.00
XPlace Spain SLU	Barcelona	Spain	EUR	100.00
XPLACE UK LIMITED	London	England	GBP	100.00
Zes Repair B.V.	Goes	Netherlands	EUR	100.00

Investments accounted for using the equity method

Company name	Registered office	Country	Currency	% share of capital
European Retail Alliance B.V.	Rotterdam	Netherlands	EUR	50.00
Fnac Darty S.A.	Ivry-sur-Seine	France	EUR	24.33
Juke Nederland B.V.	Rotterdam	Netherlands	EUR	100.00[1]

[1] Not consolidated due to insignificance to the earnings, financial and asset position

Equity investments

Company name	Registered office	Country	Currency	% share of capital	Equity	Profit or loss of last financial year
7digital Group Plc	London	England	GBP	26.36	0.00	0.00[1]
Artificial Intelligence Network Ingolstadt GmbH	Ingolstadt	Germany	EUR	9.09	0.00	0.00
Digitales Gründerzentrum der Region Ingolstadt GmbH	Ingolstadt	Germany	EUR	6.00	0.00	0.00
DTB Deutsche Technikberatung GmbH	Cologne	Germany	EUR	80.00	−1,481,955.22	−3,193,959.07[2,3]
Flip4 GmbH	Friedrichsdorf	Germany	EUR	20.59	0.00	0.00[2,4]
IFH Förderer GmbH	Cologne	Germany	EUR	14.29	368,157.41	7,572.26[4]
METRO AG	Düsseldorf	Germany	EUR	0.99	6,764,000,000.00	283,000,000.00[5]
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	EUR	6.61	154,975,788.00	165,997,228.58[5]
Public Joint-Stock Company "M.video"	Moscow	Russia	RUB	15.00	23,154,000,000.00	6,954,000,000.00[4]

[1] Financial year 01/01/2016 to 31/12/2016
[2] Not consolidated and not accounted for using the equity method due to insignificance to the earnings, financial and asset position
[3] Financial year 01/01/2018 to 31/12/2018
[4] Financial year 01/01/2017 to 31/12/2017
[5] Financial year 01/10/2017 to 30/09/2018

3 December 2019

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 present a true and fair view of the net assets, financial position and earnings position of the Group, and the combined management report presents a true and fair view of the development and performance of the business and the position of the Group and describes the principal opportunities and risks associated with the expected development of the Group.

3 December 2019

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 2019, 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 2018 to 30 September 2019, 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 2018 to 30 September 2019.

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 IFRSs 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 2019, and of its financial performance for the financial year from 1 October 2018 to 30 September 2019, 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.

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). Our responsibilities under those requirements and principles 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 2018 to 30 September 2019. 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 2019 reports inventories in the amount of EUR 2,548 million, which includes EUR 108 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. 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 implementation 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 historical and empirical values, among other factors.

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 2019 reported receivables from suppliers of EUR 1,295 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 judgments 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. There is also the risk that the level of compensation realised from suppliers was estimated inaccurately so that the amount recognised for receivables from suppliers is too high.

Our audit approach
We examined the process for recognising and documenting supplier agreements and the design and implementation 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.

The assumptions used to assess the level of realisation of uninvoiced compensation from suppliers are appropriate.

MEASUREMENT OF THE PROVISION FOR STORE-RELATED RISKS AND IMPAIRMENT OF LEASEHOLD IMPROVEMENTS

For the accounting policies applied, we refer to the disclosures in section "Notes to the Group accounting principles and methods" concerning (other) provisions. In addition, we refer to note 33 on "(Non-current) other provisions/(current) provisions".

The financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2019 include provisions for store-related risks in the amount of EUR 27 million for leases for operating stores for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contract). In addition, the consolidated financial statements of CECONOMY recognise other equipment, operating and office equipment of EUR 691 million, which also includes leasehold improvements for operating stores. If the carrying amount of leasehold improvements exceeds their recoverable amount, an impairment loss is recognised.

Measurement of the provision and impairment testing of leasehold improvements are typically based on the present value of future cash flows expected to be generated at each store, which is 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. There is the risk for the financial statements that provisions for store-related risks are inaccurately measured and leasehold improvements at operating facilities are impaired.

Our audit approach
We evaluated the appropriateness of implemented controls to ensure proper planning. In particular, we examined the approval of plans by the responsible committees.

Furthermore, we confirmed the appropriateness of valuation models as well as material assumptions and data. We established whether the plans are reasonable through approaches including a comparison of current performance with past performance (assessment of the quality of planning in the past), internal company expectations and sector information. Furthermore, we evaluated the consistency of planning using information obtained in the course of the audit. We critically evaluated improvements in earnings due to reductions in space that were taken into account in planning as well as strategic measures. 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.

RECOGNITION OF REVENUE FROM CONTRACT NEGOTIATION

For the accounting policies applied, we refer to the disclosures in section "Notes to the group accounting principles and methods" concerning the recognition of income and expenses. Disclosures on the amount of revenue from services can be found under note 1 "Revenue".

The financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2019 present income from the provision of services for the reporting period in the amount of EUR 1,229 million, which also includes revenue from contract negotiation.

CECONOMY negotiates contracts with customers for various service providers. These service providers are mainly mobile communication providers. In return, CECONOMY receives commission from the service providers, which is recognised as revenue.

The negotiated (brokered) contracts include some complex arrangements and a number of individual agreements, in which CECONOMY receives, as consideration for its brokerage services, a proportionate share of the future revenue generated by the providers with end customers on a continuing basis. There is the risk for the consolidated financial statements that revenue from contract negotiation is estimated inaccurately or recognised without the entitlement to do so.

Our audit approach
We examined the process for recognising and documenting revenue from contract negotiation and the design and implementation of the identified internal controls.

We analysed samples to confirm the underlying agreements and their renewal for a selection of deferrals and receivables from providers based on size and risk, and assessed the recognition of revenue in the statement of financial position and income statement. To that end, we took approaches such as a critical review of the underlying assumptions and data used to recognise deferred receivables from providers taking into account past experience.

Our observations
Revenue from contract negotiation is being recognised in line with the underlying agreements; the deferred income from future shares in the revenue of providers with end customers has been properly estimated.

Other Information

The Management Board is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

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 or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

In accordance with our engagement, we conducted a separate assurance engagement of the non-financial report. Please refer to our assurance report dated 3 December 2019 for information on the nature, scope and findings of this assurance engagement.

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 IFRSs 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 IFRSs 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 13 February 2019. We were appointed by the Supervisory Board on 13 February 2019. 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, 3 December 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

gez. Bornhofen	gez. Schröder
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SEPARATE NON-FINANCIAL GROUP REPORT

THE MANAGEMENT BOARD'S COMMITMENT

As is clearly demonstrated once again by the current debates about climate change, scarcity of resources and social inequality, sustainability is increasingly becoming a key criterion for companies' economic success. In this context, we also want to strengthen the positive influence we exert in our environment and reduce 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 we are going to integrate sustainability in all of CECONOMY's processes in line with our sustainability approach – and in accordance with the United Nations Sustainable Development Goals.

We already prepare a statement of greenhouse gas emissions that now 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.

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 approach. 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 APPROACH 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, a 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 approach 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[1] 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.

[1] Except for Scope 3 greenhouse gas emissions (indirect greenhouse gas emissions from upstream and downstream activities), as this data was collected for the first time

Reported topics

Aspects in accordance with CSR-RUG	Allocation of material issues
Environmental issues	Energy and resource management
	Climate protection
Employee issues	Employee development
	Working and social conditions
	Diversity
Social issues	Innovation and new business models
	Sustainable products and services
	Brand management and customer communication
	Data protection and information security
Respect for human rights	Sustainability in supplier management
	Working and social conditions
	Diversity
Combating corruption and bribery	Opportunity and risk management
	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 approach and sustainability management

Understanding of sustainability

For CECONOMY, the way in which the company grows and creates value is crucial. In order to be successful on a long-term basis, CECONOMY needs and wants to bring its business activities along the entire value chain in line with the environmental and social 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.

