CECONOMY

Q2/H1

HALF-YEAR FINANCIAL REPORT

2018/19

SELECTED KEY FIGURES[1]

H1 2018/19

+1.1%	Positive sales development[2] across all segments
−295 €m	Change in NWC[3] −224 €m lower than prior year
406 €m	EBITDA[4] +16 €m above prior year
293 €m	EBIT[4] +14 €m above prior year

[1] Business figures represent the continuing operations of CECONOMY
[2] Adjusted for currency effects and portfolio changes
[3] Change in Net Working Capital (NWC) = Change in Net Working Capital according to Cash Flow Statement
[4] Adjusted EBITDA and EBIT; excluding Fnac Darty

THE FIRST HALF YEAR IN REVIEW

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CECONOMY is undergoing a profound transformation, which is also reflected in its business development in the first half of the year. We achieved operational improvements in individual countries. Expenses in connection with the reorganization and efficiency program and management changes weighed on our reported earnings. We are now fixing the operational basics of the Group. At the same time, we ensure that our set-up will carry us into the future. We continue developing our vision and the overall strategic positioning of CECONOMY – with a focus on the customer and the customer experience. This will allow us to exploit the benefits of our leading market position in the medium and long term and leverage our enormous potential.

«

Jörn Werner,
Chief Executive Officer

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The business development in the first half year of 2018/19 is in line with our expectations. The improved planning related to the promotional days around Black Friday contributed to the positive development in the first quarter of 2018/19. In the second quarter of 2018/10 we posted a solid earnings development in Germany. In particular, higher cost efficiency and improved product availability and product assortment definition contributed to this. We are facing a challenging second half of the year with a high comparison base due to non-recurring effects in the previous year. Nevertheless, due to our focus on sales growth and active cost management we confirm our outlook for the full year. Furthermore, the reorganization and efficiency program announced at the end of April will create the basis for investments into the future.

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Karin Sonnenmoser,
Chief Financial Officer

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This document is a semi-annual financial report in accordance with Section 115 WpHG [German Securities Trading Act].

CECONOMY is managed on the basis of key performance indicators derived from IFRS (International Financial Reporting Standards) specifications together with other metrics: total sales growth adjusted for currency effects and portfolio changes, net working capital, EBITDA and EBIT. In financial year 2018/19, an adjusted EBITDA and EBIT also apply; the adjustment relates to expenses in connection with the reorganization and efficiency program and top management changes in the first quarter of 2018/19 announced on 29 April 2019. The program aims at streamlining the group's processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The optimization and restructuring particularly focuses on central functions and administrative units in Germany. The program also includes reviewing the business activities of smaller portfolio companies. The top management changes, which occurred 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.

For more details on the management-relevant key performance indicators, please refer to pages 47 to 49 of CECONOMY's Annual Report 2017/18.

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

Business figures represent the continuing operations of CECONOMY. Prior-year figures in the interim group management report were adjusted for discontinued operations to enable comparison.

Commercial rounding is used for the figures shown in this half-year financial report. This may result in some individual figures not adding up to the totals shown.

As of 1 October 2018, CECONOMY uses the new accounting standards in accordance with IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers).

↗ For additional information on the new accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), please refer to pages 135 to 145 of the Annual Report 2017/18.

FINANCIAL FIGURES AT A GLANCE[1]

Sales and earnings

€ million	Q2 2017/18	Q2 2018/19	Change	H1 2017/18	H1 2018/19	Change
Sales	5,118	5,015	−2.0%	11,879	11,894	0.1%
Sales development adjusted for currency and portfolio changes effects	0.7%	−1.1%	–	1.1%	1.1%	–
Like-for-like sales development	−0.2%	−1.7%	–	0.3%	0.7%	–
Gross margin	20.1%	19.5%	−0.5%p.	19.5%	18.9%	−0.6%p.
EBITDA	103	83	−19.3%	410	374	−8.9%
Adjusted EBITDA	103	113	10.6%	410	439	7.0%
of which Fnac Darty	21	34	62.1%	20	33	64.1%
Adjusted EBITDA margin excl. Fnac Darty	1.6%	1.6%	0.0%p.	3.3%	3.4%	0.1%p.
EBIT	46	19	−59.2%	300	253	−15.6%
Adjusted EBIT	46	58	24.7%	300	326	8.8%
of which Fnac Darty	21	34	62.1%	20	33	64.1%
Net financial result	−109	14	–	−107	15	–
Tax rate	25.5%	40.3%	14.8%p.	51.7%	37.7%	−14.0%p.
Profit or loss for the period attributable to non-controlling interest from continuing operations	15	−5	–	50	34	−31.4%
Net result from continuing operations	−62	25	–	43	132	>100%
Earnings per share from continuing operations (€)	−0.19	0.07	0.26	0.13	0.37	0.24

Other operating figures

€ million	Q2 2017/18	Q2 2018/19	Change	H1 2017/18	H1 2018/19	Change
Online sales	616	699	13.4%	1,403	1,706	21.6%
Services & Solutions sales (in accordance with IAS 18)	319	333	4.2%	713	758	6.4%
Services & Solutions sales (in accordance with IFRS 15)	–	282	–	–	623	–
Investments as per segment report	69	39	−43.1%	127	75	−40.7%

Cash flow

€ million	H1 2017/18	H1 2018/19	Change
Cash flow from operating activities	200	7	−194
Cash flow from investing activities	−111	−85	26
Cash flow from financing activities	14	2	−13
Change in net working capital[2]	−72	−295	−224
Free cash flow	76	−90	−165

Statement of financial position

€ million	31/03/2018	31/03/2019	Change
Net working capital	−777	−853	−76
Net liquidity (+)/Net debt (−)	195	604	409

Other operating key figures (as of 31/03)

	31/03/2018	31/03/2019	Change
Number of stores	1,011	1,027	16
Retail space (thousand m²)	2,807	2,761	−46
Workforce by full-time equivalents	55,014	52,407	−2,608

[1] Business figures represent the continuing operations of CECONOMY. Prior-year figures in this statement were adjusted for discontinued operations to enable comparison.

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

INTERIM GROUP MANAGEMENT REPORT

Outlook

The outlook is 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 are not included. Expenses for top management changes in the first quarter of 2018/19 are also not included.

SALES

For financial year 2018/19, CECONOMY expects a slight increase in total sales compared to the previous year. We expect net working capital to decline moderately.

EARNINGS

Both in terms of EBITDA and EBIT, CECONOMY expects a slight decline, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The segments DACH and particularly Eastern Europe will contribute to this decline, while the segment Western/Southern Europe will develop slightly positive. The comparative previous-year figures for 2017/18 are €630 million EBITDA and €399 million EBIT.

In addition, EBITDA and EBIT will also include our share of the profit or loss for the period for Fnac Darty S.A. Based on current analyst estimates, we expect this investment to make a contribution to earnings in the mid double-digit million euro range in financial year 2018/19.

Events in the first half year

At the start of the new financial year, the Swiss country organisation disposed of a consumer credit portfolio of CHF 100 million. This is the result of a customer financing program, which allows Swiss customers not only to buy products at MediaMarkt, but also to finance them there directly using a credit card. The financing used for this can be paid back flexibly any time within a period of three years. The disposal of these customer receivables allows the Swiss country organisation to release cash, thus strengthening its net working capital. The selected structure envisages a revolving monthly sale of the newly created credit card receivables over the next five years.

On 13 October 2018, CECONOMY AG issued an ad-hoc communication announcing personnel changes in the Management Board of CECONOMY AG. In an extraordinary meeting, the CECONOMY AG Supervisory Board and Pieter Haas, Chairman of the Management Board (CEO), mutually decided to part ways with immediate effect. The Management Board decided that Ferran Reverter Planet, Chief Operating Officer (COO) at Media-Saturn-Holding GmbH (MSH), is to assume the mandate previously exercised by Pieter Haas as Managing Director of MSH delegated by CECONOMY. On the basis of an understanding with the Supervisory Board, Mark Frese decided 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 employment contract. On 18 December 2018, CECONOMY AG then announced that Mark Frese is leaving the company as of 31 December 2018. The Supervisory Board appointed Dr Bernhard Duettmann, member of the CECONOMY AG Supervisory Board, as a member of the Management Board on an interim basis. From 1 January 2019, the CECONOMY AG Management Board was therefore made up of Dr Bernhard Duettmann and Dr Dieter Haag Molkenteller.

On 17 October 2018, Moody's confirmed CECONOMY AG's Baa3 rating and changed the outlook for the rating from Stable to Negative, while Scope has retained its stable outlook for the BBB– rating.

On 30 January 2019, CECONOMY AG issued an ad-hoc communication announcing the conclusion of personnel changes in the CECONOMY AG Management Board. The Supervisory Board of CECONOMY AG appointed at an extraordinary meeting Joern Werner as a member of the Management Board with effect from 1 March 2019 and also appointed him as new Chairman of the Management Board (CEO). In addition, the Supervisory Board appointed Karin Sonnenmoser as a member of the Management Board with focus on Finance (CFO) with effect from 1 March 2019. The interim function of Dr Bernhard Duettmann as a member of the Management Board ended at the end of 25 March 2019. Dr Duettmann resumed his suspended activity as a member of the Supervisory Board of CECONOMY AG on 26 March 2019.

In the course of the new personnel set-up of the Group, the development of a reorganization and efficiency program which aims at streamlining the Group's processes, structures and business activities and therefore creating the basis for profitable growth was started. The program was approved on 29 April 2019 by the Management Board and Supervisory Board of CECONOMY AG as well as the Management Board and Advisory Board of Media-Saturn-Holding GmbH, a majority shareholding of CECONOMY (see "Events after the reporting date"). In the second quarter of 2018/19, expenses of €39 million in connection with the program were included in EBIT, of which approximately €20 million were attributable to expenses associated with smaller portfolio measures (essentially JUKE), which included impairments of €8 million. The remaining expenses of approximately €18 million related to the restructuring of central functions and administrative units, especially in Germany. In addition, expenses for top management changes in the amount of €34 million were already booked in the first quarter of 2018/19, which are not included in the communicated expenses of the reorganization and efficiency program.

