ANNUAL REPORT
2017/18

CECONOMY

WE EMPOWER LIFE IN THE DIGITAL WORLD

CECONOMY FACTS & FIGURES[1]

Sales & earnings

€ million		2016/17[2]	2017/18
Sales		21,605	21,418
Sales trend adjusted for currency and for portfolio changes[3]	%	–	0.2
Like-for-like sales trend	%	2.2	−0.7
Gross margin	%	20.7	20.1
EBITDA		714	650
EBITDA margin	%	3.3	3.0
EBIT		494	419
Net financial result		−28	−198
Tax rate	%	42.1	60.7
Profit or loss for the period attributable to non-controlling interests		64	64
Net result		206	23
Earnings per share	€	0.63	0.07

Other key operational figures

€ million	2016/17	2017/18
Online sales	2,300	2,593
Services & Solutions sales	1,344	1,478
Investments as per segment report	308	278

Cash flow

€ million	2016/17	2017/18
Cash flow from operating activities	584	743
Cash flow from investing activities	−735	−278
Cash flow from financing activities	138	56
Change in net working capital[4]	75	302
Free cash flow	−183	480

Statement of financial position

€ million	30/09/2017	30/09/2018
Net working capital	−858	−1,125
Net liquidity (+)/net debt (−)	314	675

Other operational key figures

	30/09/2017	30/09/2018
Number of stores	996	1,022
Selling space (in thousand m²)	2,796	2,784
Workforce by full-time equivalents	55,480	53,954

[1] Continuing operations; statement of financial position figures were adjusted for the previous year for discontinued operations to enable comparison.
[2] Starting with the EBITDA objectives, all earnings figures are stated before special items. For an explanation of special items, see chapter Group principles – Management system.
[3] Forecast-relevant key figures, starting from financial year 2017/18.
[4] Reported change in net working capital presented from the related balance sheet items, adjusted for currency effects as well as investments and divestments.

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TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Ladies and gentlemen,

The first full financial year as an independent company is behind us. Looking back, we must admit that in many respects we have not been as successful as we had planned.

We have not fulfilled all the expectations placed on us and the confidence of our stakeholders in CECONOMY has suffered as a result. In the first quarter, we had to accept a significant decline in earnings, particularly in Germany, due to the weak Christmas sales. Despite the improvements in earnings in the second and third quarters, we were unable to increase earnings for the year as a whole. This led to the forecast adjustment announced in the fourth quarter and a financial year 2017/18 that fell short of our expectations.

Nevertheless, we have successfully overcome a number of structural challenges critical to our success and have made good progress since our launch. We have successfully completed the transaction concerning M.video/Safmar and thereby resolved the Russia issue. In addition, we have come to a binding agreement regarding the sale of the roughly nine per cent stake in METRO AG; a 3.6 per cent share was already sold at the end of September. We are thereby strengthening our statement of financial position and eliminating related risks from the share package.

Unsatisfactory performance in Germany

In Germany, in particular, performance in the fourth quarter was significantly weaker than expected. At the end of the financial year, both operating earnings contributions and the implementation of strategic initiatives in Germany were significantly behind schedule. With a slight increase in sales adjusted for currency effects and portfolio changes, we again improved our online and service business for the year as a whole. However, we have not made sufficiently rapid progress here either.

Nevertheless, CECONOMY is and remains an exciting and, above all, profitable company, with a strategy geared towards sustainable success and a stable financial structure on which we can build. We remain firmly convinced that our strategy addresses the competitive environment in which we operate.

Countermeasures initiated

In October 2018, the Supervisory Board initiated a fundamental personnel realignment of the Management Board of CECONOMY AG and the management of Media-Saturn-Holding GmbH. In addition, key levers have already been defined, particularly in our German business, where we have already targeted considerable efforts. These include, among others:

- Accelerated development of our online and service business,
- Reducing the cost base to release funds for investments in the future of CECONOMY and to improve its earnings,
- Simplifying and centralising the organisation and processes, in particular those of supply chain management and procurement,
- Clearly prioritising and focusing on operative projects and initiatives critical for success.

During the current financial year we will set up a detailed transformation programme, whose focused implementation will lay the foundations for the successful future of CECONOMY.

Strengthening equity

In order to strengthen the equity and bundle our strengths, the Management Board and Supervisory Board have decided not to foresee any dividend distribution at the next Annual General Meeting.

We are well aware that this step will generate discussion among our shareholders. However, we must take this path in order to consistently implement our strategic initiatives and drive forward the transformation of CECONOMY as quickly as possible. This is the only way for us to restore sustainable values at the Company as soon as possible. And we are convinced that this is precisely in the best interests of our shareholders – in your interest.

Thanks to our employees

The past financial year demanded a high level of commitment from our employees, whom we would like to take this opportunity to thank.

Potential of CECONOMY

CECONOMY is facing major challenges. We are convinced that the company can overcome these challenges because we firmly believe in the potential and sustainability of CECONOMY. The company has the tools for sustainable success. The financial year 2018/19 will be a year of new beginnings and transformation. We hope we can rely on your support and ask that you put your trust in us.

Your

MARK FRESE
Member of the
Management Board
and Labour Director

Your

DR DIETER HAAG MOLKENTELLER
Member of the
Management Board

THE MANAGEMENT BOARD[1]

MARK FRESE

Member of the Management Board and Labour Director

Responsibilities Accounting, Reporting & Controlling; Strategy, Business Development and Value Creation Planning; Human Resources; Treasury & Insurances; Investor Relations; M&A; Pensions & Payroll; IT Management & Services; Tax; Supply Chain

Profile

Mark Frese is Chief Financial Officer on the CECONOMY AG Management Board and has also been Interim Labour Director since 7 November 2018. The 54-year-old was Chief Financial Officer for METRO Cash & Carry Europe/MENA between 2010 and 2012 before being appointed Chief Financial Officer and Member of the Management Board of METRO AG. Mark Frese has worked in various management functions since 1994, including several years spent at ex-METRO subsidiary Kaufhof.

DR DIETER HAAG MOLKENTELLER

Member of the Management Board

Responsibilities Audit; Group Corporate Legal; Corporate Office; Communications, Public Policy & Sustainability; Group Competition & Antitrust; Data Protection; Group Compliance; Group Security; Innovation/Digital; MediaMarktSaturn; Portfolio Management; Retail Media Group; Risk Management & GRC

Profile

Dr Dieter Haag Molkenteller has been a member of the Management Board of CECONOMY AG since 13 July 2017 and is appointed until 30 September 2020. From 2012 to 2017, Dr Dieter Haag Molkenteller was Group General Counsel and Chief Compliance Officer of METRO GROUP. Before that, he held various management positions at METRO AG from 1998 to 2012. As managing director of METRO Group Asset Management GmbH, he was responsible, among other things, for the Group's real estate worldwide. Prior to this, the 59-year-old spent several years as an in-house lawyer at Lurgi AG, first as a legal advisor and later as head of the department for energy and mining at Treuhandanstalt (BvS).