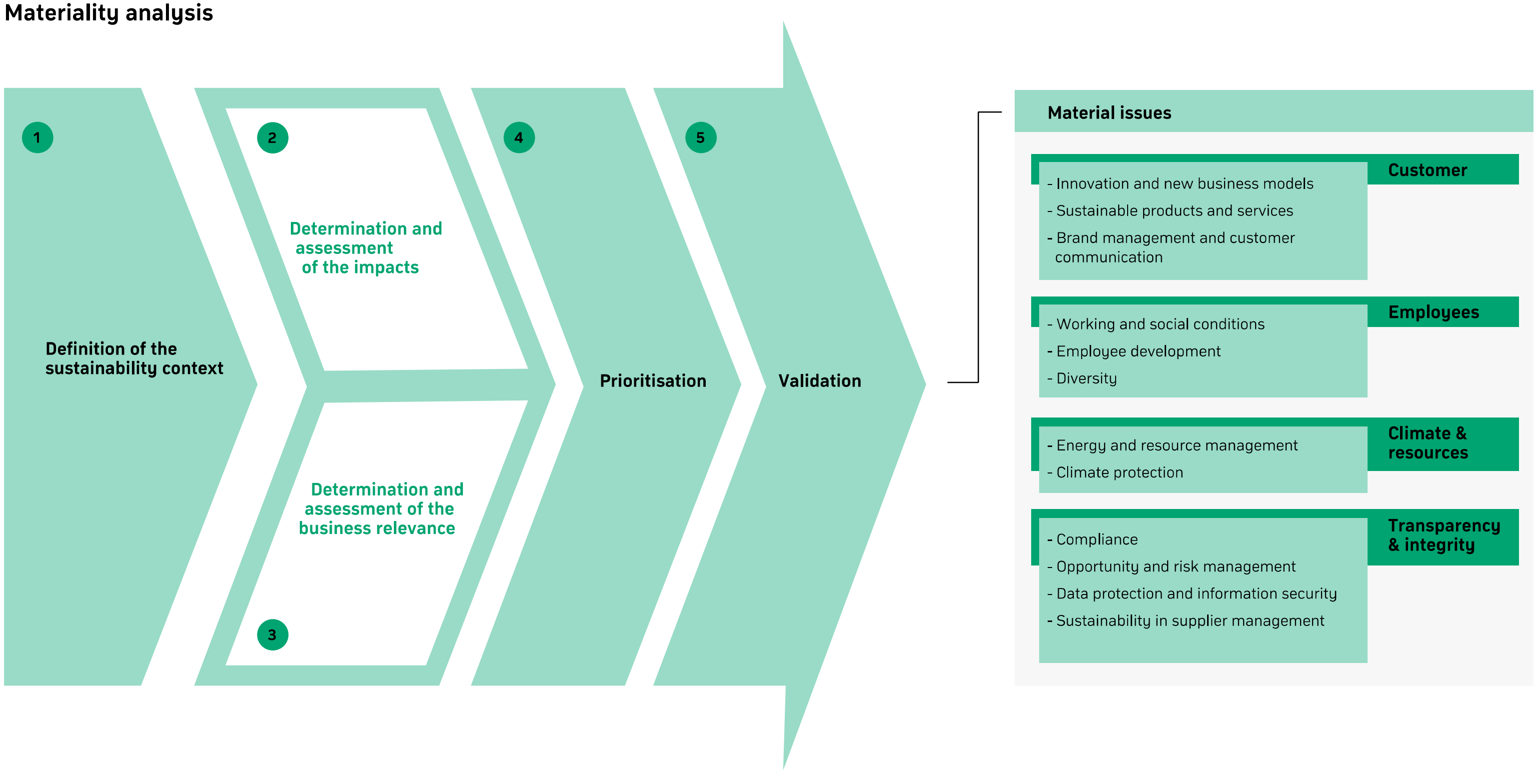
Materiality analysis

In the materiality analysis performed in the 2017/18 financial year, CECONOMY both identified key strategic approaches for the future development and determined the content to be included in the separate non-financial report in accordance with CSR-RUG.

Based on the definition of the scope, potentially relevant topics were identified in a longlist and then grouped together in logical clusters. This sustainability context formed the basis for the next steps of the analysis (point 1 of the diagram). In order to make well-founded statements about the impact on the environment and society (point 2 of the diagram) and relevance to business (point 3 of the diagram), over 30 interviews were held with various managers at the company and systematically analysed. Based on the assessment of the impact and relevance to business, priorities were then set (point 4 of the diagram) by identifying topics where CECONOMY has a significant impact on the environment and society in its business activities and that are also highly relevant to the company's business. The results were validated and honed by the Management Board of CECONOMY AG and the management of Media-Saturn-Holding GmbH (MSH) (point 5 of the diagram). Ultimately, CECONOMY identified twelve topics for which corresponding approaches are presented along with concepts and measures again in this separate non-financial report.

CECONOMY is currently in dialogue with selected external stakeholders in order to align the results of the materiality analysis more closely with the opinions of the stakeholder groups.

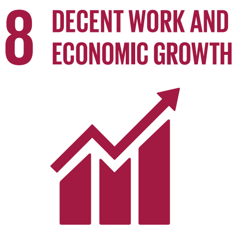
Materiality analysis



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 systematically 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 57,000 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 our suppliers, 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 customer contacts 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."

13 CLIMATE ACTION

SDG 13: CLIMATE ACTION

"In performing our business activities as a retail company, we produce CO_2 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."

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.

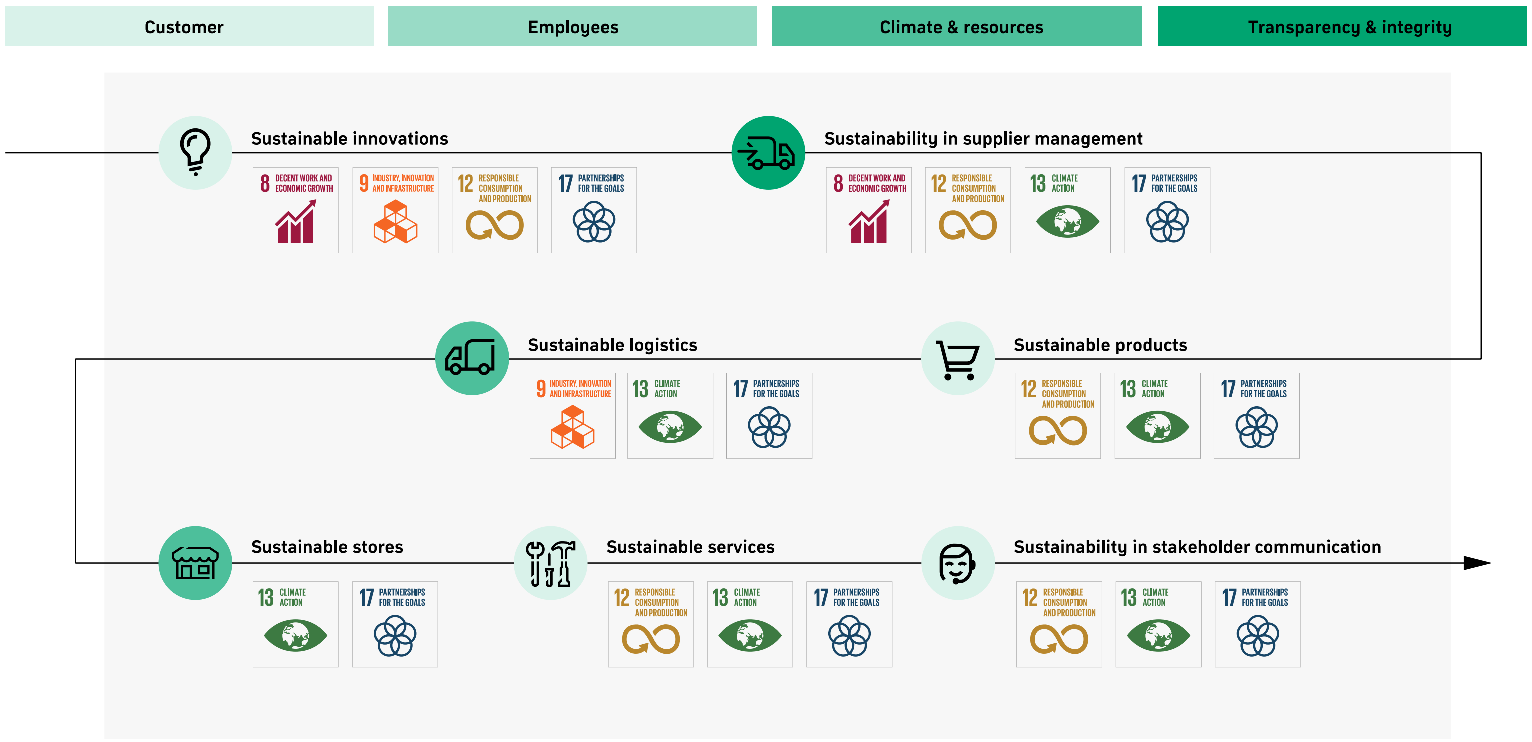
↗ MMSRG's UN Global Compact Communication on Progress 2017/18 is available on the website www.mediamarktsaturn.com/en/ under Company – Sustainability at MediaMarktSaturn.

The strategic sustainability priorities

Together with the five SDGs, the key issues identified form the basis for CECONOMY's strategic sustainability priorities. They illustrate possibilities to exert influence, are backed up with specific goals and measures, and are closely linked to MMSRG's value chain.