Events after the reporting date

On 29 April 2019, CECONOMY AG issued an ad-hoc communication announcing that CECONOMY AG and Media-Saturn-Holding GmbH, which is majority owned by CECONOMY AG, approved a reorganization and efficiency program which aims at streamlining the Group's processes, structures and business activities and therefore creating the basis for profitable growth. The optimization 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. As a result of the program, CECONOMY expects expenses of around €150 million to €170 million in financial year 2018/19 in total. In addition, CECONOMY expects around €20 million of non-cash expenses in financial year 2018/19, which relate to the write-down of assets due to portfolio measures. 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. The expenses for top management changes in the amount of €34 million, which were already booked in the first quarter of 2018/19, are not included in the expenses of the aforementioned reorganization and efficiency program.

In the course of implementing the reorganization and efficiency program, CECONOMY AG announced another change to the Management Board. Dr Dieter Haag Molkenteller, responsible for Legal and Compliance in the Management Board of CECONOMY, will leave the Board on 31 May 2019. The Management Board of CECONOMY will therefore consist of Joern Werner (CEO) and Karin Sonnenmoser (CFO) from 1 June 2019.

CECONOMY AG also announced that Peter Kuepfer resigns from the Supervisory Board of CECONOMY AG at his own request on 30 April 2019. The Nomination Committee and Supervisory Board have recommended Christoph Vilanek, CEO of freenet AG, as the successor for Peter Kuepfer. A corresponding request was filed at the responsible register court. On 7 May 2019, the district court Düsseldorf appointed Christoph Vilanek as a member of the Supervisory Board. The appointment is limited until the end of the Annual General Meeting, which resolves on the approval of the actions for financial year 2018/19.

Macroeconomic conditions

A slowdown in global economic growth became apparent in the first half of 2018/19. Western Europe, in particular, recorded a significant decline in growth. The main reasons for growth slowing were, in particular, weaker foreign demand from China, the reduction in investment in an uncertain market environment and falling demand in the German automotive industry. In France, the protests by the “gilets jaunes” had a negative impact on economic output. The looming Brexit continued to depress the economic outlook for the entire European region. However, declining economic growth was cushioned by the solid private consumption trend in Europe. Most Eastern European countries were still posting stable growth, albeit at slower rates, in 2019. In China, growth levelled off at a somewhat lower level than in previous years because of the ongoing transformation to a services-focused economy. The country was also the main target of US protectionist policies and continued to suffer from economic imbalances. As before, the entire Asian economic area achieved the highest growth compared internationally. In the USA, the positive effect of tax reforms, which supported the competitiveness of US companies and GDP growth in 2018, is expected to weaken in 2019. Overall, the outlook for the global economy has deteriorated significantly in the current financial year because of the challenging conditions.

The DACH region had to battle with the challenges of the downturn in the global economy in the first half of 2018/19. The economic upturn in Germany has petered out. The German economy suffered more than others in the Eurozone from the slowdown in foreign trade. Domestic demand is still positive in view of high employment and rising incomes. Private consumption is therefore likely to continue supporting economic activity for the moment. In Austria, we saw a fall in economic growth in the first half of 2018/19 and expect private consumption to weaken significantly. Lower growth rates are also expected in Switzerland in 2019 because of the slowdown in the global economy and the decline in exports associated therewith. In Hungary, economic growth will be lower than in previous years in 2019. The waning dynamism is attributable primarily to lower levels of investment and falling private consumption. The retail industry in the DACH region therefore finds itself in an increasingly challenging environment in 2019.

We observed social and economic challenges in Western and Southern Europe, which continue to sap economic strength. The Spanish upturn has come to an end and economic growth is slowing, meaning that profound structural problems such as high unemployment and substantial government debt are becoming apparent. In Italy, economic growth remains below the EU average. The country also suffered from persistent structural weaknesses and political uncertainties caused by a populist coalition government consisting of the 5 Star Movement and the Northern League. The Dutch economy is also recording lower growth in 2019 than in 2018. This is largely attributable to falling private consumption. However, the level of growth in the Netherlands remains above the EU average. Here too, the largest risk factors for the export-focused country are posed by the downturn in the global economy and a possible “hard Brexit”.

Following years of strong economic growth, growth rates are now faltering in Eastern Europe. In Poland, the strong upturn of recent years softened in the first half of 2018/19 largely due to a fall in private consumption. Negative economic growth is expected for the Turkish economy in 2019. The biggest problems for the local economy are still attributable to high inflation rates as well as the persistent fall in the value of the Turkish lira, sharply declining private consumption and the end of government economic programmes.

SECTOR DEVELOPMENT IN THE RETAIL ELECTRONICS SECTOR

DACH

Sales in the German retail electronics sector were slightly positive in the first half of 2018/19. Growth in the retail electronics sector was supported by small appliances and telecommunications during this period. Weak development since December 2018 meant that growth rates in Austria were negative in the first half of 2018/19. Development in the retail electronics sector was also slightly negative in Switzerland. The Hungarian retail electronics sector continued its expansionary course with double-digit growth rates.

Western/Southern Europe

As far as the retail electronics sector in Western Europe is concerned, the Netherlands and Belgium also posted stable growth rates. France started the first half of 2018/19 with negative growth rates. Spain continued its sales growth in the first half of 2018/19 at a somewhat lower level than in the previous year. The Greek retail electronics sector again posted positive growth rates in the first half of 2018/19. Portugal also continued its growth path. Development in Italy was slightly positive in the same period.

Eastern Europe

In the first half of 2018/19, Turkey recorded a significantly lower level of growth than in the previous year because of difficult political and economic circumstances. In Poland, the retail electronics sector reported sustained positive growth in the same period.

Results in detail

Earnings position[1]

Quarter	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	Q2 2017/18	Q2 2018/19	Q2 2018/19	Q2 2018/19	Q2 2018/19	Q2 2018/19
Total	**5,118**	**5,015**	**−2.0%**	**−0.9%**	**−1.1%**	**−1.7%**
DACH	2,956	2,945	−0.4%	0.1%	−0.5%	−0.6%
Western/Southern Europe	1,642	1,585	−3.5%	0.0%	−3.5%	−3.9%
Eastern Europe	398	367	−7.7%	−11.4%	3.7%	−0.7%
Others	122	118	−2.8%	−3.6%	0.7%	−1.3%

Half-year	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	H1 2017/18	H1 2018/19	H1 2018/19	H1 2018/19	H1 2018/19	H1 2018/19
Total	**11,879**	**11,894**	**0.1%**	**−1.0%**	**1.1%**	**0.7%**
DACH	6,915	7,012	1.4%	0.0%	1.4%	1.4%
Western/Southern Europe	3,722	3,741	0.5%	0.0%	0.5%	0.2%
Eastern Europe	939	849	−9.6%	−11.2%	1.7%	−2.6%
Others	302	292	−3.6%	−4.1%	0.6%	−1.4%

SLIGHT INCREASE IN GROUP SALES IN THE FIRST HALF

In the **first half of 2018/19**, CECONOMY generated Group sales of €11.9 billion, an increase of 0.1 per cent compared with the prior-year period. Adjusted for currency and portfolio change effects, sales were up 1.1 per cent year-on-year. On a like-for-like basis, Group sales recorded an increase of 0.7 per cent compared to the prior-year period. A factor impacting this development in the first quarter was the successful campaign days around Black Friday in November, particularly in the DACH and Western and Southern Europe segments. 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 the **second quarter of 2018/19** Group sales trended down, at −2.0 per cent compared with the prior-year quarter, totalling €5.0 billion. Adjusted for currency and portfolio change effects, sales fell by −1.1 per cent. On a like-for-like basis, Group sales recorded a decrease of −1.7 per cent compared to the prior-year period. The shift of Easter business from March last year to April this year had a negative impact on the sales trend in the second quarter, especially in the DACH and Western and Southern Europe segments. Sales in the Western and Southern Europe segment also fell significantly because of the challenging market and competitive situation. Online business continued to develop very positive across all segments, with respectable double-digit growth rates, but only partly made up for the decline in in-store sales.

[1] All figures in the previous year are from continuing operations only

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first half of 2018/19**, the DACH segment generated sales of €7.0 billion, an increase of 1.4 per cent. Adjusted for currency and portfolio change effects, sales also increased by 1.4 per cent. A main contributor here was strong growth in Germany in the first quarter, driven particularly by the Black Friday campaigns.

In the **second quarter of 2018/19** sales in the DACH segment were down slightly, at –0.4 per cent, totalling €2.9 billion. Before adjustment for currency and portfolio effects, sales fell by –0.5 per cent year-on-year. Lower sales in Switzerland were a particular factor contributing to this development. In Germany, sales matched the level of the previous year. While, on the one hand, the shift of the pre-Easter week from March last year to April this year affected segment sales adversely, impetus from various campaigns such as the successful Club campaigns at MediaMarkt and Saturn Deutschland had a positive impact.

EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In **the first half of 2018/19**, the Western and Southern Europe segment generated sales of €3.7 billion, an increase of 0.5 per cent. Adjusted for currency and portfolio change effects, sales also increased by 0.5 per cent. In the first quarter, the trend in sales in Spain and Italy, in particular, was positive. In both countries, the Black Friday campaigns in particular and further sales boosts from pre-campaigns in October had a positive influence.

In the **second quarter of 2018/19**, sales in the Western and Southern Europe segment dropped by –3.5 per cent compared with the prior-year period to approximately €1.6 billion. Adjusted for currency and portfolio change effects, sales also fell by –3.5 per cent. A negative sales trend in the Netherlands and Belgium caused by a challenging competitive environment was a major contributory factor here. Sales also fell slightly in Spain and Italy.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first half of 2018/19**, sales in the Eastern Europe segment dropped by –9.6 per cent to €0.8 billion. Adjusted for currency effects and portfolio changes, sales were up 1.7 per cent, higher than the comparable figure of the previous year. In the first quarter, segment sales were adversely affected by the sharp depreciation of the Turkish lira. Before currency effects, Turkey recorded a respectable increase in sales. In contrast, sales declined in Poland as a result of tough competition and the fewer Sunday opening days in comparison with the previous year.

In the **second quarter of 2018/19**, sales in the Eastern Europe segment declined by –7.7 per cent to approximately €0.4 billion. The strong depreciation of the Turkish lira also continued to negatively impact sales. Accordingly, the trend in sales adjusted for currency and portfolio change effects was significantly more positive, at 3.7 per cent. In local currency, Turkey continued the sound performance achieved in recent quarters and grew again in double-digits as a consequence of store openings during the previous year as well as the effects of inflation. The negative sales trend in Poland continued.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first half of 2018/19**, sales in the Others segment fell by –3.6 per cent compared with the prior-year period to approximately €0.3 billion. Adjusted for currency effects and portfolio changes, sales were up 0.6 per cent, slightly above the previous year's level. Sales in Sweden, which were influenced primarily by negative currency effects, whereas the business in local currency was on prior year's level, were a contributory factor here.