[1] As at 30 November 2018

A LOOK BACK

Selected events during financial year 2017/18

Q1 Saturn brings the first virtual reality shopping environment for consumer electronics in Europe to life

20 November 2017 – With "Virtual SATURN", Saturn brings Europe's first virtual reality (VR) shopping environment for consumer electronics to life. Using VR glasses, customers can experience numerous products in the virtual environment of a modern loft or a space station on the planet Saturn before buying them. Customers will also be offered professional advice from a Saturn expert virtually in their own homes. Customers can test out this new shopping experience during a ten-week tour of 20 Saturn stores. In addition, "Virtual SATURN" can also be downloaded as an app for customers to use VR glasses at home.

CECONOMY mourns Erich Kellerhals

25 December 2017 – CECONOMY mourns Erich Kellerhals, the founder of MediaMarkt. With great entrepreneurial courage and an unshakeable belief that he could make things happen, Erich Kellerhals laid the foundation for the MediaMarktSaturn Retail Group with the founding of MediaMarkt in 1979. For many decades, Erich Kellerhals closely supported MediaMarktSaturn and was fully committed to the success of the company, building it into one of the largest electronic retailers in Europe today. The Kellerhals family still holds a 21.62 per cent stake in Media-Saturn-Holding GmbH through Convergenta Invest GmbH.

Q2 CECONOMY AG holds its first Annual General Meeting after renaming

14 February 2018 – After METRO GROUP was split into wholesale and food retail and a consumer electronics specialist, CECONOMY AG held its first Annual General Meeting after being renamed. 740 shareholders followed the invitation to the CCD Congress Center in Düsseldorf.

MediaMarktSaturn opens the first cashless consumer electronics store in Europe

8 March 2018 – With "Saturn Express", MediaMarktSaturn opens the first cashless electronics store in Europe in Innsbruck. With this completely new store concept, Europe's leading consumer electronics retailer combines the advantages of online and offline shopping. At "Saturn Express", customers can still experience technology in store as normal and seek detailed advice. However, there is no queueing at the cash register; using an app, customers scan the barcodes of the products they would like to buy and simply pay by credit card or PayPal. The app was developed specially for Saturn by Mishipay, a start-up from the MediaMarktSaturn-Accelerator Retailtech Hub. The twelve-week long pilot project gave

more than 30,000 visitors from all over the world the opportunity to test cashless payment and over 85 per cent of all "Saturn Express" customers said they would recommend the store to their friends and acquaintances. On average, goods worth around 50 euros were purchased per visit. In addition to headphones, Bluetooth loudspeakers, hard drives, smartphones and smartphone accessories and coffee machines were the most popular products.

Q3 MediaMarkt begins its first project in voice commerce through the Google Assistant app

6 April 2018 – "Ok, Google – talk to MediaMarkt!": Through this voice command, customers who have the Google Assistant app installed on their phone are shown the regularly changing MediaMarkt bargains and can directly place orders. The speech assistant guides the user through the ordering process step by step, asking the right questions at the right time and completing the order at the end of the process at the user's request. The product is sent to the MediaMarkt store selected by the customer, where it is collected and directly paid for in store. With this pilot project, MediaMarktSaturn is a trailblazer in the European consumer electronics industry sector in the area of voice commerce. The bargain order function is only a first step. The Company is already working on developing additional functions and applications such as requesting the shipping status of online orders, information on the nearest MediaMarkt store or the link with its CRM programme, the MediaMarkt Club.

New Saturn flagship store opens in Cologne

3 May 2018 – The state-of-the-art Saturn technology store opens in the heart of Cologne on Hohe Straße. With over 6,500 square metres of selling space over five floors, the new Saturn Cologne City store revolves around the electronics retailer's brand promise: experiencing technology. The extensive product range has been expanded with special theme worlds, digital highlights and a comprehensive range of services. One of the highlights of the new Saturn store is a large Samsung Galaxy World in which the latest products from the successful brand are available for customers to test out and the customer can experience the virtual reality theme close up on mobile VR chairs. The store's unique features include the 3D photo studio where customers can take 3D selfies, and the demonstration of noise-reducing headphones in part of an original DC9 aircraft cabin of McDonnell Douglas from 1979. Approximately 30,000 customers attended the opening, meaning that the store even had to be closed temporarily due to overcrowding.

MediaMarktSaturn withdraws from the German market with redcoon

3 May 2018 – MediaMarktSaturn fully withdraws from the German market with redcoon, due to redcoon having lost its original significance for the online strategy in light of MediaMarktSaturn's successful multi-channel strategy. The online shop redcoon.de is integrated into mediamarkt.de.

TO OUR SHAREHOLDERS

MediaMarktSaturn and Fnac Darty S.A. sign memorandum of understanding to found the European Retail Alliance

15 May 2018 – MediaMarktSaturn and Fnac Darty S.A. sign a memorandum of understanding to found the European Retail Alliance. This alliance should create added value for consumers, suppliers and members of the alliance alike.

Deutsche Technikberatung available across Germany

14 June 2018 – Technology advice services from Deutsche Technikberatung are now available across Germany in all MediaMarkt and Saturn stores, just in time for the start of the World Cup. To make a meeting with a technical consultant, simply call the service hotline. The consultant will visit the customer's home to install and activate the equipment and will, of course, explain how the equipment works. With this service, MediaMarkt and Saturn demonstrate that they are always there for their customers and only offer the best service.

CECONOMY agreed Russia transaction with M.video/Safmar

20 June 2018 – Through its majority shareholding, MediaMarktSaturn, CECONOMY AG acquires a strategic investment of 15 per cent in Russia's leading consumer electronics retailer M.video, which is majority-owned by Safmar Group. MediaMarktSaturn pays Safmar €258 million based on the current exchange rate for the investment in the Russian market leader and transfers the entire MediaMarkt Russian business to the Safmar group of companies upon completion. The transaction was successfully closed on 31 August 2018.

MediaMarkt and Saturn are the first movers in the introduction of Google Pay

26 June 2018 – MediaMarkt and Saturn customers can also pay for their purchases with Google Pay in all stores across Germany. MediaMarkt and Saturn are amongst the first retailers in Germany to directly support the introduction of Google's mobile payment process. To take advantage of this, customers simply need an NFC-capable android smartphone that has the Google Pay app installed and activated, and a credit card from a partner bank on file, thereby making the payment process at cash registers even easier and quicker.

CECONOMY AG decides to increase in share capital – freenet AG becomes new major shareholder

28 June 2018 – CECONOMY decides to increase its share capital by approximately ten per cent or by approximately 32.6 million new ordinary shares. The entire share package went to the digital lifestyle provider freenet, who paid €8.50 per share as part of a private placement. The issue price of the new shares corresponds to a premium of 18 per cent on the Xetra closing price of CECONOMY ordinary shares on 28 June 2018 of €7.23. CECONOMY will use the revenue of €277 million to strengthen its statement of financial position and increase the financial capacity for the further implementation of its strategic agenda.