With these priorities in its core business, CECONOMY aims to achieve the overarching goal of incorporating sustainability in the company's core processes. The sustainability approach is thus closely linked with the company's overall strategy while also making a positive long-term contribution to sustainable social development.

Strategic sustainability priorities



Seven initiatives along the value chain

	SUSTAINABLE INNOVATIONS	SUSTAINABILITY IN SUPPLIER MANAGEMENT	SUSTAINABLE PRODUCTS	SUSTAINABLE LOGISTICS	SUSTAINABLE STORES	SUSTAINABLE SERVICES	SUSTAINABILITY IN STAKEHOLDER COMMUNICATION
HIGHLIGHTS 2018/19	Integration of sustainability as an additional criterion for the selection of start-ups to be supported Retailtech Hub selection process with an explicit focus on sustainable innovations	Avoidance of unnecessary transportation packaging for own-brand products Adoption of the MMSRG Human Rights Policy	Eleven own-brand models from the TV range meet the EcoTopTen criteria of Öko-Institut e.V. Introduction of the "Alles im grünen Bereich" product label in the German MediaMarkt online shop	Recording of greenhouse gas emissions expanded to include upstream and downstream activities Implementation of a pilot project to record CO_2 emissions in logistics at Media-Saturn Deutschland	Opening of the first LEED-certified store in Italy (Leadership in Energy and Environmental Design) Preparation of a new energy saving goal	Completed rollout of Smartbars in every store (total of 700,000 repairs in the year 2018/19) Pilot projects with recycling machines for mobile phones at MediaMarkt and Saturn	Incorporation of sustainability aspects in the revision of MediaMarkt's brand image Expansion of the guidance system for sustainability in the online shops of both sales lines
MEASURES	Integration of sustainability criteria in innovation management and in the Retailtech Hub	Establishment and implementation of a comprehensive management system for socially and environmentally responsible procurement	Establishment of a list of criteria and corresponding product labelling	Reorganisation and increase in efficiency of logistics and transportation chains, as well as carbon accounting	Development and implementation of the "MMS Sustainable Property Guideline" for sustainable construction projects	Development and implementation of sustainable service plans and services	Incorporation of sustainability in brand management and inclusion of sustainability information in internal and external communication
GOALS	Promoting innovations, digital solutions and business models for sustainable development	Evaluating and improving environmental and social standards in the supply chain	Promoting sustainable products in the product range	Recording and reducing the environmental and climate impact	Reducing consumption of energy and resources in stores	Optimising product life cycles and supporting environmentally friendly use	Informing customers and society about sustainable products and services and encouraging responsible consumer behaviour

Sustainability management

The Management Board of CECONOMY AG is the highest sustainability committee and is responsible for strategic decisions and tracking targets and progress. It regularly places the issue of sustainability on the agenda of Management Board meetings, where the various different sustainability projects are advanced and decisions are made. This results in assignments for companies or departments of the Group.

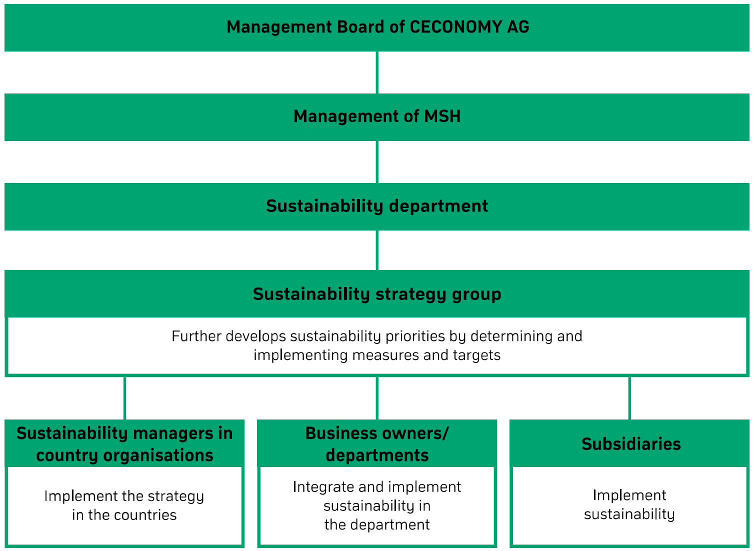
The strategic sustainability priorities are backed by sponsors at the highest management level and project managers from the different departments of CECONOMY. They advance the issues within their field of responsibility and are responsible for the integration and further development of sustainability within their area.

The Sustainability Strategy Group discusses the priorities and issues, develops them and devises measures for them. It serves as a platform for linking the issues with each other and advancing sustainability as a whole. Coordinated by the Sustainability department, experts regularly meet in this group to plan the specific implementation of the sustainability approach as part of the overall strategy and to combine it with the operating business.

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.

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. In addition, CECONOMY's sustainability management promotes dialogue with internal and external stakeholders and further develops sustainability communication.

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. In the interests of high customer satisfaction, CECONOMY systematically works on incorporating sustainability as an integral part of the brand images. The opportunities presented by digitalisation are used to manage processes better and effectively inspire customers.

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 and services, and through to 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 aims to develop forward-looking concepts and generate sustainable added value for customers, the company and society. Within the company, processes are to be improved by means of innovative technologies, while the customer experience in stores and online is to be continuously enhanced.

To make the company fit for the future and permanently adopt a pioneering role when it comes to innovation in retail, CECONOMY attaches particular importance to promoting and developing new business models, technologies and methods that could transform retail in the future. Owing to its strategic importance for the Group, innovation management comes under the responsibility of the chairman of the management of MSH. In order to promote innovations in an agile way, MSH has founded its own company, MediaMarktSaturn N3XT (MMS N3XT), which works in close coordination with the operating country organisations and subsidiaries of MMSRG and is managed by the Chief Innovation Officer (CINO) of MSH. The CINO in turn coordinates closely with the Chief Technology Officer (CTO).

MMS N3XT consists of three areas:

- **Innovation Research** continuously evaluates new technologies, solutions and companies. The aim is to challenge the existing business model continuously with innovation activities, find possible disruptive paths and assess digital technologies. From among the wide range of innovations, the team identifies the relevant ones and prepares tests or pilot projects for the business context together with the Project department.

- In a co-creation process with the **Innovation Projects & Culture** area, the results are assessed and selected based on their practical relevance. After the test, the results are summarised, processed and provided to other departments.

- The **Retailtech Hub partnership** approaches tech start-ups along the entire retail value chain, including other sectors besides consumer electronics, and is also open to collaborations and partnerships with other retail companies. The programme is run together with other retailers and the accelerator experts from the "Plug and Play Tech Center" in Silicon Valley. It focuses on the joint implementation of pilot projects for the future of retail.

↗ More information on the Retailtech Hub can be found on the website www.retailtechhub.com.

With MMS N3XT, important, innovative pilot projects have already been initiated in the key topic areas of digital point of sale, automation, connectivity, virtualisation and digital culture. CECONOMY aims to become a pioneer for sustainable innovations in retail with its Retailtech Hub. Since June 2018, sustainability has therefore been an additional criterion for the selection of the start-ups to be supported. The selected start-ups are supported with mentoring in several areas – since mid–2018, corporate responsibility and sustainability management have also been part of the programme as coaching topics.

In summer 2019, the Retailtech Hub's selection process was explicitly geared towards start-ups whose business purpose is to develop innovations for sustainable business activities. The goal was to select and support young companies that have a positive effect on the Group's own sustainability goals.

Sustainable products and services

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 help reduce energy consumption. In addition, the lifecycle of a product can be lengthened with innovative service concepts, thus making an important contribution to conserving resources. In promoting products and services with significant environmental and social benefits, CECONOMY sees great potential for more sustainability, a wide range of positioning options, and not least for a growing market. It also assumes responsibility at the end of the lifecycle, when electronic waste is produced.

Several different areas within the Group are responsible for progress on a more sustainable product range. The Sustainability Strategy Group serves as MMSRG's central platform for connecting, coordinating and discussing suggestions and concepts. The management of MSH is regularly informed of progress.

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. The greatest potential for sustainable development can be found in dialogue with business partners in order to develop joint solutions.

Alongside this, customer information together with appropriate labelling and presentation of sustainable products and services in the stores and online shops also plays a key role in promoting sustainable consumption.

↗ More information on the inclusion of sustainability in customer communication can be found in the section on brand management and customer communication.

CECONOMY supports innovative product solutions and service concepts that facilitate sustainable consumption. In this context, 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. A "SmartBar" has now been set up in every MediaMarkt and Saturn store. In the 2018/19 financial year, a total of over 700,000 repairs were carried out at the "SmartBars" (2017/18: 440,000). In Germany, a technical and repair service at customers' homes is provided via Deutsche Technikberatung (DTB) and the RTS Service Group. Internationally, CECONOMY works with various different service partners. CECONOMY also offers the possibility to rent appliances or share them with others.