In the **second quarter of 2018/19**, sales in the Others segment declined by –2.8 per cent to approximately €0.1 billion. Adjusted for currency and portfolio change effects, segment sales increased by 0.7 per cent. Sales fell in Sweden and were also affected by negative currency effects. In contrast, smaller operating units made a positive contribution to sales.

Quarter	Sales (€ million)		Change (%)	In % of total sales
	Q2 2017/18	Q2 2018/19		
Online	616	699	13.4	13.9
Services & Solutions (in accordance with IAS 18)	319	333	4.2	6.6
Services & Solutions (in accordance with IFRS 15)	–	282	–	–

Half-year	Sales (€ million)		Change (%)	In % of total sales
	H1 2017/18	H1 2018/19		
Online	1,403	1,706	21.6	14.3
Services & Solutions (in accordance with IAS 18)	713	758	6.4	6.4
Services & Solutions (in accordance with IFRS 15)	–	623	–	–

ONLINE BUSINESS REMAINS GROWTH DRIVER

In the **first half of 2018/19**, online sales increased by 21.6 per cent to approximately €1.7 billion. In total, the online share of total sales amounted to 14.3 per cent in the first six months of the reporting period (H1 2017/18: 11.8 per cent). The Black Friday campaigns especially had a positive impact on growth in online business in the first quarter. In the **second quarter of 2018/19**, online sales achieved growth of 13.4 per cent. As a result, sales reached a figure of €699 million, which equates to 13.9 per cent share of total sales (Q2 2017/18: 12.0 per cent).

The strong online sales growth was also due to the pick-up option (in-store collection of goods ordered online) which continued to be very popular among our customers. In the first six months of the reporting period, the pick-up rate was approximately 43 per cent (H1 2017/18: approximately 41 per cent). In the second quarter, this rate was even approximately 44 per cent (Q2 2017/18: approximately 40 per cent).

POSITIVE RECEPTION OF SERVICES & SOLUTIONS ONGOING

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 contact and at the same time also sells the customer the respective mobile device. With IFRS 15, the changed revenue allocation using the relative stand-alone selling prices instead of the residual values results in a changed revenue allocation 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 adjusted in accordance with IFRS 15.

In accordance with IFRS 15, sales in Services & Solutions in the **first half of 2018/19** amounted to €623 million. In accordance with IAS 18, sales in Services & Solutions rose by 6.4 per cent to €758 million in the first half. This equates to a Services & Solutions share of total sales of 6.4 per cent (H1 2017/18 according to IAS 18: 6.0 per cent).

In accordance with IFRS 15, sales in Services & Solutions in the **second quarter of 2018/19** amounted to €282 million. In accordance with IAS 18, sales growth slowed in the second quarter compared with the prior-year period to approximately 4.2 per cent. As a result, sales reached a figure of €333 million, which equates to 6.6 per cent share of sales (Q2 2017/18 according to IAS 18: 6.2 per cent).

Quarter				EBITDA				EBIT
	EBITDA	EBITDA	Adjusted EBITDA	Change compared to prior year[1]	EBIT	EBIT	Adjusted EBIT	Change compared to prior year[1]
€ million	Q2 2017/18	Q2 2018/19	Q2 2018/19	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2018/19	Q2 2018/19
Total[2]	**103**	**83**	**113**	**11**	**46**	**19**	**58**	**11**
DACH	64	52	77	13	35	13	47	12
Western/Southern Europe	32	16	18	−14	12	−3	−1	−13
Eastern Europe	7	0	0	−7	2	−4	−4	−6
Others	−1	15	17	19	−2	13	16	18

[1] Change adjusted EBITDA to EBITDA as reported in Q2 2017/18 and adjusted EBIT to EBIT as reported in Q2 2017/18
[2] Including consolidation

Half-year				EBITDA				EBIT
	EBITDA	EBITDA	Adjusted EBITDA	Change compared to prior year[1]	EBIT	EBIT	Adjusted EBIT	Change compared to prior year[1]
€ million	H1 2017/18	H1 2018/19	H1 2018/19	H1 2018/19	H1 2017/18	H1 2018/19	H1 2018/19	H1 2018/19
Total[2]	**410**	**374**	**439**	**29**	**300**	**253**	**326**	**26**
DACH	287	267	305	19	228	197	244	16
Western/Southern Europe	112	101	106	−5	73	63	68	−5
Eastern Europe	29	20	20	−8	18	11	11	−7
Others	−17	−14	7	24	−19	−18	4	23

[1] Change adjusted EBITDA to EBITDA as reported in H1 2017/18 and adjusted EBIT to EBIT as reported in H1 2017/18
[2] Including consolidation

The following comments regarding depreciation and amortisation include scheduled depreciations and amortisations, reversals of impairment losses and impairments.

REPORTED GROUP EARNINGS BELOW PRIOR YEAR

In the **first half of 2018/19,** reported Group EBITDA declined by €−36 million to €374 million. This includes expenses associated with the reorganization and efficiency program as well as management changes amounting to €65 million. In contrast, adjusted Group EBITDA rose by €29 million to €439 million (H1 2017/18: €410 million). The earnings contribution of Fnac Darty of €33 million (H1 2017/18: €20 million) is included here. Before the earnings contribution of Fnac Darty adjusted Group EBITDA was €406 million in the first half of 2018/19 and was therefore €16 million up on the previous year's level. Compared to the prior-year period, the gross margin declined by 0.6 percentage points to 18.9 per cent.

In the first half, at €120 million, depreciation and amortisation was €10 million above the prior-year's figure. This figure includes impairment of €8 million in connection with the closure of JUKE, which is part of the non-cash accounting effects of the reorganization and efficiency program. EBIT therefore included expenses associated with the reorganization and efficiency program as well as management changes amounting to €73 million. Group EBIT amounted to €253 million and adjusted EBIT to €326 million. In the prior-year

period, Group EBIT was €300 million. Before the earnings contribution of Fnac Darty adjusted Group EBIT reached €293 million in the first half of 2018/19 and was therefore €14 million up on the previous year's level.

In the first quarter, expenses for top management changes in the amount of €34 million negatively impacted earnings. However, better planning and steering of the campaign days around Black Friday as well as declining personnel and location costs had a positive impact. Positive one-time effects such as a measurement effect on Services & Solutions sales as a consequence of introducing IFRS 15 and the settlement of claims for damages also supported earnings in the first quarter.

In the **second quarter of 2018/19,** Group EBITDA of €83 million was achieved. It was €103 million in the comparative period in the previous year. Excluding expenses associated with the reorganization and efficiency program of €31 million and excluding the earnings contribution of Fnac Darty of €34 million, adjusted Group EBITDA was slightly down year-on-year at €80 million. At €64 million, depreciation and amortisation were approximately €8 million above the previous year's level. This figure included the impairment mentioned above in connection with the closure of JUKE. EBIT therefore included expenses associated with the reorganization and efficiency program of €39 million in the second quarter. Excluding the earnings contribution of Fnac Darty, adjusted Group EBIT reached €24 million in the second quarter and was therefore around the previous year's level (Q2 201718: €26 million).

In the second quarter, expenses in connection with the reorganization and efficiency program, which were incurred for the first time, negatively impacted earnings. They were also affected by a negative sales trend and a declining gross margin, which declined by −0.5 percentage points to 19.5 per cent in the second quarter. Declining personnel and location costs, which were attributable to higher cost efficiency in stores in Germany, and to an active management of the store portfolio, had a positive impact, however. As in the previous quarter, there were also positive one-time effects such as a measurement effect from Services & Solutions sales as a consequence of introducing IFRS 15 and the collection of additional of claims for damages included in earnings. Positive one-off effects of virtually the same amount also supported earnings in the previous year's second quarter.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first half of 2018/19**, the DACH segment generated an EBITDA of €267 million, €−20 million below the previous year's level. Adjusted EBITDA improved by €19 million to €305 million. Depreciation and amortisation were €11 million higher than the previous year's figure of €59 million. This figure includes an impairment of €8 million in connection with the closure of JUKE, which is part of the non-cash accounting effects of the reorganization and efficiency program. Thus, the DACH segment generated an EBIT of €197 million and an adjusted EBIT of €244 million (H1 2017/18: €228 million). In the first quarter, adjusted earnings in Germany were supported by an improved steering of Black Friday and higher cost efficiency as a result of personnel savings and more strongly focussed marketing activities. A measurement effect on Services & Solutions sales resulting from the introduction of IFRS 15 also had a positive effect.

In the **second quarter of 2018/19,** EBITDA in the DACH segment was €52 million and therefore €−13 million below the previous year. It was €64 million in the comparative period in the previous year. Excluding expenses associated with the reorganization and efficiency program of approximately €26 million, adjusted EBITDA in the second quarter was €77 million, approximately €13 million above the previous year's level. At €39 million, depreciation and amortisation were approximately €9 million above the previous year's level (Q2 2017/18: €30 million). This figure included the impairment mentioned above in connection with the closure of JUKE. The expenses associated with the reorganization and efficiency program recorded in EBIT in the DACH segment therefore amounted to €34 million. Before expenses associated with the reorganization and efficiency program, Germany reported very sound earnings development. The increase is mainly attributable to lower personnel costs. Despite a decline in sales, Switzerland also contributed to the improvement in the result thanks to an improved conditions management and higher contributions from Services & Solutions.

EXPLANATION OF THE RESULT IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In Western and Southern Europe, EBITDA fell in the **first half of 2018/19** by €−10 million to €101 million (H1 2017/18: €112 million). This includes expenses associated with the reorganization and efficiency program as well as management changes amounting to approximately €5 million. Adjusted EBITDA stood at €106 million. With constant depreciation and amortisation, EBIT decreased to €63 million and adjusted EBIT amounted to €68 million (H1 2017/18: €73 million). In the first quarter, strong sales growth in Italy combined with declining costs made a significant contribution to an increase in earnings in the Western and Southern Europe segment.