Q4 Official start of the European Retail Alliance announced

30 August 2018 – Both founding partners MediaMarktSaturn Retail Group and Fnac Darty S.A. announce the official start of the European Retail Alliance, ERA for short, in Berlin. During an event before the 2018 IFA (international radio and television exhibition), the alliance is presented to around 100 of the most important industry partners from the consumer electronics sector. Klaus-Peter Voigt, the former Chief Procurement Officer (CPO) of MediaMarktSaturn Retail Group, became CEO.

era

TO OUR SHAREHOLDERS

MediaMarkt and Saturn introduce intelligent communication in package shipping for an improved customer experience

6 September 2018 – MediaMarkt and Saturn Germany's online stores are working with the Munich start-up parcelLab which took part in the first round of the Retailtech Hub start-up programme. parcelLab provides its cloud solution for intelligent package monitoring and targeted customer communication during the delivery process. Customers are therefore directly provided with all delivery information from both electronics retailers, have the option of choosing last-minute delivery alternatives and an option to give direct feedback. MediaMarkt and Saturn want to further increase customer satisfaction with their purchases and remain in direct communication with their customers after their purchase instead of handing communication over to logistics service providers. As a multi-channel retailer, MediaMarktSaturn supports its customers in all phases of the customer journey, where tailored communication after a customer has made a purchase plays an important role. MediaMarktSaturn offers consumers an excellent delivery experience thanks to intelligent package communication. MediaMarkt and Saturn send up to 400,000 shipping notifications per month via parcelLab.

MediaMarktSaturn and Smartmile open smart package stations to improve the delivery service

18 September 2018 – MediaMarktSaturn is expanding its delivery service for goods ordered online and offers a solution so customers never miss another package again. With the fully-automated package station developed by Smartmile, a start-up from the Retailtech Hub, MediaMarkt and Saturn are launching a new pilot project in Ingolstadt. What makes it special is that the service is available for deliveries from any courier service or online shop, including of course mediamarkt.de and saturn.de. In addition, users can also easily process returns via the package machines.

Any possible additional services via the package station are to be tested over the course of the next twelve months, including a collection function for faulty electronic devices like smartphones that can be directly repaired at the closest MediaMarkt before being left in a package box for collection.

CECONOMY AG makes an agreement to sell its approximately nine per cent stake in METRO AG

20 September 2018 – CECONOMY AG makes a binding agreement regarding the disposal of its directly held stake in METRO AG of approximately nine per cent. The agreement with EP Global Commerce II GmbH ("EP Global") as the purchaser states that, as a first step, EP Global will assume an approximate 3.6 per cent stake in METRO AG from CECONOMY AG. This stake was already sold at the end of September. EP Global is indirectly held by the Czech and Slovak entrepreneurs Daniel Křetínský and Patrik Tkáč. As a second step, the parties have agreed on put/call options regarding the transfer of the remaining approximately 5.4 per cent, which are expected to be exercised within nine months following the conclusion of the agreement. By completing this transaction, CECONOMY AG shall achieve the capital structure it aimed to achieve as part of the demerger by strengthening the statement of financial position through the inflow of cash and eliminating balance sheet risks from the share package.

CECONOMY AT THE CAPITAL MARKET

Performance of the CECONOMY AG shares

From the closing price on 29 September 2017 to the publication of the results for financial year 2016/17 on 19 December 2017, the CECONOMY AG ordinary shares showed a strong upward trend and recorded a share price increase of approximately 14 per cent. Among other factors, this was due to the confirmation of the outlook for financial year 2016/17 as part of the trading statement of 25 October 2017 and the publication of solid business figures on 19 December 2017. In the subsequent days, the news of the decease of the minority shareholder of Media-Saturn-Holding GmbH and related speculations surrounding a timely and advantageous solution of the shareholder conflict contributed to the increase in the share price of CECONOMY AG from around €11.70 before Christmas to its annual high of €13.32 on 12 January 2018.

After it became apparent that there would be no contemporary resolution to the shareholder conflict and profit experienced an unexpected significant decline in the Christmas quarter, the share price of CECONOMY AG declined to €10.88 upon publication of the business figures for the first quarter of 2017/18 on 9 February 2018. On 29 March 2018, the CECONOMY shares were trading at €9.35. This corresponds to a decline of approximately 26 per cent compared to the closing price of €12.61 on 29 December 2017.

In May 2018, Deutsche Börse announced the repeal of classification into the Tech and Classic segments and the increase of the MDAX to 60 equities and the SDAX to 70 equities. The share faced a selling pressure on the first trading day following the publication of this decision, as the likelihood of CECONOMY AG switching from the MDAX to the SDAX increased significantly. The CECONOMY shares continued to lose ground despite recouping threequarters of the earnings shortfall of the first quarter during a solid second quarter and the announcement of the start of the European Retail Alliance between MediaMarktSaturn and Fnac Darty S.A. in mid-May. In addition, market rumours and two further ad hoc announcements about advanced talks regarding a possible transaction in Russia acted as a drag on the share price in June. Another mandatory announcement regarding a considered capital increase and the acquisition of a minority stake in the leading Russian consumer electronics retailer M.video set off a further downward trend. The CECONOMY shares closed at €7.14 at the end of June 2018.

With the announcement of the entry of freenet AG as a new major shareholder on 29 June 2018 via the capital increase carried out by CECONOMY at an issue price of €8.50 per ordinary share, a short recovery set in. The issue price corresponded to a premium of around 18 per cent on the Xetra closing price of the CECONOMY ordinary shares on the previous day. However, the price declined again over the course of the fourth quarter of 2017/18. The share price came under pressure due to the weak development of trading in Germany and the associated adjustment of the outlook for financial year 2017/18 on 18 September 2018. However, support was found that same week with the announcement of the disposal of the approximately nine per cent share in METRO AG. In the wake of the adjustment of the Deutsche Börse indices, the CECONOMY shares have been part of the SDAX since 24 September 2018. At the end of the reporting period, the CECONOMY share was trading at €6.08.

Between the closing price on 29 September 2017 and 28 September 2018, the CECONOMY shares recorded a negative total return including dividends of −38 per cent. As a result, the CECONOMY shares underperformed the benchmark indices. The Stoxx 600 Retail Index posted a total return of around five per cent over the same period. The MDAX and SDAX were virtually unchanged.

During the reporting period, average trading volumes were at 1.3 million shares per day. Significant exceptions to this include the publication of the preliminary figures for the first quarter due to the significant decline in profits in the Christmas quarter, particularly in Germany, the announcement of the changes to the regulations of the German stock exchange in May, the announcement of the consideration of an equity measure in mid-June as well as the financial figures for the first nine months presented in August and the adjustment of the outlook for financial year 2017/18 in mid-September. At the time of these events, the average trading volume was around 5.9 million shares.