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.

Informing customers about the different possibilities to lengthen their products' lifecycles is crucial to the success of innovative service concepts. CECONOMY uses its presence with around six million customer contacts each day and more than 1,000 stores in Europe to provide extensive information on the correct handling of old and used devices, thereby promoting responsible consumer behaviour. The specific measures in this area form part of the strategic priority "Sustainability in stakeholder communication".

OWN BRANDS: SUSTAINABLE PRODUCTS FROM IMTRON GMBH

With its own brands from IMTRON GmbH (Imtron), the Group has the possibility to implement new product ideas and solutions itself. It will making increasing use of this opportunity in the future. Selected products from the Imtron portfolio already meet the EcoTopTen criteria. The product platform of the independent research organisation Öko-Institut evaluates both third-party and own brands on the basis of environmental criteria. Its product evaluations are regularly revised – at present, for example, eleven own-brand models from the TV range are included in the EcoTopTen evaluation. In the long term, the number of products that meet the requirements of this list of criteria is set to increase.

↗ Further information on the EcoTopTen criteria can be found on the website www.ecotopten.de.

Customers are also informed about their product by means of labelling on the packaging. In addition to meeting the legal requirements, further information and guidance may also be provided in the product presentation.

In order to reduce the environmental impact in the products' utilisation phase, separate concepts are being developed for individual product groups. For example, since 1 October 2019 only recycled ink cartridges have been sold in Germany. In the area of lighting, Imtron offers an energy cost calculator under its own brand Isy. This allows customers to calculate how much they can save by purchasing an LED lamp and when an investment in a new lamp will have paid itself off. The calculation of energy saved and transparency with regard to the increased service life are intended to encourage customers to switch to the more energy-efficient LED lamp.

↗ The Imtron energy cost calculator can be found on the website www.imtron.eu/#exklusivmarken.

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 is also required to follow the provisions of the German Packaging Act.

In the reporting period, the management of Imtron resolved to avoid unnecessary (transportation) packaging materials. The suppliers are currently being informed about this and the first orders subject to this requirement are already being placed. Since 1 October 2019, there has also been a change in the packaging for LEDs. The plastic used has largely been replaced with cardboard that is now only printed in two colours.

OLD ELECTRONIC DEVICES AND THEIR CONTRIBUTION TO RESOURCE EFFICIENCY

As a consumer electronics retailer, CECONOMY brings technical devices onto the market. When the devices can no longer be used, they need to be disposed of correctly. Correct handling of old electric/electronic devices is thus an important factor for increasing resource efficiency. As the leading European company in the field of consumer electronics, CECONOMY is called upon to assume comprehensive responsibility for the electric/electronic devices it sells.

The concept for increasing resource efficiency is based on optimising product lifecycles and promoting the recovery of secondary raw materials from old electric/electronic devices. 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. Responsibility for operational implementation lies with the respective country organisations, as the national implementation of the WEEE Directive and the national waste management systems vary between the different member states.

The Legal Affairs department within MSH, which reported to the Chief Executive Officer (CEO) in the 2018/19 financial year, is responsible for Group-wide support with legal issues relating to waste. The legal departments in the country organisations advise the stores on local implementation.

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.

IMTRON'S OBLIGATIONS AS A MANUFACTURER

In addition to the obligations that CECONOMY has as a retail company, there are further regulations for Imtron as a manufacturer of electronic products. In Germany, Imtron is registered with the "stiftung ear" (register for waste electric equipment) as a resident manufacturer. It reports the volumes received to this register and accordingly provides a guarantee that it will ensure their environmentally friendly recycling or disposal. At the instigation of "stiftung ear", Imtron has the full collection bins for old electric/electronic devices, as provided by the public waste management authorities, collected. This electric waste is passed on to the waste management partner for environmentally friendly processing, recycling and disposal. The disposal or reprocessing of the devices produced by Imtron is organised on a decentralised basis and managed in the country organisations based on the applicable national legislation.

Brand management and customer communication

In recent years, there has been a significant increase in awareness of sustainable consumption in society. A decline in customers due to a lack of communication with regard to sustainability could result in lower sales and job losses. In addition, the sale and use of electrical appliances whose energy consumption is too high or whose production requires high consumption of resources may have a negative environmental impact. 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.

Overall responsibility for strategic retail marketing lies with the Chief Marketing & Digital Officer (CMDO), a member of the Executive Board of MSH. The operational implementation of the brand strategy is mostly carried out by redblue Marketing GmbH.

With its two major brands MediaMarkt and Saturn, MMSRG essentially has a decentralised organisation. This means that the individual marketing campaigns are implemented independently in the different countries, but follow MMSRG's strategic goals and the overarching marketing strategy. This is set out in the "brand books" and passed on to the country organisations as a guideline for marketing. Responsibility is thus shared, allowing for freedom of decision within a marketing framework that applies throughout the Group.

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.

At Saturn, this goal is implemented in the form of a guidance system for sustainability with the motto "Jetzt auf grün schalten" ("Switch to green now"). This makes it easy for customers to see which appliances are particularly resource-efficient with regard to their utilisation.

↗ Details on the list of criteria that forms the labelling basis for the guidance system can be found in the section on sustainable products and services and on the website www.ecotopten.de.

MediaMarkt has also implemented a guidance system for sustainability communication. Both the online shop and the bricks-and-mortar stores in Austria draw attention to top energy-saving products with the motto "Grün und Gut" ("Green and Good"). In Germany, this distinction can be found on the MediaMarkt website under the label "Alles im grünen Bereich" ("Everything in the green zone"). In Poland, a total of eleven stores have implemented the concept, while others are implementing selected communication measures.

The findings from these measures are valuable for the purposes of strategically incorporating sustainability aspects in the brands and communication in the future. Sustainability aspects are thus already taken into account in the current overhaul of MediaMarkt's brand image – for example, by helping customers make sustainable purchase decisions.

CUSTOMER SATISFACTION

Only a satisfied customer will use CECONOMY's products and services – which is why customer orientation and customer satisfaction are key elements of the company's strategic goals.

The starting point for all strategic considerations is the customers' needs: CECONOMY determines and analyses customers' needs, behaviour and satisfaction and implements the insights gained at all points of contact with the customers. MSH's Customer Care & Customer Experience and Market Research & Analysis departments are responsible for this and thereby make a significant contribution to strategic decisions and operational measures in the stores. Its findings are reported directly to the management of MSH and the Management Board of CECONOMY AG, among others. The net promoter score (NPS) serves as the main performance indicator here.

The NPS framework consists of three main components: NPS calculation, closed loop feedback and action management. The NPS development is analysed together with individual countries and – if necessary – corresponding measures and recommendations for action are derived on this basis.

During the reporting period, CECONOMY introduced the role of Customer Experience Manager in the stores in most country organisations. The Customer Experience Manager collaborates closely with the management of the respective store and the Customer Experience department in the respective country organisation. In this way, CECONOMY ensures that customer satisfaction measures are implemented in all stores, and it return it gets direct feedback from employees and customers on site. In future, there is to be a permanent Customer Experience Manager at every store.

The analysis has been expanded with regard to delivery services. In addition, the Group has started to link the data from the customer survey with information from the contact centres in order to gain an overall picture of customer satisfaction. In the reporting period, CECONOMY introduced a Group-wide classification system for customer concerns in order to improve the evaluation of feedback. At the same time, the measurement of satisfaction using the NPS figure is being expanded to other parts of the company.

In addition, several customer retention tools are used. Service is particularly important in this context. Loyalty programmes not only strengthen customer retention, but also support the goal of increasing long-term customer satisfaction. The MediaMarkt loyalty programme focuses both on specific campaigns for members and on selected national and local services. Saturn has established a similar customer loyalty programme in the form of a customer card with several levels. The special feature is that customers can work their way up the levels of the customer card by collecting "bits", which allows them to claim certain advantages. This is done not only by making purchases online or in-store; product reviews, recommendations and profile information also have a positive effect. The Saturn Card thus also supports customer feedback.

The results of customer satisfaction measurement at MediaMarkt and Saturn have been at a consistently high level in recent years. Although the overall NPS declined in the 2018/19 financial year, the figures for some individual country organisations increased year-on-year – in both online and in-store retail.

Employees

The transformation into a more agile, digital and customer-oriented company is based on the skills and abilities of the approximately 57,000[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 sustainable working conditions for its entire workforce. In addition, diversity and employee development and support are essential to the company's success and are therefore enshrined in the Group strategy. Creating optimal conditions for employees is therefore a high priority at all CECONOMY companies.

[2] Unless stated otherwise, the key figures for employee always relate to the average headcount not including senior executives, trainees, interns or students.

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 for MMSRG 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. The International HR Workshop, held twice a year, brings together the HR departments and managers of the country organisations and subsidiaries of MMSRG and CECONOMY. At these meetings, the participants develop strategic HR issues and set priorities. In addition, various expert and project committees are set up as needed to deal specifically with individual issues such as employee and manager development, which have been identified as key issues.