In the **second quarter of 2018/19**, EBITDA in the Western and Southern Europe segment declined by €−16 million to €16 million. This includes expenses associated with the reorganization and efficiency program amounting to approximately €3 million. Adjusted for

these expenses, EBITDA stood at €18 million in the second quarter. With depreciation and amortisation of €19 million, EBIT in the Western and Southern Europe segment amounted to €–3 million and adjusted EBIT amounted to €–1 million in the second quarter (Q2 2017/18: €12 million). This was due to the negative earnings development in the Netherlands and Spain, which was mainly attributable to a decline in sales combined with a negative trend in margins. Italy again performed well as a consequence of the successful restructuring and repositioning initiated in the last financial year. In addition, Italy benefited from a positive effect associated with the settlement of claims for damages.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first half of 2018/19**, EBITDA in the Eastern Europe segment at €20 million was approximately €–8 million below the previous year's level. With almost constant depreciation and amortisation of €9 million, EBIT of €11 million was also below the previous year's level (H1 2017/18: €18 million). In the reporting period, there were no expenses associated with the reorganization and efficiency program or management changes. In the first quarter, the weaker result in Turkey was almost entirely compensated for by an earnings improvement despite lower sales in Poland, which was supported by positive one-off effects.

In the **second quarter of 2018/19**, EBITDA in the Eastern Europe segment declined by €–7 million to €0 million. With almost constant depreciation and amortisation of €4 million, EBIT of €–4 million was also below the previous year's level (Q2 2017/18: €2 million). In the second quarter, there were no expenses associated with the reorganization and efficiency program or management changes. The decline in earnings was almost exclusively caused by weak sales and earnings in Poland.

EXPLANATION OF THE RESULTS IN THE OTHERS SEGMENT

The Others segment covers, in particular, the activities of CECONOMY AG, the earnings contributions of Fnac Darty as well as Sweden and the activities of smaller companies. EBITDA in the **first half of 2018/19,** increased by €2 million compared with the prior-year period to €–14 million. At virtually constant depreciation and amortisation, EBIT was €–18 million and adjusted EBIT was €4 million (H1 2017/18: €–19 million). Expenses associated with the reorganization and efficiency program as well as management changes amounting to approximately €21 million were incurred in the reporting period. Adjusted for these expenses, EBITDA in the Others segment increased by €24 million to €7 million. This includes an earnings contribution from Fnac Darty of €33 million (H1 2017/18: €20 million). In the first quarter, the expenses for management changes at CECONOMY AG led to a fall in earnings.

In the **second quarter of 2018/19**, EBITDA in the Others segment increased by €16 million to €15 million. Expenses associated with the reorganization and efficiency program amounting to approximately €2 million were incurred in the reporting period. Adjusted for these expenses, EBITDA therefore stood at €17 million. Including depreciation and amortisation of €2 million, EBIT in the Others segment therefore amounted to €13 million and adjusted EBIT amounted to €16 million (Q2 2017/18: €–2 million). In addition to the earnings contribution of Fnac Darty of €34 million in the second quarter of 2018/19 compared with €21 million in the prior-year comparative period, a reduction in holding costs also contributed to this development. Earnings in Sweden, at €–6 million, were almost at the previous year's level (Q2 2017/18: €–7 million). Other, smaller operating companies in the Others segment generated an EBIT of €–3 million (Q2 2017/18: €–1 million).

Quarter

€ million	EBITDA			EBIT		
	EBITDA	Expenses for reorganization and efficiency program and management changes	Adjusted EBITDA	EBIT	Expenses for reorganization and efficiency program and management changes	Adjusted EBIT
Total[1]	**83**	**31**	**113**	**19**	**39**	**58**
DACH	52	26	77	13	34	47
Western/Southern Europe	16	3	18	−3	3	−1
Eastern Europe	0	0	0	−4	0	−4
Others	15	2	17	13	2	16

[1] Including consolidation

Half-year

€ million	EBITDA			EBIT		
	EBITDA	Expenses for reorganization and efficiency program and management changes	Adjusted EBITDA	EBIT	Expenses for reorganization and efficiency program and management changes	Adjusted EBIT
Total[1]	**374**	**65**	**439**	**253**	**73**	**326**
DACH	267	39	305	197	47	244
Western/Southern Europe	101	5	106	63	5	68
Eastern Europe	20	0	20	11	0	11
Others	−14	21	7	−18	21	4

[1] Including consolidation

The following comments relate to the result of continuing operations including expenses for restructuring and management changes.

EARNINGS PER SHARE ABOVE PREVIOUS YEAR

In the **first half of 2018/19**, **earnings before taxes** increased from €193 million to €268 million despite a lower EBIT. The main reason for this was a sharp rise in the net financial result of €122 million (H1 2017/18: €−107 million), which was mainly attributable to the impairment of our stake in METRO AG in the previous year. In comparison with the previous year, the tax rate decreased from 51.7 per cent to 37.7 per cent. The high tax rate in the previous year resulted, in particular, from the non-tax deductible impairment of our stake in METRO AG. The declining tax rate was also influenced, in particular, by the tax optimisation projects implemented in the prior year.

Consequently, the **profit for the period** increased from €93 million to €167 million in the first half year. The share of minority interests in the profit for the period declined to €34 million (H1 2017/18: €50 million). Accordingly, the profit for the period attributable to shareholders of CECONOMY AG amounted to €132 million (H1 2017/18: €43 million) or **earnings per share** of €0.37 (H1 2017/18: €0.13).

In the **second quarter of 2018/19**, **earnings before taxes** rose from €−63 million to €33 million. This improvement is largely attributable to the impairment of our stake in METRO AG, which took place in the prior-year period. The lower EBIT in the second quarter was therefore more than offset by the increase in the net financial result to €14 million (Q2 2017/18: €−109 million).

Including the receipt of the dividend payment from METRO AG of €16 million, the other investment result amounted to €55 million (Q2 2017/18: €−102 million). In contrast to the

tax income of €16 million in the prior-year period, a tax expense was incurred. Tax expenses for the second quarter were calculated using the integral approach.

The **profit for the period** increased from €–47 million to €20 million in the second quarter. The share of minority interests in the profit for the period declined from €15 million to €–5 million. Accordingly, the profit for the period attributable to shareholders of CECONOMY AG amounted to €25 million (Q2 2017/18: €–62 million) and **earnings per share** of €0.07 (Q2 2017/18: €–0.19).

Financial and asset position

CASH FLOW

€ million	H1 2017/18	H1 2018/19	Change
Cash flow from operating activities	200	7	−194
Cash flow from investing activities	−111	−85	26
Cash flow from financing activities	14	2	−13
Change in net working capital[1]	−72	−295	−224
Free cash flow	76	−90	−165

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

In the first half of financial year 2018/19, **cash flow from operating activities** from continuing operations resulted in a cash inflow of €7 million, compared to a cash inflow of €200 million in the previous year.

The €194 million lower cash flow from operating activities is primarily due to the €224 million lower **change in net working capital**. Although net working capital as of 31 March 2019 improved year-on-year, the lower change in the first half year of 2018/19 is due to a higher basis as of 30 September 2018. The improved net working capital in comparison with the previous year is primarily due to an increase in trade payables supported by a better age structure. Furthermore, the sale of customer receivables from a customer financing program in Switzerland, which allows Swiss customers to not only buy products at MediaMarkt, but also to finance them directly using a credit card, contributed to an improved net working capital. In particular, higher receivables due from suppliers because of higher supplier conditions had an opposite effect. Inventories were also above the previous year's level, largely due to the shift of the Easter business to April this year.

Cash flow from operating activities was positively impacted by lower income tax expenses, which mainly resulted from the tax optimization measures that were implemented in the financial year 2017/18 and became cash-effective in the first half year of 2018/19.

Net working capital[1]

€ million	30/09/2017	31/03/2018	Change	30/09/2018	31/03/2019	Change
Inventories	2,449	2,838	390	2,480	2,909	429
Trade receivables	497	514	18	613	506	−107
Receivables due from suppliers	1,197	1,116	−81	1,239	1,240	0
Receivables from credit cards	66	64	−2	71	70	1
Advance payments on inventories	0	0	0	0	0	0
Trade payables	−4,817	−5,055	−238	−5,277	−5,346	−69
Liabilities to customers	−129	−123	5	−45	−12	33
Deferred sales from vouchers and customer loyalty programmes	−63	−77	−14	−137	−159	−21
Provisions for customer loyalty programmes and right of return, liabilities for right of return	−19	−17	2	−23	−17	6
Prepayments received on orders	−39	−37	2	−46	−44	2
Net working capital	**−858**	**−777**	**81**	**−1,125**	**−853**	**272**

[1] Prior-year figures in this statement were adjusted for discontinued operations to enable comparison.

In the first half of 2018/19, **cash flow from investing activities** amounted to €–85 million after €–111 million in prior-year period. This decrease is largely attributable to lower expenses for modernisation and a more selective expansion activity.

In the first half of 2018/2019, **cash flow from financing activities** resulted in a cash inflow of €2 million. This compares with a cash inflow of €14 million in the prior-year period. While the payment of the dividend to shareholders of CECONOMY AG amounted to €85 million in the previous year, there was no payment in the current year, which led to a lower cash outflow. The lower dividend payment compared with the previous year of METRO AG of €16 million (H1 2017/18: €25 million) and the proceeds from borrowings led to cash inflows, which were, however, mostly offset by the redemption of borrowings.

In the first half year, **free cash flow** was €–90 million, thus below the previous year's figure of €76 million. The decline is primarily due to the lower change of net working capital and lower EBITDA, while lower tax expenses and lower expenses for modernisation as well as a more selective expansion activity had a positive effect.

HIGHER NET LIQUIDITY

As of 31 March 2019, the balance sheet net liquidity was €604 million, after €195 million in the previous year.

INVESTMENTS CONSIDERABLY LOWER THAN PREVIOUS YEAR

Investments as per segment report totalled €75 million in the first half of 2018/19, €–52 million below the previous year's level (H1 2017/18: €127 million). This is due to lower additions to assets associated with finance leases, lower expenses for modernisation and a more selective expansion activity. In the second quarter of 2018/19, €39 million was invested (Q2 2017/18: €69 million). In the first half of 2018/19, the store network was expanded on a selected basis with ten stores. However, five stores were closed in the reporting period.

At the end of the second quarter, the total number of our stores was 1,027. Two stores were opened in the second quarter, including a new store in Poland and the opening of another shop-in-shop concept at Tesco in Hungary. However, in the same period, one store was closed in Germany, one in Switzerland and one in Poland. Due particularly to the smaller size of the new stores and further measures to improve space usage, the average **selling space per store** declined by –0.5 per cent compared to 31 December 2018 from 2,703 square metres to 2,688 square metres.