Total return

Share/Index	Ticker	Total return 29/09/2017 to 28/09/2018 (closing prices)
CECONOMY ordinary shares	CEC	−37,5%
Stoxx 600 Retail Index	SXRP	5,1%
MDAX Index	MDAX	0,0%
SDAX Index	SDYP	−0,4%

Data based on Xetra closing prices
Source: Bloomberg

Information about the CECONOMY shares

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

Shareholder structure of CECONOMY AG

Increase in share capital – On 29 June 2018, CECONOMY AG announced an increase in share capital excluding the subscription rights of existing CECONOMY shareholders by around ten per cent or 32,633,555 new ordinary bearer shares with no par value in CECONOMY AG. The overall amount of new shares was subscribed in a private placement to the digital lifestyle provider freenet AG at an issue price of €8.50 per share. The increase in share capital of CECONOMY AG from €835,419,052.27 to €918,845,410.90 was registered in the commercial register on 12 July 2018. CECONOMY AG will use the proceeds of €277 million to strengthen its statement of financial position and increase its financial power for the continued implementation of the strategic agenda.

Free float – The free float of CECONOMY AG was reduced from 50.132 per cent to 47.194 per cent as a result of the capital increase.

As at 30 September 2018, the free float was divided among a large number of national and international investors, and is comprised as follows: notifications of voting rights from fund management firms and other publicly available data sources indicate that French and British investors account for the largest share of institutional investors, followed by investors from the US and Germany.

According to notifications of voting rights published on 6 March 2018, DNCA Finance is the largest institutional shareholder as at 30 September 2018, holding voting rights of 3.10 per cent. In a notification of voting rights published on 14 May 2018, investment company J O Hambro Capital Management Limited, Inc. announced that its holdings had fallen below the 3 per cent voting rights threshold and reported a share of 2.96 per cent of the voting rights.

Principal shareholders and new major shareholder – Shareholder groups Haniel, Meridian Stiftung, Essen, (formerly: Schmidt-Ruthenbeck) and Beisheim are the principal shareholders of CECONOMY AG. As a result of the capital increase, freenet AG became a new major shareholder. The largest shareholder continues to be Haniel, which, on the basis of reported voting rights pursuant to the German Securities Trading Act, holds 22.71 per cent of the voting rights. The second largest shareholder on the basis of published voting rights notifications is Meridian Stiftung, Essen (formerly: Schmidt-Ruthenbeck) with voting rights of 14.33 per cent. freenet AG, as a new major shareholder, holds 9.15 per cent. These are followed by the shareholder group Beisheim with around 6.62 per cent of the voting rights.

Dividends and dividend policy

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

In order to strengthen the equity and bundle our strengths, the Management Board and Supervisory Board have decided not to foresee any dividend distribution at the next Annual General Meeting. CECONOMY has to take this path in order to consistently implement the strategic initiatives and to drive forward transformation as quickly as possible. This is the only way for CECONOMY to be able to create sustainable values again as soon as possible.

Analysts’ recommendations

At the end of the financial year 2017/18, 16 analysts from international banks and brokers were monitoring and evaluating CECONOMY shares. Four analysts (25 per cent) rated CECONOMY shares as “buy”. Eleven analysts (69 per cent) rated them as “hold” or “neutral”. One analyst rated the shares as “sell”. The median value of share price targets was €7.50, equivalent to about 23 per cent share price potential compared with the closing price of €6.08 on 28 September 2018.

Investor Relations

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

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

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

Contact Investor Relations

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GOALS AND STRATEGY

CECONOMY AG, whose head office is in Düsseldorf, is number one on the European market for consumer electronics (CE). CECONOMY brings together companies, concepts, formats and brands from the CE sector. The Group companies cover the entire range of services, from information, advice and sales to delivery, installation and repair and across all channels: in store, online and mobile, as well as in customers' homes. In addition, CECONOMY is permanently developing innovations through its investments to make the shopping experience better and simpler and, in partnership with other dealers and start-ups, aims at making the life of customers in the digital world as simple and comfortable as possible. CECONOMY thereby not only creates decisive value added for consumers, but at the same time opens up business success potential for the company and its shareholders.

CECONOMY is operating in an increasingly challenging environment which is determined by five major market developments and customer trends.

Market trends

Consolidation – The highly fragmented market offers room for consolidation both regionally and nationally as well as internationally.

Globalisation – Global partnerships are being formed to strengthen against the challenging CE market environment.

Transformation – The CE industry sector is changing – this opens up new opportunities and business models. At the heart of all change is always the customer and the central question: What can we do for this customer?

Digitalisation – Among other things, digitalisation is increasingly leading the boundaries between bricks-and-mortar businesses and online including mobile retail to disappear.

Innovation – Innovations such as cashless payment, for example, enable customers to find new ways to access the digital world.

Customer trends

360° shopping – Today's customers want comprehensive freedom when shopping, regardless of time or place – whether online or mobile, stationary in a shop or at home, 24 hours a day.

High complexity – Customers today benefit from an unlimited choice of products and are increasingly using them in new ways; leasing, rentals or sharing products with other people are trends that can be observed on the market. At the same time, customers want clarity and support in their search for the right product or service. They are looking for solutions for their lives in the digital world.

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

New technologies – These trends are being reinforced by digital technologies. These technologies are expanding the range of products on offer and enabling customers to constantly discover, compare and evaluate them. Consumers can shop via a variety of channels promising outstanding performance.

Intensive competition – All market players are making use of all channels to try and win over the same customers – more intensively and with a more personalised approach than ever before. The competition for customer data is symbolic of this.

CECONOMY is not merely acting successfully within these change processes. We are playing an active and leading role in shaping them. The company provides consumers with guidance and solutions to make the most of the opportunities offered by innovative technologies.

Our strategy

Taking into consideration the above market developments and customer trends, the strategic approach of CECONOMY is based on the following central success factors:

Rigorous customer orientation – With its multi-channel model, CECONOMY is guided by the expectations and needs of customers in today's world. They are the starting point for all our strategic considerations. Our complete customer orientation enables our customers to shop where, when and how they want.

High service competence – CECONOMY offers more than just the pure product: we provide solutions. Two key building blocks from the past financial year are the market launch of Deutsche Technikberatung and the successful roll-out of our SmartBars. In addition, we are continuously expanding our Services & Solutions business. With mobile phone contracts, insurance, warranty extensions and repair services on all channels, we offer our customers far more than a traditional trading company.

Comprehensive digitalisation – One of CECONOMY's main strengths is being able to recognise digital trends early on and to consistently advance innovations based on them – often being the first to do so on the CE market. There are numerous projects that show that CECONOMY is a pioneer in digitalisation:

- customers were able to test Europe's first virtual reality shopping environment for consumer electronics through Virtual SATURN.
- MediaMarktSaturn tested the first cashless CE stores in Europe in Innsbruck and Munich.
- MediaMarkt and Saturn are among the first retailers in Germany where customers can also pay for their purchases using Google Pay.
- MediaMarkt becomes a European pioneer in the area of voice commerce through the launch of an app via Google Assistant.

Challenges of the future

The 2017/18 financial year fell well short of our expectations.

Against this background, the Management Board and Supervisory Board initiated a personnel realignment of CECONOMY and MediaMarktSaturn in October 2018. This will also result in additional measures to meet the aforementioned challenges that face the Company.

CORPORATE GOVERNANCE

REPORT BY THE SUPERVISORY BOARD

Dear shareholders,

CECONOMY AG ended its first full financial year as an independent company after the demerger of METRO GROUP.