The HR Steering Committee was formed in 2019. It is made up of international representatives from HR and other departments and pursues the goal of interconnecting HR issues with the corporate strategy even more effectively and advancing HR projects.

Working and social 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.

In the 2018/19 financial year, employee surveys were conducted in individual country organisations of MMSRG, for example in Spain and Sweden. More surveys are already planned for the coming financial year.

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:

- The principles of fair working conditions and social partnership are applied to all activities.

- The 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 2019, additional works council elections were initiated at the stores and administrative companies. Furthermore, delegates for the European works council, the Euroforum, were nominated in June 2019 – in Germany, this was done at a meeting of all works council chairpersons and their representatives. The constitutive meeting of the new Euroforum is to be held before the end of this year.

MediaMarktSaturn Technology was aligned internationally and repositioned in close cooperation with the works council. By way of an extensive reskilling programme, the employees are prepared for future requirements and qualified accordingly. Agreements on restructuring and retraining were negotiated and concluded with the responsible works council.

As part of the reorganization and efficiency program, processes, structures and business activities are being streamlined at the Ingolstadt campus and the headquarters. The programme was initiated and set up by the management. If employee issues were concerned, the local works councils were involved by way of co-determination and preserved the employees' rights by working on the conditions of implementation together with the employer. For example, employees who are affected by downsizing have the opportunity to apply for vacant positions on the internal jobs portal or to participate in a voluntary programme that also includes outplacement advice.

At the regular Saturn works council conferences, current issues are presented and discussed by the employer. An equivalent MediaMarkt works council conference is also planned.

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 working from home. 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.

At its headquarters in Ingolstadt, MSH has been certified as a family-friendly business by the Hertie Foundation since 2010. In June 2019, MSH was awarded the Hertie Foundation's "berufundfamilie" certificate for the fourth time in a row. This seal of quality is granted in recognition of HR policies that are family-friendly and take account of different stages of life.

As part of a range of measures to make it easier to combine career and family, childcare during the school holidays and nursery places are offered for children of employees in Ingolstadt. In emergency situations, the services of the association Mobile Familie e. V. can be used for issues concerning childcare or nursing care. Support with flexible organisation of working time is offered with the "three-month sabbatical". This gives employees the option to take a longer break from their everyday working life. The "My Day Off" programme allows them to take off 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 22.6 per cent. In Germany, 19.2 per cent of employees work part-time, while internationally the figure is 25.2 per cent.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

Accidents on the way to work or illnesses caused by work can result in employee absences. Occupational safety and health management play an important role in a labour-intensive sector like retail. As a result of demographic change, their significance is increasing even further. CECONOMY is responding to these requirements with methodical and structured action. For example, some locations offer employee support programmes that give employees the opportunity to get psychological advice. In work-related conflict situations, as well as for personal concerns, external experts are available to provide independent, anonymous support with finding solutions.

CECONOMY is working on a uniform Group-wide method for collecting key performance indicators on occupational health and safety so as to allow suitable measures to be devised on the basis of improved data quality.

The sickness-related absence rate at CECONOMY increased slightly to 3.5 per cent in the reporting period (2017/18: 3.2 per cent).

Employee development

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 primarily focus on the three strategic topics of leadership, talent development and customer orientation. The goal is to enable employees to share and participate in the company's transformation process. The respective country organisations are responsible for the operational implementation of training and development measures.

Employees' individual strengths are promoted with a wide variety of further training programmes at each stage of their career. MSH has further developed the Foundation Leadership and Advanced Leadership management programmes and plans to roll out the Advanced Leadership programme internationally from the 2019/20 financial year onwards.

Technical solutions help increase efficiency and effectiveness – for example, perfectly tailored training options and e-learning programmes can be found for employees. The Leadership Principles are specified by MSH in line with the competence model that applies throughout the company.

In the 2018/19 financial year, two support programmes were implemented in the German country organisation, for example. The Talent programme supports employees as they start their career, while the Potential programme focuses on the development of young managers for the next steps in their management and specialist careers. In addition, programmes for managers are also offered in the stores. Talent and manager development was also advanced further in the Dutch and Italian country organisations.

Employee development is based on a combination of external, internal and on-the-job training. With regard to digitalisation, the company also relies on a blended learning approach.

The plan for employee development and further training is to be continuously improved. For this reason, CECONOMY is also continuing to work on defining and introducing suitable key performance indicators for the whole company.

Diversity

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 121 different countries were employed throughout the CECONOMY Group as at the end of the 2018/19 financial year (2017/18: 128). 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/en/ under Compliance.

Valuing social diversity also includes working towards a proportion of women management positions that reflects the overall employee structure. The proportion of women on the Management Board of CECONOMY AG is currently 50% (2017/18: 0%). Back in 2011, CECONOMY AG voluntarily committed to supporting women at the top three management levels. The goal of increasing the proportion of women at the first two management levels below the Management Board to 15% at the first management level and 45% at the second management level by the end of the 2018/19 financial year was achieved. At the first two management levels below the Executive Board at MSH (including senior executives), the share of women is 20.1 per cent at the first management level and 8.4 per cent at the second management level. Overall, the share of female employees in management positions at CECONOMY is 19.9 per cent (2017/18: 20.5 per cent), while in the total workforce the figure is 39.2 per cent (2017/18: 39.4 per cent).

Proportion of women at CECONOMY

	2016/17	2017/18	2018/19
Proportion of women in the total workforce (in %)	39.6	39.4	39.2
Proportion of women in management positions (in %)	18.9	20.5	19.9

To increase the general proportion of women throughout the Group, CECONOMY supports them in young talent programmes and manager development initiatives. It also plans to launch the "Empower Women in Retail" initiative in the 2019/20 financial year with the aim of further increasing the proportion of women in management positions.

↗ 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 the sustainability approach. 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.

Energy and resource management

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 and administrative buildings)[1]

	2018/19
Total energy consumption	**665.2**
Scope 1 energy consumption	**72.2**
Natural gas	12.2
Heating oil	0.2
Diesel	54.1
Petrol	5.6
Scope 2 energy consumption	**593.0**
Electricity	587.1
District heating	5.5
District cooling	0.4
Energy consumption per m² of selling space in kWh[2]	**214.5**
Electricity consumption per m² of selling space in kWh[2]	**208.1**

[1] The figures for the energy sources gas, heating oil, electricity and district heating/cooling for stores have been extrapolated from the consumption data of 25 stores selected as representative in terms of energy consumption on the basis of their share of the total selling space. Different climatic conditions were taken into account by country clustering. As the figures have been extrapolated, there is uncertainty regarding their reliability, and comparability with the energy figures reported in the previous year is only limited.

[2] 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. Using smart metering systems, a location's electricity, gas, district heating/cooling and heating oil consumption is continuously measured. It is possible to respond to increasing consumption immediately if necessary.

MMSRG already met its energy-saving goal – a 15% 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%. Based on this success, it is preparing a follow-up programme that envisages a further reduction in electricity consumption of 15% by 2025. The targets are set on a like-for-like basis, i.e. based on comparable adjusted figures, and therefore include around 700 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.

CECONOMY aims to set new standards with sustainable, resource-efficient and environmentally friendly construction. To this end, MMSRG has drawn up the Sustainable Property Guideline, which is based on the Gold Standard of the Leadership in Energy and Environmental Design (LEED) classification system for energy-efficient and environmentally friendly building planning. In addition to energy efficiency, this also covers increased comfort and well-being, responsible use of resources, and a reduction in hazardous substances in building materials and other materials. The goal is to incorporate sustainability in the construction and day-to-day operation of the stores in all country organisations. The first LEED-certified store was opened in Italy at the end of 2018.

In addition, the Group aims to support customers in the stores with sustainable purchase decisions. One specific contribution is to offer alternatives to and systematically reduce the share of throwaway plastic bags.

Climate protection

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 CO_2 emissions caused that can be influenced directly is produced in the stores and by external logistics providers – more in-depth analyses are currently being conducted in this regard. In order to minimise these effects and also remain competitive, CECONOMY has undertaken to reduce emissions that are harmful to the climate along the entire value chain. For this reason, CECONOMY published a statement of greenhouse gas emissions in accordance with the Greenhouse Gas Protocol for the first time in the 2017/18 financial year.