FINANCING

CECONOMY AG uses issues on the capital market for medium and long-term financing. Currently CECONOMY AG has several promissory notes together totalling €250 million with a remaining term of three to eight years outstanding. For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. As of 31 March 2019, commercial paper worth €147 million was outstanding (31 March 2018: €288 million). Promissory notes for short-term funding (original term of less than one year) were not outstanding as of the reporting date (31 March 2018: €75 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €550 million and several bilateral credit facilities together totalling €465 million. As of 31 March 2019, neither the syndicated credit facility nor the multi-year bilateral facilities were utilised. In January 2019, the term of the syndicated credit facility was prematurely extended by a further year from January 2023 to January 2024.

CECONOMY AG retains its investment grade rating from the international rating agencies Moody's and Scope (Moody's: Baa3, Scope: BBB–). On 17 October 2018, Moody's changed its rating outlook for CECONOMY AG to Negative, while Scope has retained its Stable outlook. A downgrade to non-investment grade below Baa3/BBB– would have negative implications for our liquidity and Group financing. Furthermore, negative implications for the net working capital cannot be ruled out. Retaining these investment grade ratings is one of the main pillars of our balanced financing strategy.

Opportunities and risks

The material opportunities and risks for CECONOMY as well as detailed information on our risk and opportunity management system are presented on pages 92 to 101 of CECONOMY AG's Annual Report 2017/18. Since the preparation of the consolidated financial statements on 30 November 2018 the following changes to the material opportunities and risks and the anticipated development of the Group occurred.

CHANGES IN THE RISK SITUATION

MediaMarktSaturn Retail Group (MMSRG), a material investment of CECONOMY, is currently in a phase of transformation and reorganisation. Transformation processes of this kind are fraught with risk in principle and require a high degree of coordination, allocation of resources and support from employees and executives. Failure of the transformation could jeopardise the long-term success of MMSRG and therefore of CECONOMY. We have further detailed the required changes in recent months and identified factors for success. Therefore, specific risks are now reported for individual risky -aspects, such as competition for competent specialists, which incorporate parts of the overarching risk. Moreover, since the preparation of the consolidated financial statements we have further detailed and budgeted the reorganisation program.

One of the most significant risks to which we are exposed is the intensification of competition in the digital change from online traders and platforms in particular. 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 market share., In our opinion the risk has slightly increased since the date the consolidated financial statements were prepared. This is in particular due to shifts within the category mix from high-margin to lower margin products in response to changing demand.

As of closing date, we see a material risk for CECONOMY in the weakening of consumer demand in the countries in which we operate. The diverse development in the global economy, looming trade wars and a possible intensification in protectionism may lead to a significant deterioration in consumer demand and consequently pose challenges for our operating business. Constantly changing national conditions as well as turmoil or changes in governments also pose risks to CECONOMY. This is particularly true for Turkey, which is still affected by a fraught domestic political situation, currency devaluation and rising inflation. Since, in our opinion, the risk has increased since the preparation of the consolidated financial statements on 30 November 2018, we have now included the risk in our reporting.

We continuously monitor the creditworthiness of our business associates to counter any possible bad debts such as from the insolvency of key business associates. To this end, we analyse information about our business associates on a regular basis so that, if necessary, protective measures can be taken promptly in relation to outstanding receivables. As of closing date, on the basis of relevant key figures and the assessment of external rating agencies, there were no signs of looming insolvency or insufficient creditworthiness on the part of our relevant business associates, meaning that the risk for CECONOMY is deemed reduced.

The assessment of the risk of unexpected deviations from budget and forecasts due to increasingly dynamic customer behaviour, has also been reduced. On the basis of the experience from the last financial year, a majority of the top management team at MMSRG were exchanged. We have also reviewed the forecasting and budget process at MMSRG and initiated adjustments to ensure planning is more transparent. Nevertheless, we are aware that CECONOMY may still be exposed to a risk that incongruent, imprecise or erroneous data may be used as a basis for corporate decisions and management. Consequently, the definition of objectives and investment volumes as well as liquidity planning and the measures resulting therefrom may be insufficient to achieve our targets. Overall, we assess the risk as less significant for CECONOMY because of the measures that have been initiated.

Further operating losses in low margin countries may entail impairment of reported goodwill and additional assets. In the event of operating losses, which are also reflected in insufficient EBIT, provisions must also be created for onerous contracts. This may impact the net assets and earnings position of CECONOMY negatively. We therefore make measures to strengthen operating performance a high priority. The assessment of the risk was reduced because of the initiatives already underway to improve operating performance.

Data protection is important for CECONOMY and not just since the EU's General Data Protection Regulation came into force. We work continuously on improving processes and systems to satisfy the new and ever more complex regulations governing data protection, such as the processing of personal data or the use of customer-specific data. Nevertheless, we estimate that the risk is less likely to occur, especially because of the improvements already achieved.

Qualified employees provide the foundation for our company's success. Competition for competent specialists has increased sharply, especially in the areas relevant for digitalisation. To ensure that CECONOMY has sufficient suitable employees to fill key functions in the areas of innovation and IT, we are consistently implementing action plans to manage and develop human resources effectively. On this basis, we have slightly reduced the assessment of this risk.

There are no going concern risks and at present none are discernible in future either.

CHANGES IN THE OPPORTUNITY SITUATION

Since the consolidated financial statements were prepared on 30 November 2018, there were no changes in relation to the opportunities portfolio of CECONOMY.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement[1]

€ million	Q2 2017/18	Q2 2018/19	H1 2017/18	H1 2018/19
Sales	**5,118**	**5,015**	**11,879**	**11,894**
Cost of sales	−4,091	−4,036	−9,567	−9,649
Gross profit on sales	**1,027**	**979**	**2,312**	**2,245**
Other operating income	39	52	79	109
Selling expenses	−904	−879	−1,844	−1,795
General administrative expenses	−134	−164	−264	−332
Other operating expenses	−3	2	-4	−3
Earnings share of operating companies recognised at equity	21	33	20	33
Net impairments on operating financial assets	0	−5	0	−4
Earnings before interest and taxes (EBIT)	**46**	**19**	**300**	**253**
Other investment result	−102	55	−102	53
Interest income	6	7	15	12
Interest expenses	−9	−11	−16	−19
Other financial result	−5	−37	−5	−31
Net financial result	**−109**	**14**	**−107**	**15**
Earnings before taxes (EBT)	**−63**	**33**	**193**	**268**
Income taxes	16	−13	−100	−101

€ million	Q2 2017/18	Q2 2018/19	H1 2017/18	H1 2018/19
Profit or loss for the period from continuing operations	**−47**	**20**	**93**	**167**
Profit or loss for the period from discontinued operations	−9	4	−4	4
Profit or loss for the period	**−55**	**24**	**89**	**171**
Profit or loss for the period attributable to non-controlling interests	13	−4	49	35
from continuing operations	**15**	**-5**	**50**	**34**
from discontinued operations	−2	1	−1	1
Profit or loss for the period attributable to shareholders of CECONOMY AG	−68	28	40	135
from continuing operations	**−62**	**25**	**43**	**132**
from discontinued operations	−7	3	−3	3
Earnings per share in € (basic = diluted)	**−0.21**	**0.08**	**0.12**	**0.38**
from continuing operations	**−0.19**	**0.07**	**0.13**	**0.37**
from discontinued operations	−0.02	0.01	−0.01	0.01

[1] Previous year’s figures adjusted due to discontinued operations (MediaMarkt’s Russian business)

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

€ million	Q2 2017/18	Q2 2018/19	H1 2017/18	H1 2018/19
Profit or loss for the period	**−55**	**24**	**89**	**171**
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**8**	**−7**	**8**	**−15**
Remeasurement of defined benefit pension plans	7	−21	7	−21
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income, without recycling	0	17	0	9
Subsequent measurement of associates/joint ventures accounted for using the equity method	2	−3	2	−3
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	0	0	0	0
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**72**	**3**	**18**	**8**
Currency translation differences from translating the financial statements of foreign operations	12	2	13	7
Effective portion of gains/losses from cash flow hedges	0	0	0	0
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income, with recycling	59	0	4	0
Subsequent measurement of associates/joint ventures accounted for using the equity method	1	0	1	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	0	0	0
Other comprehensive income	**81**	**−4**	**26**	**−8**
Total comprehensive income	**25**	**19**	**115**	**163**
Total comprehensive income attributable to non-controlling interests	15	−2	52	38
Total comprehensive income attributable to shareholders of CECONOMY AG	10	21	63	126

Statement of financial position

Assets

€ million	30/09/2018	31/03/2018	31/03/2019
Non-current assets	**2,282**	**2,145**	**2,276**
Goodwill	525	531	525
Other intangible assets	124	105	115
Property, plant and equipment	809	850	762
Financial assets	262	123	271
Contract assets[1]	–	–	15[2]
Investments accounted for using the equity method	488	480	518
Other financial assets	3	4	4
Other assets	11	14	12
Deferred tax assets	59	38	54
Current assets	**6,193**	**6,411**	**6,420**
Inventories	2,480	2,972	2,909
Trade receivables	613	517	506[2]
Contract assets[1]	–	–	7[2]
Receivables due from suppliers	1,239	1,183	1,240
Other financial assets	495	623	457
Other assets	147	166	177
Entitlements to income tax refunds	103	86	77
Cash and cash equivalents	1,115	863	1,047
	8,475	**8,556**	**8,695**

Equity and liabilities

€ million	30/09/2018	31/03/2018	31/03/2019
Equity	**665**	**667**	**807**
Share capital	919	835	919
Capital reserve	321	128	321
Reserves retained from earnings	−554	−336	−448
Non-controlling interests	−21	41	14
Non-current liabilities	**1,025**	**1,057**	**1,195**
Provisions for pensions and similar obligations	547	627	563
Other provisions	44	43	37
Financial liabilities	287	296	285
Contract liabilities[1]	–	–	174
Other financial liabilities	52	14	45
Other liabilities	64	69	58
Deferred tax liabilities	31	7	33
Current liabilities	**6,784**	**6,831**	**6,694**
Trade liabilities	5,277	5,159	5,346
Provisions	190	160	156
Financial liabilities	153	370	160
Contract liabilities[1]	–	–	300
Other financial liabilities	400	441	383
Other liabilities	671	632	251
Income tax liabilities	94	69	98
	8,475	**8,556**	**8,695**