During this period, CECONOMY AG has improved its capital structure resulting from the demerger. At the end of June 2018, CECONOMY AG was able to attract freenet AG as an additional key shareholder as part of a capital increase from authorised capital. CECONOMY AG has strengthened its statement of financial position with this capital increase. This had previously suffered due to the devaluation of the ten per cent investment in the METRO AG, which was part of CECONOMY AG's capital resources. Until January, the approximate ten per cent share in METRO AG was blocked from sale. Since January, around nine per cent of the shares have been sold. The remaining stake of around one per cent is subject to a tax vesting period of a further six years. In September 2018, CECONOMY AG sold its 3.6 per cent share in METRO and agreed at 5.4 per cent the option to sell according to put and call options.

In addition to numerous strategic initiatives at the level of CECONOMY AG, CECONOMY AG has also optimised the portfolio of its main investment, the MediaMarktSaturn Retail Group (MMSRG). For example, in Russia, it transferred its previously loss-making retail business to the leading Russian retailer for consumer electronics and invested in it in the amount of 15 per cent.

Nevertheless, the past financial year was not satisfactory. The performance of the key figures relevant for forecasts of sales, earnings and net working capital in financial year 2017/18 with regard to the outlook formulated for these figures was the subject of a total of three ad-hoc notifications. CECONOMY AG recently fell short of the forecast for business growth which was adjusted in September 2018. After the conclusion of the financial year in October 2018, the Supervisory Board took measures to remedy the weaknesses revealed by this development. MMSRG begins its new financial year with new operational management. At CECONOMY AG, the positions of CEO and CFO were newly appointed. Mr Pieter Haas, the previous CEO, stepped down from his post. The previous CFO, Mr Mark Frese, still holds his post at CECONOMY until a successor has been confirmed.

The Supervisory Board would like to show its appreciation to CECONOMY AG's Management Board and all employees in the recent phase of the break-up and upheaval for their work in light of the particular stress that, both individually and overall, was associated with numerous projects.

The work performed by the Supervisory Board in financial year 2017/18

The Supervisory Board of CECONOMY AG performed all the duties set forth by law and the Company’s articles of association in financial year 2017/18. The Supervisory Board also observed the recommendations of the Government Commission on the German Corporate Governance Code and the rules laid down in its own by-laws and guidelines.

↗ Information on the corporate governance of CECONOMY AG and the CECONOMY Group is contained in the Corporate Governance report.

The Supervisory Board advised and monitored the Management Board on the steering of the Company. As part of their cooperation, the Supervisory Board and the Management Board regularly exchanged information, including independently of the meetings of the Supervisory Board and its committees. The Management Board has at all times adhered to its information duties and provided the Supervisory Board with detailed written and oral reports about all material developments according to the legal requirements. In particular, the Management Board informed the Supervisory Board about business developments from its perspective, the situation of the Company and the Group (including the risk situation, risk management and compliance) as well as about the Company's strategy and planning. The Management Board provided detailed explanations of any deviations from planned business development retrospectively. In addition, the Chair of the Management Board, Pieter Haas, was in constant contact with me, as Chair of the Supervisory Board, on key issues and pending decisions.

Based on the Management Board's reports, we discussed all transactions that were of significance to the Company during meetings and in the committees.

The Supervisory Board was involved in all decisions of material significance to the Company, including measures and transactions for which the Supervisory Board's approval is required by law, on the basis of the articles of association or by proprietary determinations. We thoroughly reviewed the relevant matters and discussed their benefits, potential risks and other impacts with the Management Board.

No conflicts of interest involving members of the Management Board and Supervisory Board arose in financial year 2017/18.

Number of meetings and resolutions adopted and attendance

A total of ten Supervisory Board meetings were held in financial year 2017/18. Two decisions were taken outside a Supervisory Board meeting.

The individual members of the Supervisory Board attended the meetings as follows in the past financial year:

Overview of the individual attendance at meetings of the members of the Supervisory Board of CECONONOMY AG in financial year 2017/18

	Attendance/Number of meetings[1]				
Member of the Supervisory Board	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Mediation Committee
Baur, Wolfgang	4/5	–	–	–	–
Breuer, Kirsten Joachim	5/5	–	–	–	–
Dalibor, Ulrich	2/4	–	2/3	–	–
Dohm, Karin	8/10	–	7/7	–	–
Dr Düttmann, Bernhard	10/10	–	–	1/1	0/0
Eckardt, Daniela	10/10	–	–	–	–
Fitschen, Jürgen	10/10	6/6	–	1/1	0/0
Friedrich, Stefanie	5/5	–	–	–	–
Dr Funck, Florian	7/10	–	6/7	–	–
Glosser, Ludwig	9/10	–	2/2	–	0/0
Goldin, Julia	8/10	–	–	–	–
Harlow, Jo	9/10	–	–	–	–
Küpfer, Peter	7/10	–	7/7	–	–
Kuschewski, Rainer	9/9	–	5/5	–	–
Plath, Claudia	5/6	–	–	–	–
Ploog, Jens	5/5	2/2	–	–	–
Popp, Birgit	10/10	–	–	–	–
Dr Raas, Fredy	10/10	–	–	–	–
Dr Schinzler, Hans-Jürgen	3/4	–	3/3	0/1	–
Schulz, Jürgen	9/9	6/6	3/3	–	0/0
Stachelhaus, Regine	10/10	6/6	–	1/1	–
Vrabec, Vinko	5/5	4/4	–	–	–
Widmann, Lena	5/5	–	–	–	–
Will, Angelika	3/4	–	–	–	–
Woelke, Sylvia	10/10	–	7/7	–	–

[1] For members who joined or left the Supervisory Board during the course of the year and for corresponding committee memberships, only the number of meetings in the period in which the person concerned was appointed a member of the Supervisory Board or a member of a committee in the financial year is stated.

None of the members of the Supervisory Board or of individual Supervisory Board committees appointed for the full financial year attended only half or fewer of the meetings of the Supervisory Board or of the committees on which they sat during the reporting period. Ulrich Dalibor attended half of the meetings of the Supervisory Board that took place between 1 October 2017 and the date of Ulrich Dalibor's resignation from the Supervisory Board on 14 February 2018. Where members of the Supervisory Board did not attend individual meetings of the Supervisory Board or of the committees to which they belonged in the past financial year, either in person or by telephone, they nevertheless participated in most of the resolutions passed in the meetings by conveying their votes in the form of messages.

Key issues discussed at Supervisory Board meetings and resolutions passed by the Supervisory Board outside of meetings

During the past financial year, the Management Board provided updates on business performance to the Supervisory Board at its scheduled meetings.

At the first meeting of the Supervisory Board in financial year 2017/18 in **November 2017**, the main focus was on the regular reporting on the status of the governance systems (internal control system, risk management system, internal audit system and compliance management system), the resolutions on the reports on the work of the Supervisory Board to be included in the Annual Report for financial year 2016/17 and on corporate governance in the financial year concerned, a resolution on the revision of the Insider Directive for the Supervisory Board as well as the Management Board remuneration with information on the provisional attainment of the targets of the one-year performance-based compensation (short-term incentive) for the period from the demerger of METRO GROUP until the end of the 2016/17 financial year and a resolution on the determination of the individual performance factors for the members of the Management Board for the corresponding period. For the 2017/18 financial year, the Supervisory Board also discussed the individual targets of the members of the Management Board.