Climate footprint (greenhouse gas emissions in thousands of tonnes of CO_2 (CO_2 equivalents))[1,2,3]

	2018/19
Total greenhouse gas emissions[4]	**90.9**
Greenhouse gas emissions not including vehicle fleet	**76.1**
Scope 1: Direct greenhouse gas emissions	**17.4**
Natural gas	2.5
Heating oil	0.1
Vehicle fleet	14.8
Scope 2: Indirect greenhouse gas emissions	**73.5**
Electricity[3]	71.8
District heating	1.6
District cooling	0.1
Scope 1 + 2 greenhouse gas emissions per m² of selling space in kg, not including vehicle fleet	**27.0**

[1] Emission factors: VDA emission factors updated in 2019 used for 2018/19
[2] Emissions calculated based on energy audit values (cf. footnote 1 to energy audit).
[3] 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.
[4] Total greenhouse gas emissions according to the location-based method for 2018/19: 289.7 thousand tonnes of CO_2 equivalents

As a result of improved processes and data collection, selected Scope 3 emissions can also be reported for the first time in this reporting period. Scope 3 accounting is to be expanded continuously to include additional categories.

Selected indirect greenhouse gas emissions from upstream and downstream activities (Scope 3) in thousands of tonnes of CO_2 (CO_2 equivalents)

	2018/19
Scope 3.1 – Purchased goods & services	545.2
Scope 3.2 – Capital goods	126.8
Scope 3.3 – Fuel- and energy-related emissions	62.3
Scope 3.4 – Upstream transportation and distribution	202.2
Scope 3.6 – Business travel	3.5
Scope 3.7 – Employee commuting	26.7

↗ Further information on the project "Greenhouse gas accounting for Scope 3 emissions" can be found in the section on sustainable logistics.

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. In this way, the Group makes a key contribution to conserving resources – as well as to climate protection, since the production of energy causes CO_2 emissions. In the 2018/19 financial year, the total energy consumption of the stores and administrative buildings (not including the vehicle fleet) came to 605.4 thousand megawatt hours. This corresponds to 214.5 kilowatt hours per square metre (2017/18: 225.0 kilowatt hours). In addition to energy-saving measures, which are described in the section on energy and resource management, the electricity supply in the stores is steadily being converted to green electricity. Economic necessities are also taken into account in this context – but as at 30 September 2019, 73 per cent of the stores had already been converted (electricity purchased by MediaMarkt and Saturn).

Store emissions (greenhouse gas emissions not including the vehicle fleet but including administration) totalled 76.1 thousand tonnes of CO_2 in the 2018/19 financial year. In relation to selling space, this corresponds to 27.0 kilograms of CO_2 per square metre. The data for Scope 2 are based on a market-based calculation. Under this method, the electricity volumes purchased are accounted for with the emissions factor provided by the utility company. Electricity from green power tariffs and renewable energy sources is accounted for with an emissions factor of 0 and therefore does not produce any emissions in Scope 2. In the case of counties where no green electricity is purchased and there is no specific emissions factor from the utility company, a "residual mix" emissions factor from the Association of Issuing Bodies (AIB) is used for that country. As a large proportion of the stores now purchase certified green electricity, the Scope 2 emissions have been reduced significantly in the past. CECONOMY will work on taking advantage of further potential for reductions.

SUSTAINABLE LOGISTICS

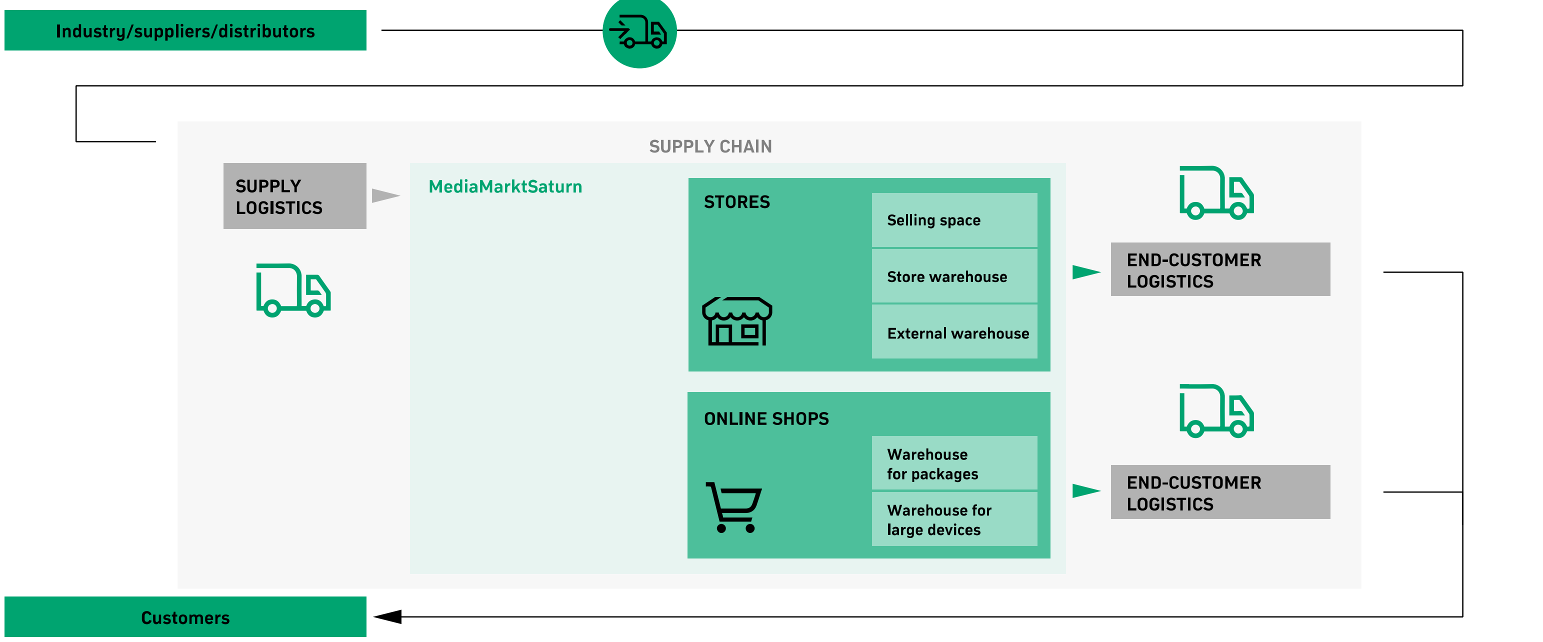
The first step in order to sell goods to the end customer is for the suppliers to deliver them directly to the bricks-and-mortar stores or to one of the warehouses. If the product is ordered online, it is delivered either to the store for collection or directly to the customer's home. There may also be product returns. This transportation produces CO_2 emissions.

Overall responsibility for MMSRG's logistics lies with the Chief Technology Officer (CTO). The logistics and transportation flows are managed by the country organisations.

As the country where MMSRG generates the highest sales, Germany also has a special role when it comes to the volume of goods transported: the current supply chain is divided into online retail and in-store retail. In the case of in-store retail, there is still a predominantly decentralised procurement model under which each store has its own flow of goods that is organised independently by the store manager. Responsibility for delivering the goods to the stores lies with the industrial partner. This partner commissions its own forwarding agents, which deliver either directly to the store or to the respective external warehouse rented by the store. Goods transportation ultimately ends with the customer who picks up the product directly from the store or has it delivered. At present, this delivery is generally still organised by each store itself. However, CECONOMY is currently working on organising this procurement model centrally.

In online retail, the MMSRG country organisations commission fulfilment partners to run online warehouse sites from which goods are delivered directly to customers. Alternatively, customers are also able to collect their products in-store, thus reducing CO_2 emissions. In some cases, goods for online retail are taken from the stores' inventories instead of from the online warehouses.

MediaMarktSaturn supply chain – at present



In order to organise logistics activities and transportation flows more efficiently and transparently in the future, the company's supply chain management is undergoing a transformation. The new concept aims both to optimise the logistics processes in terms of speed and reliability and also to increase transparency and data availability with regard to the CO_2 emissions caused by logistics services.