[1] New items of the statement of financial position in connection with the first-time adoption of the new accounting standard IFRS 15
[2] Changed disclosure of commissions from mobile communication contracts

Statement of changes in equity

€ million	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments in the category "available for sale"	Currency translation differences from translating the financial statements of foreign operations	Remeasurement of defined benefit pension plans
30/09 and 1/10/2017	**835**	**128**	**0**	**–5**	**–40**	**–259**
Earnings after taxes	0	0	0	0	0	0
Other comprehensive income	0	0	0	4	10	7
Total comprehensive income	**0**	**0**	**0**	**4**	**10**	**7**
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	0
Other changes	0	0	0	0	0	0
31/03/2018	**835**	**128**	**0**	**0**	**–30**	**–252**
30/09 and 1/10/2018	**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
1/10/2018 adjusted	**919**	**321**	**0**	**9**	**–20**	**–263**
Earnings after taxes	0	0	0	0	0	0
Other comprehensive income	0	0	0	8	6	–21
Total comprehensive income	**0**	**0**	**0**	**8**	**6**	**–21**
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
31/03/2019	**919**	**321**	**0**	**17**	**–15**	**–284**

€ 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 and 1/10/2017	**0**	**–2**	**11**	**–294**	**668**	**–2**	**666**
Earnings after taxes	0	0	40	40	40	49	89
Other comprehensive income	3	0	0	24	24	3	26
Total comprehensive income	**3**	**0**	**40**	**63**	**63**	**52**	**115**
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	–103[1]	–103	–103	–12[2]	–115
Capital transactions with change in equity interest without loss of control	0	0	–2	–2	–2	2	0
Other changes	0	3	–3	0	0	0	1
31/03/2018	**3**	**2**	**–58**	**–336**	**627**	**41**	**667**
30/09 and 1/10/2018	**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
1/10/2018 adjusted	**9**	**0**	**–288**	**–554**	**685**	**–22**	**664**
Earnings after taxes	0	0	135	135	135	35	171
Other comprehensive income	–3	0	0	–10	–10	2	–8
Total comprehensive income	**–3**	**0**	**135**	**126**	**126**	**38**	**163**
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	–9[1]	–9	–9	–9[2]	–18
Capital transactions with change in equity interest without loss of control	0	0	–8	–8	–8	8	0
Other changes	0	0	–2	–2	–1	–1	–2
31/03/2019	**6**	**0**	**–171**	**–447**	**793**	**14**	**807**

[1] The reported dividend includes dividends to minority shareholders in the amount of €–9 (2017/18: €–18 million), whose shares are reported in full as liabilities due to put options.
[2] The reported dividend includes dividends to minority shareholders in the amount of €–2 million (2017/18: €–5 million), whose shares are reported in full as liabilities due to put options.

Cash flow statement[1]

€ million	H1 2017/18	H1 2018/19
EBIT	300	253
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	110	120
Change in provisions for pensions and similar obligations	–33	–24
Change in net working capital	–72	–295
Income taxes paid	–73	–61
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	1	1
Other	–33	12
Cash flow from operating activities of continuing operations	**200**	**7**
Cash flow from operating activities of discontinued operations	–86	0
Cash flow from operating activities	**114**	**7**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment (excl. finance leases)	–104	–80
Other investments	–21	–16
Financial investments and securities	0	–151
Disposals of financial investments and securities	0	150
Disposals of companies	0	0
Disposal of long-term assets and other disposals	14	12
Cash flow from investing activities of continuing operations	**–111**	**–85**
Cash flow from investing activities of discontinued operations	–4	0

€ million	H1 2017/18	H1 2018/19
Cash flow from investing activities	**–115**	**–85**
Dividends paid	–115	–27
thereof dividends paid to the shareholders of CECONOMY AG	-85	0
Redemption of liabilities from put options of non-controlling interests	0	0
Proceeds from long-term borrowings	109	154
Redemption of borrowings	–10	–150
Interest paid	–6	–12
Interest received	13	9
Profit and loss transfers and other financing activities	24	29
Cash flow from financing activities of continuing operations	**14**	**2**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**14**	**2**
Total cash flows	**14**	**–77**
Currency effects on cash and cash equivalents	–12	8
Total change in cash and cash equivalents	**2**	**–68**
Cash and cash equivalents as of 1 October	**861**	**1,115**
Cash and cash equivalents as of 31 March	**863**	**1,047**

[1] Previous year's figures adjusted due to discontinued operations (MediaMarkt's Russian business)

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment reporting[1]

Continuing operations

	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]	
€ million	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19
External sales (net)	2,956	2,945	1,642[3]	1,585	398	367	122	118	0	0	5,118	5,015
Internal sales (net)	5	5	0	1	0	0	5	2	−10	−8	0	0
Sales (net)	2,961	2,950	1,643[3]	1,586	397	367	127	121	−10	−8	5,118	5,015
EBITDA	64	52	32	16	7	0	−1[4]	15[4]	0	0	103	83
EBITDA adjusted	64	77	32	18	7	0	−1[4]	17[4]	0	0	103	113
Scheduled depreciation/amortisation and impairment losses	30	39	20	19	5	5	1	2	0	0	56	64
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	35	13	12	−3	2	−4	−2[4]	13[4]	0	0	46	19
EBIT adjusted	35	47	12	−1	2	−4	−2[4]	16[4]	0	0	46	58
Investments	53	26	7	9	6	3	3	1	0	0	69	39
Non-current segment assets	861	853	501	473	82	80	22	26	0	0	1,467	1,432

[1] Previous year's figures adjusted due to discontinued operations (MediaMarkt's Russian business)
[2] Includes external sales in Q2 2018/19 of €2,480 million (Q2 2017/18: €2,479 million) for Germany and of €467 million (Q2 2017/18: €472 million) for Italy, as well as non-current segment assets as of 31 March 2019 of €756 million (31 March 2018: €745 million) for Germany, €147 million (31 March 2018: €153 million) for Spain, and €142 million (31 March 2018: €146 million) for Italy
[3] Adjustment of the previous year's figures in Italy by a low double-digit million euro amount, in order to present revenues from the sale of extended warranties ("plus warranties") in the net amount of the margin
[4] In Q2 2018/19, this includes income from operating companies recognised at equity in the Others segment in the amount of €33 million (Q2 2017/18: €21 million)

€ million	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]	
	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19
External sales (net)	6,915	7,012	3,722[3]	3,741	939	849	302	292	0	0	11,879	11,894
Internal sales (net)	10	12	1	2	0	0	8	6	−18	−19	0	0
Sales (net)	6,925	7,024	3,723[3]	3,743	939	849	310	297	−18	−19	11,879	11,894
EBITDA	287	267	112	101	29	20	−17[4]	−14[4]	0	0	410	374
EBITDA adjusted	287	305	112	106	29	20	−17[4]	7[4]	0	0	410	439
Scheduled depreciation/amortisation and impairment losses	59	70	39	38	10	9	2	3	0	0	110	121
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	228	197	73	63	18	11	−19[4]	−18[4]	0	0	300	253
EBIT adjusted	228	244	73	68	18	11	−19[4]	4[4]	0	0	300	326
Investments	91	48	22	17	9	7	4	3	0	0	127	75
Non-current segment assets	861	853	501	473	82	80	22	26	0	0	1,467	1,432

[1] Previous year's figures adjusted due to discontinued operations (MediaMarkt's Russian business)
[2] Includes external sales in H1 2018/19 of €5,875 million (H1 2017/18: €5,776 million) for Germany and of €1,189 million (H1 2017/18: €1,153 million) for Italy, as well as non-current segment assets as of 31 March 2019 of €756 million (31 March 2018: €745 million) for Germany, €147 million (31 March 2018: €153 million) for Spain, and €142 million (31 March 2018: €146 million) for Italy
[3] Adjustment of the previous year's figures in Italy by a low double-digit million euro amount, in order to present revenues from the sale of extended warranties ("plus warranties") in the net amount of the margin
[4] In H1 2018/19, this includes income from operating companies recognised at equity in the Others segment in the amount of €33 million (H1 2017/18: €20 million)

Notes to the Group accounting principle and methods of the interim consolidated financial statements

These abbreviated interim consolidated financial statements as of 31 March 2019 were prepared in accordance with International Accounting Standard (IAS) 34 ("Interim Financial Reporting"), which regulates interim financial statements in accordance with International Financial Reporting Standards (IFRS). As these are abbreviated interim consolidated financial statements, not all information that is required according to the IFRS for consolidated financial statements at the end of a financial year is included. These interim consolidated financial statements have not been audited, but they have been subjected to an audit review in accordance with Section 115 (5) of the German Securities Trading Act (WpHG).

The interim consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are stated in millions of euros (€ million), applying commercial rounding. 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.

During the year, any material sales-related and cyclical items are deferred.

All applicable standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union were applied in these interim consolidated financial statements. With the exception of the changes in accounting described below, the same accounting and measurement methods were applied as in the last consolidated financial statements as of 30 September 2018. Further information on the accounting and measurement methods can be found in the notes to the consolidated financial statements as of 30 September 2018 (see Annual Report 2017/18, pages 139-167).

DISCONTINUED OPERATIONS

In the statement of profit and loss, the Russian MediaMarkt business is classified as discontinued operations. The previous year's figures – with the exception of the statement of financial position and the related disclosures in the notes to the financial statements – have been adjusted for the values of the Russian MediaMarkt business.

NEW ACCOUNTING STANDARDS

The new and amended standards that are generally to be applied for the first time from 1 October 2018 and that CECONOMY considers material are described below.

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 its 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 sales shift at CECONOMY from Services & Solutions sales to sales from product sales.

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 map the requirements of IFRS 15, the items "Contract assets" and "Contract liabilities" have been added to the existing structure of the statement of financial position. 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). In the first half of 2018/19, there were contract assets for variable mobile communication commissions in the amount of €22 million.

Contract liabilities accordingly 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)" item of the statement of financial position 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)" item of the statement of financial position as of 1 October 2018. This relates to prepayments received on orders, accrued sales from customer loyalty programmes 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)" item of the statement of financial position was recognised in the amount of €48 million as of 1 October 2018. This amount was reclassified from the "Other provisions" item of the statement of financial position 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, as well as including exemptions for the transition to IFRS 15. CECONOMY uses the exemption, meaning that contracts do not have to be taken in account for all performance obligations which are already satisfied at the start of the introduction period of IFRS 15.