At its **December 2017** meeting, the Supervisory Board received initial information on the progress of the discount campaigns relating to Black Friday in November 2017 as part of the Management Board's reporting on current business developments. At its meeting, the Supervisory Board adopted the annual financial statements of the Company and approved the consolidated financial statements of the Company for the 2016/17 financial year after the Management Board had submitted the annual financial statements, the consolidated financial statements and the combined management report to the Supervisory Board. The auditors attended this meeting and reported the key findings of their audits. The Supervisory Board also submitted its resolution and election proposals to the 2018 Annual General Meeting. Subject to the election by the Annual General Meeting of the auditor proposed by the Supervisory Board, the Supervisory Board passed a resolution on the engagement of the auditor to audit the annual and consolidated financial statements of CECONOMY AG for the 2017/18 financial year and to review the condensed financial statements and the interim management report of CECONOMY AG for the first half of the 2017/18 financial year. Finally, the Supervisory Board addressed individual issues relating to the remuneration of the Management Board; in particular, it adopted a resolution setting individual targets for the members of the Management Board for the 2017/18 financial year. The Management Board provided the Supervisory Board with information on the disposal options with regard to CECONOMY AG's shareholding in METRO AG, which is not subject to a long-term lock-up period, after the end of the holding period agreed in the spin-off agreement between CECONOMY AG and METRO AG with regard to this shareholding, as well as on redcoon and the current situation in the market for participations in venture capital funds.

In an unscheduled meeting via conference call in **January 2018**, the Supervisory Board adopted the resolution to approve the possible sale of the non-long-term stake in METRO AG after the end of the agreed lock-up period. The condition for doing so was a minimum proceeds amount set by the Supervisory Board. The Management Board also reported to the Supervisory Board on the funeral service for Erich Kellerhals.

At a meeting in **February 2018**, the Supervisory Board critically reviewed the current results for the first quarter and the background to the ad hoc announcement of 18 January 2018. The Management Board presented a comprehensive package of measures to be implemented in the remaining quarters of the financial year with the aim of recouping the earnings shortfall in the Q1 2017/18. As a precautionary measure, in this meeting, the Supervisory Board also decided to give power of attorney to a law firm to represent the Company in any legal disputes that might arise in connection with any actions for cancellation of the annual financial statements and any legal challenges or actions for nullity against resolutions passed by the Annual General Meeting on 14 February 2018.

At a further meeting in **February 2018**, immediately after the Annual General Meeting, the Supervisory Board was constituted after the Annual General Meeting elected Claudia Plath for the first time and re-elected myself as members of the Supervisory Board and five members of the Supervisory Board resigned from the Supervisory Board at the end of the Annual General Meeting.

Outside a meeting, the Supervisory Board then adopted a resolution in **March 2018** on the setting of performance targets for the one-year performance-based compensation (short-term incentive) of the members of the Management Board for the 2017/18 financial year.

In a meeting in **May 2018**, the Supervisory Board was re-constituted after the employee elections on 21 March 2018 Lena Widmann, Wolfgang Baur, Kirsten Joachim Breuer and Jens Ploog were elected members of the Supervisory Board for the first time, and Daniela Eckardt, Birgit Popp, Sylvia Woelke, Ludwig Glosser, Rainer Kuschewski and Jürgen Schulz were re-elected members of the Supervisory Board. At this meeting, the Supervisory Board received comprehensive information on strategy from the Management Board, updated information on redcoon and information on the possible transaction regarding the Russian MediaMarkt business. The Management Board also informed the Supervisory Board about reporting on non-financial matters in accordance with Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on supplementary reporting by capital-market companies, credit institutions, financial services institutions and insurance companies. The Supervisory Board also discussed the semi-annual report on the governance systems and a benchmark analysis of the Company's risk management with the Management Board.

In a non-scheduled meeting of the Supervisory Board via conference call in **June 2018**, the Supervisory Board resolved, as did the Management Board, to approve the acquisition of an investment in M.video by Media-Saturn-Holding GmbH in return for a mixed cash and non-cash consideration with the transfer of the Russian MediaMarkt business. In one of the non-scheduled meetings of the Supervisory Board via conference call in June 2018, the Supervisory Board then decided to approve the initiation and implementation of a capital increase from authorised capital with simplified exclusion of subscription rights, in conjunction with the subscription and takeover of the new shares exclusively by freenet AG.

In **July 2018**, the Supervisory Board decided outside a meeting to engage KPMG AG Wirtschaftsprüfungsgesellschaft to assist the Supervisory Board in reviewing the non-financial Group report of CECONOMY AG for financial year 2017/18.

At its meeting in **August 2018**, the Supervisory Board dealt with the earnings of the third quarter and discussed the draft of the Q3/9M 2017/18 quarterly statement. The Management Board provided information on the existing shareholder financing within MMSRG. The Supervisory Board also heard additional information from me on the work of the Working Group Guidelines for Sustainable Management Board Remuneration. In addition, the Supervisory Board addressed the setting of performance targets for the 2017/18 tranche of the multi-year performance-based remuneration of the Management Board (long-term incentive). The Supervisory Board passed the resolution to firm up the calculation of the EPS components of the long-term incentives.

At the end of the past financial year, at its meeting in **September 2018**, the Supervisory Board again dealt with strategic aspects. There was an intensive discussion over the successful implementation of the strategy in Spain and Portugal. The Management Board presented the topics of Management Development and Transformation to the Supervisory Board. At this meeting, the Supervisory Board also discussed the annual report on the governance systems. On 19 September 2018, the Management Board provided information on the ad hoc announcement of 18 September 2018 and an adjustment to the forecast for the current financial year. This was followed by the presentation of the budget for the following year. The Supervisory Board intensively addressed the budget presented by the Management Board for financial year 2018/19 and medium-term planning for financial years 2019/20 and 2020/21. The Supervisory Board also discussed proposals for setting individual targets for the members of the Management Board for financial year 2018/19. The Supervisory Board passed a resolution on the submission of a declaration of compliance pursuant to § 161 AktG on the approval to dispose of the investment of approximately nine per cent in METRO AG and on the targets for the composition of the Supervisory Board, its skills profile and its diversity concept pursuant to § 289f para. 2 no. 6 HGB.

↗ A detailed presentation of the competence profile is contained in the Corporate Governance Report for the 2017/18 financial year. The corporate governance report is published together with the declaration on corporate management and is also available at www.ceconomy.de/en/ in section Company – Corporate Governance.

The Chairs of the Supervisory Board committees reported to the Supervisory Board at its meetings on the content and outcomes of committee meetings.

The Supervisory Board regularly excluded individual Management Board members from its discussion of Management Board matters and, where necessary, excluded the entire Management Board to discuss matters.