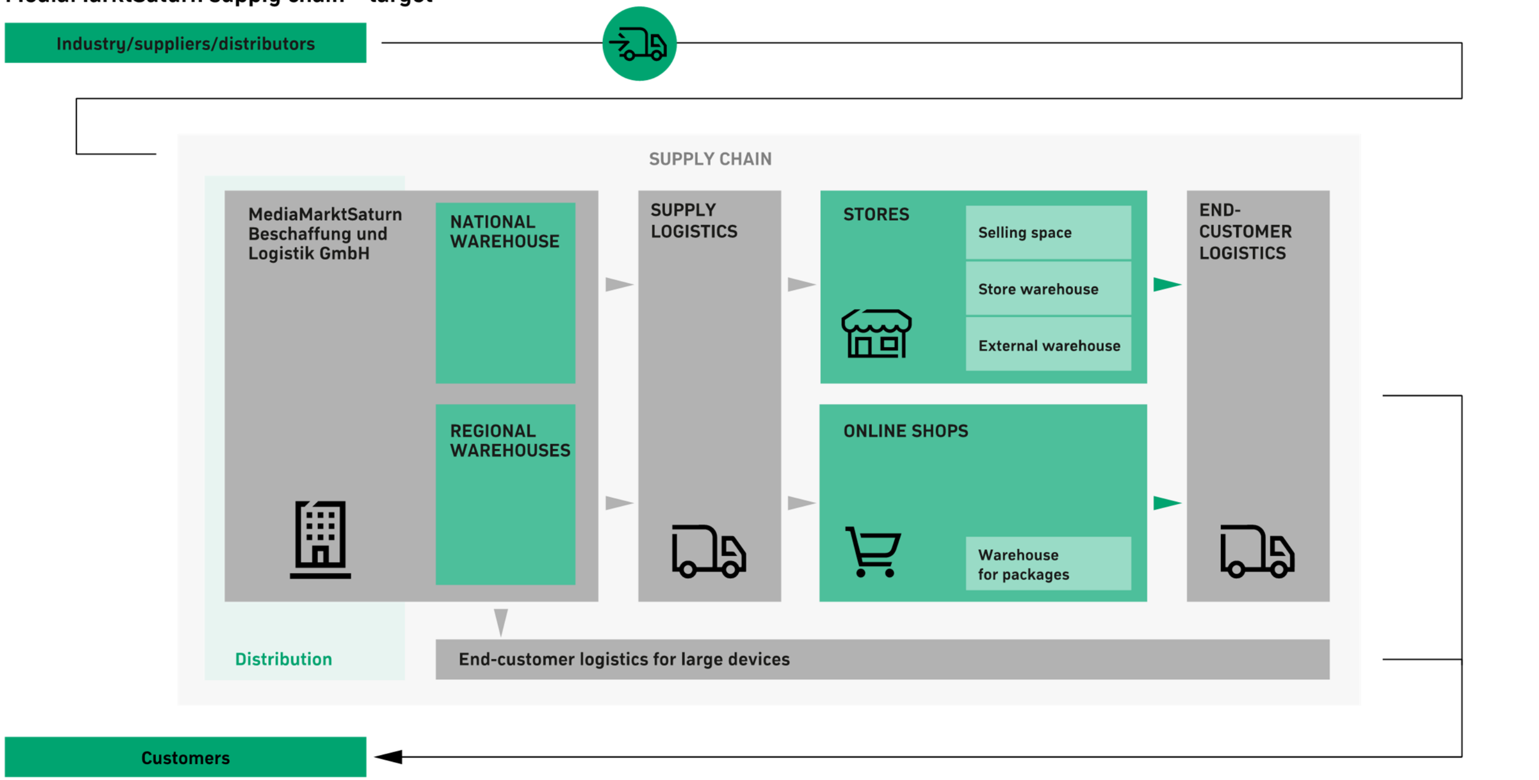
The plan is to replace the individual decentralised flows of goods with centrally managed processes. Inventories and transportation, which are currently organised on a decentralised basis, are to be made easier to plan and more convenient by establishing national warehouses. Starting from the national warehouse, the stores will then be supplied by way of centrally planned trips. The aim is to move the goods as little as possible in order to deliver them to the destination punctually, efficiently and in line with demand. This benefits not only the stores but also the industrial partners, which get a central contact and delivery point.

To implement the new logistics system, specific functions will initially be tested in selected regions of Germany in consultation with suppliers and other business partners. Step by step, both the functions and the test regions will be expanded. The pilot location for a national warehouse was implemented in the reporting period.

In addition to the national warehouse, regional warehouses are also planned. These will be distributed across Germany systematically and are primarily designed for large equipment requiring two-man handling.

The regional warehouses will supply to either the individual stores or the customer directly. In addition to efficient delivery, they will ensure that customers are offered additional services such as set-up, installation and collection of old devices in a more customer-oriented way in the future. Tests are being carried out in several regions for this purpose. The results are promising: by optimising trips, it is possible to offer customers a three-hour delivery window of their choice as standard, while also ensuring high delivery precision.

MediaMarktSaturn supply chain – target



GREENHOUSE GAS EMISSIONS FROM LOGISTICS

With the new, more centralised concept, CECONOMY will establish greater transparency with regard to transportation routes, kilometres driven, fuel consumption, and how full the lorries are. The key figures obtained will create transparency as to the type and amount of CO_2 emissions caused by logistics and transportation. On this basis, targets can be derived, progress reported and greenhouse gas emissions reduced in the long term. Starting from the 2019/20 financial year, CECONOMY will place greater emphasis on recognised standards (Greenhouse Gas Protocol; DIN EN 16258) and methodological formats (Global Logistics Emissions Council Framework).

As part of a pilot project, CECONOMY is focussing on calculating the Scope 3 logistics emissions resulting from a switch to national and regional warehouses. The future logistics chain is thus being examined. The focus is on logistics flows that are commissioned centrally and are relevant in terms of volume – in future, this will primarily be deliveries to stores from the central and regional warehouses in store business and deliveries to customers in online business. For these logistics flows, primary data is being requested from the forwarding companies so that the emissions associated with transportation can be recorded. The pilot project allows for more efficient deliveries to stores and customers, while also providing a considerably improved basis for actively recording and managing the greenhouse gas emissions caused by external logistics partners.

TRAVEL MANAGEMENT

Business travel also results in CO_2 emissions. These are particularly caused by the use of means of transport such as cars, trains or aeroplanes and by the frequency of trips and the distances travelled. Within the Business Travel Management department, established in March 2018, the Department Manager is responsible for the topic of sustainability and communicates closely with the Sustainability department. Business Travel Management regularly brings sustainable travel to employees' attention – for example, in the business travel and hospitality guideline published in March 2019.

External service providers present Business Travel Management with monthly CO_2 reports 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 draw up 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 currently being rolled out in order to reduce paper consumption.

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 has the responsibility and legal obligation to implement effective governance, which includes opportunity and risk management, 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 complicated 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. The cornerstone for activities is the Code of Conduct, which defines the shared basis of values. CECONOMY is clearly committed to transparency, integrity, fairness and respect and complies with the law and regulations. Violations of these values and regulations may entail existential risks and reputational damage for the company and shake its stakeholders' trust in it.

Compliance

Corruption and unethical business conduct not only lead to economic problems, but also have tangible effects on the company and its employees. Compliance violations may result in large fines on the company, criminal sanctions against employees, compensation claims from customers, competitors and suppliers, as well as enormous reputation damage and a loss of trust. Serious violations may result in financial losses at a macroeconomic level and fundamentally damage the population's trust in business and politics.

Integrity as the driver and goal of compliance is the guiding principle for CECONOMY's business activities and an integral part of its management approach. Creating the right conditions for compliance with regulations is a management task.

The risk-based compliance management system (CMS) 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. The focus of compliance is on preventing or avoiding significant risks (prevention) and is thus delimited from the responsibility of the Group Internal Audit department of CECONOMY AG (GIA, for MSH Group Audit & Consulting). GIA conducts regular audits and forensic investigations (detection), while sanctioning is implemented by the HR department. CECONOMY regularly identifies compliance risks, establishes the necessary organisational structures and tasks the responsible departments with managing and controlling the risks. Responsibility for ensuring compliance lies with the Management Board of CECONOMY AG and the management bodies of the Group companies. The Group-wide Compliance function supports the corporate management with the development and continuous improvement of the CMS. The Supervisory Board and the Audit Committee regularly deal with monitoring the Group's CMS. In the Group Committee for Governance, Risk and Compliance (GRC Committee), relevant current issues and the further development and improvement of the CMS are discussed at regular intervals. 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 sub-systems.

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 the management of MSH support this culture with an appropriate "tone from the top" and company-wide training and communication measures.

The CECONOMY Code of Conduct also supports the compliance culture. It is available internally and externally and is mandatory for all employees, managers and Management Board members. The compliance guideline "Style & Practice", which is consistent with the Code of Conduct, also applies to all employees of MMSRG.

↗ 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/en/ under Compliance.

Specific guidelines from CECONOMY and the Group companies supplement and flesh out this guideline by taking account of local conditions and business practices in the different countries or issues relating to specific tasks.

Violation of laws, the Code of Conduct or other guidelines and regulations are not tolerated at CECONOMY. Managers and compliance officers respond to employees' queries, receive information about possible violations and ensure the necessary confidentiality.

CECONOMY has established a Group-wide compliance reporting system as a central element of the CMS. This provides all employees and external parties with a point of contact for tip-offs: observed or suspected compliance incidents can be reported anonymously or otherwise through this system. To raise awareness among all CECONOMY employees, the Group Compliance department also regularly organises individual or computer-based compliance training. No significant incidents of corruption were reported to the Group Compliance department during the reporting period.