CECONOMY introduced IFRS 15 using the modified retrospective approach. This means that IFRS 15 is applied starting from 1 October 2018 without adjusting the prior period (financial year 2017/18). 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.

Development of IFRS 15 values

in € million

Income statement/statement of financial position	Item	Cumulative effects in first half of 2018/19
Income statement	Sales	11
Statement of financial position	Contract assets	22
	Inventories, thereof assets for products to be returned	5
	Transitional value: equity as of 1 October 2018	1
	Contract liabilities	5
	Other financial liabilities, thereof refund liabilities	−18

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 level, impairment losses attributable to expected payment irregularities over the next twelve months are recognised. In the second level, defaults from payment irregularities over the entire term are recognised. Financial instruments are transferred from the first level to the second if the credit risk has increased significantly since initial recognition and exceeds a minimum credit risk. In the third and final level, 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 level 2) the relevant period is the entire term. For trade receivables with our end customers, credit risks within a group are segmented according to regional or geographical criteria. Expected credit defaults are calculated on the basis of actual defaults over a period of three years. The results of the actual credit defaults 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 from providers and for contract assets.

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

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

IFRS 9 transition tables

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

in € 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
					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

With regard to classification in accordance with IFRS 9, the following aspects must be noted:

- 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).
- 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 on financial assets in accordance with IAS 39 and in accordance with IFRS 9

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

The components of financial assets by measurement category in accordance with IAS 39 are reconciled to the measurement categories in accordance with IFRS 9 as follows:

in € million	Closing balance in accordance with IAS 39 as of 30 September 2018	Effects of IFRS 9: Classification effect	Effects of IFRS 9: Measurement effect	Opening balance in accordance with IFRS 9 as of 1 October 2018: At fair value through profit or loss	Opening balance in accordance with IFRS 9 as of 1 October 2018: At fair value through other comprehensive income	Opening balance in accordance with IFRS 9 as of 1 October 2018: 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 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. 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 would have been classified as such without the net settlement feature, too. 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 interim 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 interim 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 interim consolidated financial statements of CECONOMY.

Notes to the income statement

SALES

Sales (net) primarily result from product sales and break down as follows:

Quarter	DACH	Western/Southern Europe	Eastern Europe	Others	CECONOMY
€ million	Q2 2018/19	Q2 2018/19	Q2 2018/19	Q2 2018/19	Q2 2018/19
Product sales	2,761	1,506	354	113	4,734
Services & Solutions sales	184	79	13	5	282
Total sales	**2,945**	**1,585**	**367**	**118**	**5,015**

Half-year	DACH	Western/Southern Europe	Eastern Europe	Others	CECONOMY
€ million	H1 2018/19	H1 2018/19	H1 2018/19	H1 2018/19	H1 2018/19
Product sales	6,605	3,566	820	279	11,271
Services & Solutions sales	407	175	29	12	623
Total sales	**7,012**	**3,741**	**849**	**292**	**11,894**

Total sales in accordance with IFRS 15 amounted to €11,894 million in the first half of 2018/19. Under IAS 18, there would have been total sales of €11,883 million in the current financial year (H1 2017/18: €11,879 million). Product sales would have come to €11,125 million under IAS 18, while sales from Services & Solutions would have totalled €758 million.

Total sales in accordance with IFRS 15 amounted to €5,015 million in the second quarter of 2018/19. Under IAS 18, there would have been total sales of €5,011 million in the current financial year (Q2 2017/18: €5,118 million). Product sales would have come to €4,678 million under IAS 18, while sales from Services & Solutions would have totalled €333 million.

SCHEDULED DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES

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

Q2 2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	1	0	1
thereof scheduled depreciation/amortisation	(0)	(1)	(0)	(1)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	2	45	47
thereof scheduled depreciation/amortisation	(0)	(2)	(44)	(46)
thereof impairment losses	(0)	(0)	(1)	(1)
General administrative expenses	0	3	4	7
thereof scheduled depreciation/amortisation	(0)	(3)	(4)	(7)
thereof impairment losses	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)
Total	**0**	**6**	**50**	**56**
thereof scheduled depreciation/amortisation	**(0)**	**(6)**	**(49)**	**(55)**
thereof impairment losses	**(0)**	**(0)**	**(1)**	**(1)**

Q2 2018/19

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	0	0	0
thereof scheduled depreciation/amortisation	(0)	(0)	(0)	(0)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	11	44	55
thereof scheduled depreciation/amortisation	(0)	(3)	(44)	(46)
thereof impairment losses	(0)	(9)	(0)	(9)
General administrative expenses	0	4	4	8
thereof scheduled depreciation/amortisation	(0)	(4)	(4)	(8)
thereof impairment losses	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)
Total	**0**	**16**	**48**	**64**
thereof scheduled depreciation/amortisation	**(0)**	**(7)**	**(48)**	**(55)**
thereof impairment losses	**(0)**	**(9)**	**(0)**	**(9)**

H1 2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	2	1	3
thereof scheduled depreciation/amortisation	(0)	(2)	(1)	(3)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	5	88	93
thereof scheduled depreciation/amortisation	(0)	(5)	(87)	(92)
thereof impairment losses	(0)	(0)	(1)	(1)
General administrative expenses	0	6	8	14
thereof scheduled depreciation/amortisation	(0)	(6)	(8)	(14)
thereof impairment losses	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)
Total	**0**	**13**	**97**	**110**
thereof scheduled depreciation/amortisation	**(0)**	**(13)**	**(96)**	**(109)**
thereof impairment losses	**(0)**	**(0)**	**(1)**	**(1)**

H1 2018/19

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Total
Cost of sales	0	1	1	1
thereof scheduled depreciation/amortisation	(0)	(1)	(1)	(1)
thereof impairment losses	(0)	(0)	(0)	(0)
Selling expenses	0	15	89	103
thereof scheduled depreciation/amortisation	(0)	(6)	(88)	(94)
thereof impairment losses	(0)	(8)	(1)	(9)
General administrative expenses	0	8	8	16
thereof scheduled depreciation/amortisation	(0)	(8)	(8)	(16)
thereof impairment losses	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)
Total	**0**	**24**	**97**	**121**
thereof scheduled depreciation/amortisation	**(0)**	**(15)**	**(96)**	**(112)**
thereof impairment losses	**(0)**	**(8)**	**(1)**	**(9)**

PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The first half of 2018/19 includes income of €4 million from discontinued operations in connection with the Russian MediaMarkt transaction, mainly resulting from the reversal of other provisions.

Notes to the statement of financial position

DIVIDENDS PAID

The dividend distribution of CECONOMY AG is based on the annual financial statements of CECONOMY AG in accordance with German commercial law.

In accordance with the resolution adopted by the Annual General Meeting on 13 February 2019, no dividend was distributed for financial year 2017/18. The net loss of €59 million was carried forward to new account as a loss carry-forward.

IMPACT FROM THE REMEASUREMENT OF DEFINED BENEFIT PENSION PLANS

In connection with the recognition of actuarial gains and losses, equity was reduced by a total amount of €21 million (H1 2017/18: increased by €7 million) recognised in CECONOMY's other comprehensive income, which arose from the remeasurement of defined benefit pension plans as of 31 March in the first six months of financial year 2018/19. The remeasurement primarily includes effects from the reduction of the actuarial interest rate for the majority of German pension provisions from 1.60 per cent on 1 October 2018 to 1.20 per cent on 31 March 2019.

The country-specific actuarial interest rates and inflation rates developed as follows:

	31/03/2018					31/03/2019				
%	Germany	Netherlands	United Kingdom	Switzerland	Other countries	Germany	Netherlands	United Kingdom	Switzerland	Other countries
Actuarial interest rate	1.70–2.00	–	–	0.70	2.38	1.20–1.50	–	–	1.05	2.03
Inflation rate	1.50	–	–	0.00	1.40	1.50	–	–	0.00	1.50

CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

The reported financial instruments were allocated to categories as of 31 March 2018 in line with the provisions of IAS 39 applied in financial year 2017/18, resulting in the following allocation:

€ million					31/03/2018
		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	**8,556**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,868**	**1,868**	**0**	**0**	**1,867**
Loans and advance credit granted	13	13	0	0	13
Receivables due from suppliers	1,183	1,183	0	0	1,183
Trade receivables	517	517	0	0	517
Miscellaneous financial assets	154	154	0	0	154
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
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
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**580**	**55**	**0**	**525**	**n/a**
Equity investments	110	55	0	55	n/a
Securities	470	0	0	470	470
Miscellaneous financial assets	0	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**863**	**863**	**0**	**0**	**863**
Receivables from finance leases (measured in acc. with IAS 17)	**0**	**n/a**	**n/a**	**n/a**	**0**
Assets not classified in accordance with IFRS 7	**5,242**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**8,556**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments not in a hedging relationship according to IAS 39	0	0	0	0	0
Miscellaneous financial liabilities	0	0	0	0	0
Other financial liabilities	**6,228**	**6,228**	**0**	**0**	**6,229**
Borrowings excluding finance leases (including hedged items in hedging relationships according to IAS 39)	614	614	0	0	616
Trade liabilities	5,159	5,159	0	0	5,159
Miscellaneous financial liabilities	455	455	0	0	455
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)	**52**	**n/a**	**n/a**	**n/a**	**52**
Equity and liabilities not classified in accordance with IFRS 7	**2,276**	**n/a**	**n/a**	**n/a**	**n/a**

In financial year 2018/19, financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate categories as follows:

	31/03/2019				
		Value in statement of financial position			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortised cost	**2,961**	**2,961**			**2,961**
Cash and cash equivalents	1,047	1,047			1,047
Receivables due from suppliers	1,240	1,240			1,240
Trade receivables	491	491			491
Loans and advance credit granted	13	13			13
Miscellaneous financial assets	171	171			171
Measured at fair value through profit or loss	**291**		**291**		**291**
Equity instruments	291		291		291
Derivative financial instruments	0		0		0
Measured at fair value through other comprehensive income	**258**			**258**	**258**
Equity instruments	258			258	258
Not IFRS 9	**15**	**15**			
Trade receivables	15	15			
Equity and liabilities					
Measured at amortised cost	**6,136**	**6,136**			**6,137**
Borrowings excluding finance leases	403	403			405
Trade liabilities	5,346	5,346			5,346
Miscellaneous financial liabilities	387	387			387
Measured at fair value through profit or loss	**25**		**25**		**25**
Derivative financial instruments	25		25		25
Not IFRS 7	**57**	**57**			
Liabilities from finance leases	41	41			
Miscellaneous financial liabilities	15	15			

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 €291 million are subsequently measured at fair value through profit or loss. These relate to the listed share of around 5.4 per cent in METRO AG that is recognised in the current part of the statement of financial position.