Work of the committees in financial year 2017/18

The Supervisory Board has currently formed four committees: Presidential Committee, Audit Committee, Nomination Committee and Mediation Committee pursuant to § 27 para. 3 of the German Co-determination Act [MitbestG]. These committees were formed and populated at the constituent meetings of the Supervisory Board on 14 February 2018 and 16 May 2018.

In accordance with the corresponding rewording of the Code of Procedure for the Audit Committee at the meeting of the Supervisory Board on 14 February 2018, the Supervisory Board has again appointed six full members of the Audit Committee instead of eight members on a trial basis. The changes are designed to make the work of the Audit Committee even more efficient overall.

At 30 November 2018, the committees of the Supervisory Board are composed of the following members:

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

Audit Committee
Karin Dohm (Chair)
Sylvia Woelke (Vice Chair)
Dr Florian Funck
Ludwig Glosser
Peter Küpfer
Rainer Kuschewski

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

Nomination Committee
Jürgen Fitschen (Chair)
Dr Bernhard Düttmann
Regine Stachelhaus

Mediation Committee pursuant to § 27 para. 3 of the German Co-determination Act [MitbestG]
Jürgen Fitschen (Chair)
Jürgen Schulz
Dr Bernhard Düttmann
Ludwig Glosser

The committees generally prepare Supervisory Board-level consultations and resolutions within the framework of their responsibilities as stipulated by law or the Codes of Procedure. In addition, the Supervisory Board has transferred decision-making responsibilities to the committees within legally permitted parameters. Within these responsibilities, the committees act directly on behalf of the Supervisory Board.

The responsibilities of the Supervisory Board committees are as follows:

Presidential Committee:
In consideration of § 107 para. 3 sentence 4 German Stock Corporation Act [AktG], the Presidential Committee is authorised to adopt resolutions in place of the Supervisory Board on matters concerning the service contracts of members of the Management Board that are not related to remuneration, the approval of members of the Management Board engaging in activities elsewhere as defined in § 88 AktG and of taking on other part-time duties, particularly Supervisory Board mandates at non-Group companies, the succession planning for the Supervisory Board, and legal transactions with Management Board members pursuant to § 112 AktG. The Presidential Committee also passes resolutions granting loans to the circle of people listed in §§ 89 and 115 AktG (particularly members of the Management Board and Supervisory Board). If, however, a loan granted to a member of the Management Board must be construed as an element of remuneration, the Presidential Committee acts exclusively in a preparatory capacity for the Supervisory Board. The Presidential Committee also adopts resolutions instead of the Supervisory Board, approving contracts with members of the Supervisory Board pursuant to § 114 AktG and legal transactions that require the consent of the Supervisory Board according to the Code of Procedure for the Management Board. In addition, the Presidential Committee has been granted the authority to adopt resolutions in place of the Supervisory Board in instances where it appears unacceptable to delay measures necessary to prevent significant disadvantage to the Company until the next Supervisory Board meeting and a vote by the Supervisory Board cannot be made in the time available. Finally, the Presidential Committee decides on all other matters assigned to it by resolution of the Supervisory Board.

The Presidential Committee acts in a preparatory capacity for the Supervisory Board and submits recommendations for resolutions concerning the appointment and dismissal of members of the Management Board, the definition of the remuneration system for members of the Management Board together with the definition and, where appropriate, reduction of the remuneration payable to individual members of the Management Board pursuant to § 87 para. 1 and 2 AktG, monitoring compliance with the German Corporate Governance Code, and preparation of the annual declaration of compliance.

Audit Committee
The Audit Committee performs the following duties, in particular, on behalf of the Presidential Committee: addressing accounting-related issues and supervising the accounting process, discussing the quarterly statements and half-year financial reports and partial audit findings. The audit committee also monitors the audit and determines the focus of the audits. In this context, it monitors and ensures the auditor's impartiality during the audit. The Audit Committee addresses the additional services provided by the auditor and approves the commissioning and provision of permissible non-audit services by the auditor and its network to the Company or Group entity. The Audit Committee has also been authorised to conduct the tender and selection procedures for financial statement audit mandates in line with legal regulations governing the external rotation of auditors. Issues relating to Group tax budgets and the Management Board's report on donations are also handled by the Audit Committee.

The Audit Committee also acts in a preparatory capacity for the Supervisory Board on the following issues, and submits recommendations for resolutions: Addressing issues relating to risk management and overseeing the effectiveness of the risk management system, overseeing the effectiveness of the internal auditing system, internal control systems and anti-fraud measures, addressing issues relating to compliance and overseeing the Group-wide compliance management system, reviewing the annual and consolidated financial statements including the respective management reports based on the audit findings and additional comments of the auditor and the evaluation of the audit reports, as well as reviewing the Management Board's proposal regarding the appropriation of the balance sheet profit, the Supervisory Board's proposal to the Annual General Meeting regarding the election of auditors, engagement of the auditor and agreement on their fees, and the Group's medium-term and annual budgets.

Nomination Committee
The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to propose to the Annual General Meeting for election as shareholder representatives.

Mediation Committee
By law, the Mediation Committee is responsible for submitting proposals concerning appointments or revocations of appointments of members of the Management Board in the instances outlined in § 31 para. 3 sentence 1 German Co-determination Act [MitbestG], respectively in § 31 para. 5 MitbestG in conjunction with § 31 para. 3 sentence 1 MitbestG.

The Supervisory Board committees addressed the following issues in financial year 2017/18:

Presidential Committee:
The Presidential Committee held a total of six meetings in financial year 2017/18.

Material issues discussed in the Presidential Committee included the corporate governance of CECONOMY, including preparing Board-level consultations and resolutions on the Supervisory Board's corporate governance reports and on the work of the Supervisory Board for financial year 2016/17, information about the implementation of the recommendations of the German Corporate Governance Code, and concerning the declaration of compliance in accordance with § 161 AktG. The Presidential Committee also prepared the Supervisory Board's deliberations and resolutions on the remuneration of the Management Board and reconciled the guidelines for sustainable Management Board remuneration with the Management Board remuneration system currently in place at CECONOMY AG.

Where necessary, the Presidential Committee met without the members of the Management Board or – insofar as only the Chair of the Management Board, Pieter Haas, took part in the meetings of the Presidential Committee – without individual members of the Management Board.

Audit Committee
The Audit Committee of the Supervisory Board held a total of seven meetings in financial year 2017/18. One decision was also taken outside a Board meeting.

During financial year 2017/18, the Management Board provided updates on business performance at all meetings of the Audit Committee. The Management Board discussed the drafts of the quarterly statements and the half-year financial report with the Audit Committee prior to their publication.