Opportunity and risk management

Highly dynamic market developments, game-changing technological innovations, digitalisation, accompanying government regulation – the risk environment has changed radically over the past few years. These global challenges are accompanied by climate change and increasing scarcity of resources. Together with the rapidly growing global population, they give rise to new risks to the environment, society and the economy – but they can also present new opportunities. For CECONOMY, it is important to identify the relevant challenges at an early stage, understand them and assess them correctly. Misjudgements can result in serious business risks or missed opportunities.

The success of the company depends to a large extent on whether and how it deals with opportunities and risks. CECONOMY ensures this by means of extensive opportunity and risk management.

The appropriateness and effectiveness of the opportunity and risk management system is the responsibility of the Management Board of CECONOMY AG, and in particular the Chief Financial Officer. The Group companies identify, assess, manage and monitor the risks – supported and coordinated by Corporate Risk Management at CECONOMY AG and at MSH. This financial year, the opportunity and risk management system successfully underwent an appropriateness and effectiveness review. The scope covered both CECONOMY AG and MMSRG.

The Management Board of CECONOMY AG is informed promptly and continuously by Corporate Risk Management about significant developments in risk management. The same applies to the management of MSH.

In order to identify relevant opportunities and risks, CECONOMY carries out macroeconomic studies, analyses the relevant trend landscape and evaluates market and competition analyses. The company also deals with the critical success factors of the business models and the company's main cost drivers. Opportunity and risk management is an integral part of the overall organisation.

Effective processes and maximum transparency are achieved by means of a combination of top-down and bottom-up approaches in which the different departments of CECONOMY AG and the Group companies are actively involved.

CECONOMY already identifies environmental and social risks and assesses them in terms of their relevance to the company – for example, with regard to risk exposure in supplier management or potential risks arising from climate change or electronic waste.

All material business risks are presented in the opportunity and risk report in CECONOMY's combined management report. Other than this, no non-financial risks with a very high probability of occurrence and a serious negative impact have been identified.

With its opportunity and risk management, CECONOMY pursues the overarching goal of identifying potential positive and negative developments for the company at an early stage, assessing these, initiating appropriate measures where necessary, and monitoring the implementation of these measures. In order to implement its sustainability approach effectively, the Group has linked its sustainability management even more closely with its opportunity and risks management. For this reason, an expert from the Risk Management department is now a member of the Sustainability Strategy Group, for example. An integrated, comprehensive procedure has been defined in order to make more efficient use of the synergies in these two areas.

↗ Further information on the topics of compliance and opportunity and risk management can be found in the combined management report in the opportunity and risk report and in the Corporate Governance report, as well as in the declaration on corporate governance. The declaration is available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance.

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 prevents misuse of data and the associated risks using all means available to the company.

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 incorporated at the top decision-making level at CECONOMY and represent a top priority at 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 on issues relating to data protection law. At the level of MMSRG, the Privacy Department Manager is appointed as the Group data protection officer of MSH and is in charge of the data protection organisation within MMSRG. The Privacy Department Manager coordinates the data protection departments throughout the company and the overarching data protection strategy within MMSRG, regulates the general orientation, and advises the individual MMSRG subsidiaries and DTB on the implementation of internal and external requirements with regard to data protection. All CECONOMY companies have appointed their own data protection officers where legally required and relevant to business.

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. In the 2018/19 financial year, there was one regulatory investigation due to a violation of legal provisions in this area. No sanctions in the form of fines were imposed due to data protection violations.

Within MSH, data protection activities are based in the Data Privacy Office (DPO). The DPO is the central point of contact 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. The GDPR preparation project launched in 2016 was completed at the start of the 2018/19 financial year. 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. A regular newsletter explaining data protection problems and the latest data protection issues in day-to-day operations was launched. Furthermore, training and awareness campaigns are organised on a regular basis. In order to establish the issue in the company's culture, an e-learning programme on relevant GDPR matters was developed and has been rolled out at all MMSRG companies since the middle of the 2018/19 financial year. This training is mandatory for all employees.

In addition to managing directors, employees in departments who have access to and work with sensitive data in particular receive regular and intensive 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 Data Protection 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.

The following principles apply to all these functions:

- **Protection of availability:** relevant information is always available when needed.
- **Protection of confidentiality:** relevant information is only disclosed 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 newly created role of Chief Information Security Officer (CISO) is fully responsible for Information Security for MMSRG and all its investments. He reports to the Chief Technology Officer (CTO) of MSH.

In the reporting period, the governance structure for information security was adapted to the widespread model of three lines of defence – a model for a systematic approach to the risks that can arise in companies.

Information Security is an integral part of the new technology strategy, which allows a holistic analysis of the company's risk and security situation. Furthermore, using the three lines of defence model allows the implementation of security by design – an approach in which security requirements are taken into account during a product's development phase. It also implements full responsibility for Information Security with the CISO at strategic, tactical and operational level. The central body for adopting, developing and reviewing the IT security strategy and drafting proposals is MMSRG's IT Security Board, which comprises all the necessary departments. Within MMSRG, the information security issue is controlled by the comprehensive IT security management system (ISMS). The CISO manages and coordinates the ISMS and is responsible for issuing its guidelines. He thus sets the information security objectives and defines the information security standards for MMSRG.

The ISMS clearly regulates responsibilities and functions for ensuring information security. MediaMarktSaturn Technology's Cyber Security Office assists the CISO in implementation and, within MMSRG, serves as the department with global operational responsibility for IT services and service providers. It enacts and establishes standards, processes and technical controls to implement the IT security strategy at Group level.

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.

By implementing its advanced IT security strategy, CECONOMY is prepared for both current and future cyber and data protection requirements. This applies in particular to intensive activities to raise the awareness of all employees to information security risks. As part of this strategy, various technical and organisational detection and prevention measures, and in particular measures to raise awareness, were implemented in the 2018/19 financial year.

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, an integrated security information event management with affiliated security operation centre was established to detect and prevent threats and 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 the social and ecological compatibility of the processes involved in the production of all its 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 MSH, its biggest division and the one the generates the most revenue. 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 a uniform standard 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 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 our management approach to sustainable supplier management, the International Supplier Sustainability Agreement was developed as an addendum to supplier agreements in the 2017/18 financial year. The aim of this is to communicate our expectations in terms of sustainability to suppliers moving ahead. CECONOMY is striving to have all suppliers acknowledge the International Supplier Sustainability Agreement and the requirements it sets out, and to provide the Group with relevant information on the sustainability work. 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 whistleblower system.

CECONOMY is committed to the German government's National Human Rights Action Plan and is working to implement it. MSH adopted its Human Rights Policy in the reporting period and implemented a complaints tool.

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.

↗ MMSRG's Human Rights Policy is available on the website www.mediamarktsaturn.com/en/ under Company – Sustainability at MediaMarktSaturn.

INDIRECT SPEND

In addition to procuring the third-party and own brand products that it retails to customers, CECONOMY also sources products and services for its own operations and administration. Separately from the Procurement department, which handles merchandise, the Sourcing Indirect Spend department coordinates the procurement of non-retail goods and services. It manages indirect procurement for MMSRG as a whole and performs this function as a service for CECONOMY AG. At the level of MSH, the department is run by the Vice President of Investment & Costs, who reports directly to the Chief Financial Officer.

The company is also committed to the principles of the RBA Code of Conduct in its indirect spending activities. The Sustainability Strategy Group discusses and assesses key aspects of sustainable procurement in addition to measures and successes. These measures also included preparing the MMSRG Sourcing Indirect Spend department's own Code of Conduct on the basis of the RBA Code of Conduct. This will be rolled out centrally and in the Sourcing Indirect Spend department for all new procurement agreements in the 2019/20 financial year, and it will be binding if the contractual partner does not already have an equivalent or superior certification.

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 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. It was last updated in September 2019.

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.

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 2019. 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 regularly audit its suppliers. A BSCI audit is considered to have been passed or to be successful if the supplier has at least scored a D grade.

Successful BSCI audits[1]

	2016/17	2017/18	2018/19
Number of suppliers audited (absolute)	104 of 116	117 of 124	121 of 127
Share of suppliers audited (in %)	89.7	94.4	95.3

[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 suppliers 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.

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 127 suppliers from what are referred to as risk countries, 95.3 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 suppliers 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 2019/20 financial year, in line with the transformation of its business model, 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 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 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, 2018 to September 30, 2019.

As disclosed in the section 'Own brands: supplier management at Imtron', 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.

[1] Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.

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).

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 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 a sample at Barcelona (Spain)
- 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, 2018 to September 30, 2019, 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, December 3, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:

Hell ppa. Dollhofer

INFORMATION AND FINANCIAL CALENDAR

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Financial calendar 2019/20

7 February 2020	Quarterly statement Q1 2019/20
12 February 2020	General Meeting
14 May 2020	Half-year financial report Q2/H1 2019/20
13 August 2020	Quarterly statement Q3/9M 2019/20
23 October 2020	Trading statement Q4/FY 2019/20
15 December 2020	Annual report FY 2019/20