Other equity instruments of €258 million are subsequently measured at fair value through other comprehensive income. €206 million of this relates to listed companies, with €151 million attributable to the 15 per cent investment in Russia's leading consumer electronics retailer M.video and €54 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 for which there is no active market and which are not listed on the stock exchange 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.

The table below shows the financial instruments as of 31 March 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:

	31/03/2018			
€ million	Total	Level 1	Level 2	Level 3
Assets	**527**	**525**	**2**	**0**
Held for trading	**0**	**0**	**0**	**0**
Derivative financial instruments not in a hedging relationship according to IAS 39	2	0	2	0
Available for sale	**0**	**0**	**0**	**0**
Equity investments	55	55	0	0
Securities	470	470	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**
Equity and liabilities	**0**	**0**	**0**	**0**
Held for trading	**0**	**0**	**0**	**0**
Derivative financial instruments not in a hedging relationship according to IAS 39	0	0	0	0
Miscellaneous financial liabilities	0	0	0	0
Other financial liabilities	**0**	**0**	**0**	**0**
Miscellaneous financial liabilities	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**
Total	**527**	**525**	**2**	**0**

The financial instruments measured at fair value as of 31 March 2019 in accordance with IFRS 9 are allocated as follows within the three-level fair value hierarchy:

	31/03/2019			
€ million	Total	Level 1	Level 2	Level 3
Assets	**549**	**497**	**0**	**52**
Measured at fair value through profit or loss	**291**	**291**	**0**	**0**
Equity instruments	291	291	0	0
Derivative financial instruments	0	0	0	0
Measured at fair value through other comprehensive income	**258**	**206**	**0**	**52**
Equity instruments	258	206	0	52
Equity and liabilities	**25**	**0**	**2**	**23**
Measured at fair value through profit or loss	**25**	**0**	**2**	**23**
Derivative financial instruments	25	0	2	23
Total	**524**	**497**	**–2**	**29**

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.

Non-listed equity instruments without an active market in the amount of €52 million are allocated to fair value level 3.

The derivative financial instruments of €23 million recognised on the equity and liabilities side as of 31 March 2019 (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. Because a transaction price for the options was not explicitly agreed, it was set at €0 million for the purposes of measurement. At the time of the initial measurement of the put/call options, the total fair value of the options therefore amounted to €0 million. Changes in fair value are recognised through profit or loss and included in the net financial result. All gains are unrealised.

These options are measured approximately, based on the contractually agreed exercise prices and terms on the basis of standard option pricing models, although there are some individual inputs that cannot be included directly in the model. Block-sale premiums or discounts for buyers or sellers of larger blocks of shares are not taken into account in this context. However, these effects counter and offset one another. The contractually agreed term of the options and a possible dividend payment were factored into the measurement using weighted scenarios. The selected measurement model only led to a fair value in the low tens of millions on initial measurement. Because the total fair value is assumed to be zero at the date of initial measurement, the model has been calibrated for the purposes of subsequent measurement.

A reasonably possible change in the main non-observable inputs, with the other inputs remaining the same, would only have a minor impact on the fair value of the put/call options. For example, changes in the estimates regarding the term of the options and possible dividend payments show only a minor impact on the total fair value in the measurement model. A shorter (longer) option term and a positive (negative) expectation with regard to a dividend payment result in only a marginally higher (lower) fair value.

During the reporting period, no transfers were made between levels 1 and 2.

There were no transfers to or from level 3 in the current 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 trade payables, 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). Accrued interest as of the reporting date is included in the values.

The fair values of all other 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 reporting date (level 2) were used in the calculation.

Other notes

Notes to the cash flow statement

The cash flows from discontinued operations relate to the Russian MediaMarkt business, which was recognised as a discontinued operation in financial year 2017/18 and was disposed of in the same financial year. The cash flows from discontinued operations are calculated as follows:

€ million	H1 2017/18
EBIT	–3
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	4
Change in provisions for pensions and similar obligations	–16
Change in net working capital	–61
Income taxes paid	0
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	0
Other	–11
Cash flow from operating activities of discontinued operations	**–86**

€ million	H1 2017/18
Acquisition of subsidiaries	0
Investments in property, plant and equipment (excl. finance leases)	–2
Other investments	–2
Financial investments	0
Disposals of companies	0
Disposal of long-term assets	1
Cash flow from investing activities of discontinued operations	**–4**

€ million	H1 2017/18
Dividends paid	0
Redemption of liabilities from put options of non-controlling interests	0
Proceeds from long-term borrowings	0
Redemption of borrowings	0
Interest paid	0
Interest received	0
Profit and loss transfers and other financing activities	0
Cash flow from financing activities of discontinued operations	**0**

There were no cash effects from discontinued operations in the first half of the current financial year.

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 and customer groups and its 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

- Eastern Europe

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.

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 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 the current financial year, adjusted EBITDA and adjusted EBIT are adjusted for expenses in connection with the reorganization and efficiency program and management changes. The reorganization and efficiency program which aims at streamlining the Group's processes, structures and business activities and therefore creating the basis for profitable growth. The optimisation and restructuring particularly focuses on central functions and administrative units in Germany. The program also includes reviewing the business activities of smaller portfolio companies. The top management changes that occurred in the first quarter of 2018/19 relate to management changes in the first and second management level at CECONOMY AG, Media-Saturn-Holding GmbH and the MediaMarktSaturn country organisations. In the second quarter of 2018/19, expenses of €39 million in connection with the program were included in EBIT, of which approximately €20 million were attributable to expenses associated with smaller portfolio measures (essentially JUKE), which included impairments of €8 million. The remaining expenses of approximately €18 million related to the restructuring of central functions and administrative units, especially in Germany. Expenses for top management changes in the amount of €34 million were already booked in the first quarter of 2018/19, which are not included in the communicated expenses of the reorganization and efficiency program. The reported EBITDA thus includes in in the first half of 2018/19 expenses of €65 million and the reported EBIT expenses of €73 million.

- 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 comprise non-current assets. They particularly do not include financial assets, investments accounted for using the equity method or tax items.

The reconciliation of non-current segment assets to the Group's assets is shown below:

€ million	31/03/2018	31/03/2019
Non-current segment assets	**1,467**	**1,432**
Non-current segment assets of discontinued operations	36	–
Financial assets	123	271
Investments accounted for using the equity method	480	518
Cash and cash equivalents	863	1,047
Deferred tax assets	38	54
Entitlements to income tax refunds	86	77
Entitlements to other tax refunds[1]	98	118
Inventories	2,972	2,909
Trade receivables	517	506
Receivables due from suppliers	1,183	1,240
Credit card receivables[2]	65	70
Prepaid expenses[1]	67	59
Receivables from other financial transactions[2, 3]	473	292
Other[1, 2, 3, 4]	87	103
Group assets	**8,556**	**8,695**

[1] Included in the "Other assets (current)" item of the statement of financial position
[2] Included in the "Other financial assets (current)" item of the statement of financial position
[3] Included in the "Other financial assets (non-current)" item of the statement of financial position
[4] Included in the "Other assets (non-current)" item of the statement of financial position

Transfers between segments are generally based on the costs incurred for the Group.

Contingent liabilities

CECONOMY had contingent liabilities of €1 million in the first half of 2018/19 (2017/18: €1 million).

Other legal matters

Information on legal disputes, investigations and other legal matters and on the associated potential risks and implications on CECONOMY is provided in note 46. “Other legal matters” and note 47. “Events after the reporting date” in the notes to the consolidated financial statements of CECONOMY AG as of 30 September 2018.

The following material developments with regard to legal disputes, investigations and other legal matters have taken place since the preparation of the consolidated financial statements:

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 Media-Saturn-Holding GmbH (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 §. 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 of the actions were pending before the Düsseldorf Regional Court (Landgericht, LG). The LG Düsseldorf dismissed all of 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 (Oberlandesgericht, OLG) rejected all appeals. The rulings are not yet final. An appeal against the appeal ruling in the action for avoidance and annulment has been filed with the German Federal Court of Justice (Bundesgerichtshof, BGH). In the proceedings for declaratory judgement, the OLG Düsseldorf refused leave to appeal. The claimants in the proceedings seeking to have the hive-down and spin-off agreement declared provisionally invalid have already appealed to the BGH against refusal of leave to appeal.

ASSERTION OF ANTITRUST CLAIMS FOR DAMAGES

Companies of CECONOMY had filed claims for damages against credit card companies with a London court, with some of the claims pursued being economically attributable to the current METRO AG. The proceedings have since been terminated as part of settlements.

OTHER LEGAL MATTERS

With pleading of 13 May 2019, the minority shareholder of MSH appealed to the OLG Düsseldorf in accordance with § 104 para. 2 sent. 4 German Stock Corporation Act (AktG) against the appointment of Christoph Vilanek as successor of Peter Küpfer as member of the Supervisory Board of CECONOMY AG. The appeal was served to CECONOMY AG on 17 May 2019 with the opportunity to comment.

EVENTS AFTER THE REPORTING DATE

↗ Information on events after the second quarter can be found on page 08.

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the half-yearly consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Düsseldorf, 20 May 2019

The Management Board

Jörn Werner Karin Sonnenmoser Dr Dieter Haag Molkenteller

CERTIFICATE FOLLOWING THE AUDITOR'S REVIEW

TO CECONOMY AG, DÜSSELDORF

Having completed our engagement, we issue the following review report:

We have reviewed the condensed interim consolidated financial statements of CECONOMY AG, Düsseldorf, – comprising the statement of financial position, the income statement, the reconciliation from profit or loss for the period to total comprehensive income, the statement of changes in equity, the cash flow statement and selected disclosures from consolidated notes – together with the interim group management report of CECONOMY AG, Düsseldorf, for the period from October 1, 2018 to March 31, 2019 that are part of the semi-annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Cologne, 20 May 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Bornhofen	Fasen
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

FINANCIAL CALENDAR

Quarterly statement Q3/9M 2018/19	Tuesday	13 August 2019	7:00 a.m.
Annual report FY 2018/19	Tuesday	17 December 2019	7:00 a.m.

All time specifications are CET/CEST.

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Published: 21 May 2019

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