The material issues addressed by the meeting of the Audit Committee in **December 2017** included discussing and reviewing the annual and consolidated financial statements prepared by the Management Board for financial year 2016/17, the combined management report for CECONOMY AG and the discussion of the Management Board's proposal to the Annual General Meeting 2018 for the appropriation of the balance sheet profit. The Audit Committee discussed the audit reports and results of the audits with the auditor. In this context, the Audit Committee also received reports on the auditor's impartiality during the audit from the auditor. On the basis of its audits and discussion of the audits conducted by the auditors, the Audit Committee recommended to the Supervisory Board that it approve the annual and consolidated financial statements for financial year 2016/17 and approve the Management Board's proposal to the Annual General Meeting 2018 on the appropriation of the balance sheet profit. The Audit Committee submitted a recommendation to the Supervisory Board regarding the engagement of auditors for the financial statements and the consolidated financial statements for financial year 2017/18, and of auditors for the review of the condensed financial statements and the interim management report for the first half-year of financial year 2017/18, and prepared the award of the corresponding audit mandates and the conclusion of the fee agreement, subject to the respective auditor being elected by the Annual General Meeting 2018 as proposed by the Supervisory Board.

At the meeting of the Audit Committee in **February 2018**, the Audit Committee discussed, on the basis of a specific questionnaire, the explanations of the Management Board on the circumstances that led to the ad hoc announcement of 18 January 2018, and discussed the Management Board's assessment that, against the background of the earnings development in the first quarter of the financial year, it would be possible to adhere to the forecast given for the financial year and the measures envisaged for this purpose by the Management Board. The Audit Committee also received ongoing reports from the Management Board on the earnings development and the forecast at the following meetings during the financial year.

The ad hoc announcement of 18 January 2018 was also the reason for the unscheduled meeting of the Audit Committee in **April 2018**. In particular, this focused on the question of the business performance in the 2017/18 financial year and the related forecast of the Management Board against the background of the missed target in the first quarter of 2017/18. In addition to this report by the Management Board on the current business performance and forecasts, the Audit Committee asked the auditor for a report on the issues that the auditor closely monitored during the remaining three quarters of the financial year following the earnings development in the first quarter of the financial year.

At the meetings in **May, August** and **September 2018**, the focus of attention was similarly on business development, the matter of achieving the targets set for the financial year and the forecast. In doing so, the packages of measures developed by the Management Board to achieve these goals and the continuation of the topics rated as critical by the auditor at the March meeting were discussed. At the meeting in May, the auditor reported on the key areas of the audit and the particularly significant audit issues derived from them. In particular, the meeting on 18 September was dominated by the issue of the availability of the forecast for the 2017/18 financial year. In addition, a first draft of the annual budget for the 2018/19 financial year was presented by the Management Board and discussed with the Supervisory Board at this meeting.

In financial year 2017/18, the Audit Committee also addressed the audit plans for the selected auditor and the areas of audit focus. Outside a meeting, the Audit Committee adopted a resolution approving the engagement of the auditor to perform a so-called non-audit service. The Management Board regularly provided the Audit Committee with information on the non-audit services within the Group. In a resolution adopted at its meeting in **November 2017**, the Audit Committee adjusted and re-issued the guidelines for the provision of and the corresponding mandates for the auditor for so-called non-audit services for CECONOMY AG following the demerger of METRO GROUP.

Furthermore, at the meetings of the Audit Committee in the 2017/18 financial year, the Audit Committee and the Management Board continuously exchanged views on the governance systems and their effectiveness. The Management Board regularly provided risk reports to the Audit Committee on material events, projects and legal issues in this context.

Finally, the Audit Committee discussed the capital market view with the Management Board and received information and reports from the Management Board on the allocation of donations, Group tax planning and the relevant changes to accounting standards (in particular IFRS).

The meetings of the Audit Committee were attended by the Chief Financial Officer and, in some cases, other members of the Management Board, in particular the Chair of the Management Board, as well as the auditor as a permanent guest.

Nomination Committee

The Nomination Committee met once in financial year 2017/18. At this meeting, the committee discussed its recommendation to the Supervisory Board for a resolution on its proposal for the election to the 2018 Annual General Meeting with regard to the succession of Dr Hans-Jürgen Schinzler, who will retire as shareholder representative from the Supervisory Board at the end of this Annual General Meeting, as previously announced. In its consultations on the preparation of the Supervisory Board's proposal for the election to the Annual General Meeting, the Nomination Committee discussed in detail the suitability of Claudia Plath, the candidate considered for the proposal, against the background of the objectives set by the Supervisory Board with respect to its composition and skills profile, and took into account the statutory requirements, the Company's articles of association and the recommendations of the German Corporate Governance Code regarding the composition of the Supervisory Board.

The Supervisory Board's proposal for my re-election as shareholder representative, in contrast, was made by the Supervisory Board without a recommendation for a resolution and corresponding referral to the Nomination Committee, and at the relevant meeting of the Supervisory Board without my own participation, in order to avoid my involvement in the matter.

Members of the Management Board did not attend meetings of the Nomination Committee.

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

Corporate governance

The Management Board and the Supervisory Board report on CECONOMY AG's corporate governance in the corporate governance report for financial year 2017/18.

↗ The corporate governance report is published together with the declaration on corporate management and is available at www.ceconomy.de/en/ in section Company – Corporate Governance.

In September 2018, the Management Board and the Supervisory Board of CECONOMY AG issued their most recent declaration of compliance with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 AktG. The declaration was made permanently available at www.ceconomy.de/en/company/corporate-governance.

↗ The declaration is also published in full in the corporate governance report for 2017/18.

Annual and consolidated financial statements

As the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the consolidated financial statements for financial year 2017/18 submitted by the Management Board in accordance with the International Financial Reporting Standards (IFRS) and has given its unqualified approval. The same applies to the annual financial statements 2017/18 of CECONOMY AG prepared in accordance with the regulations of the German Commercial Code [Handelsgesetzbuch, HGB], and the combined management report for CECONOMY AG. The auditor provided a written report on the findings.

The annual financial statements and Group documents and the audit reports were discussed and reviewed in great detail at the meeting of the Audit Committee on 10 December 2018 and at the Supervisory Board meeting on 11 December 2018 in the presence of the auditor. Prior to these meetings, the required documents were distributed to all members of the Audit Committee as well as the Supervisory Board, giving them sufficient time to review them. At both meetings, the auditor reported the key findings of his audit, and was at the Supervisory Board's disposal to answer questions and provide additional information even in the absence of the Management Board. The auditor did not report any material weaknesses of the internal control and early warning system with regard to the accounting process.

KPMG AG Wirtschaftsprüfungsgesellschaft also provided the Supervisory Board with information on services rendered in addition to auditing services. No disqualification or bias issues arose. Based on its own review of the annual financial statements, the consolidated financial statements and the combined management report for financial year 2017/18, the Supervisory Board had no objections and approved the result of the audit. The Supervisory Board has endorsed the annual financial statements and the consolidated financial statements submitted by the Management Board. The annual financial statements of CECONOMY AG are thus released.

Review of the content of the Separate non-financial Group report

The Supervisory Board discussed in detail and examined the content of the reporting on the issues described in the Act to Strengthen the Non-Financial Reporting of Companies in their Management Reports and Group Management Reports (CSR Directive Implementation Act) of 11 April 2017 as part of the Separate non-financial Group report of CECONOMY AG for the reporting period from 1 October 2017 to 30 September 2018. At its meeting on 11 December 2018, the Supervisory Board resolved to approve the Separate non-financial Group report of CECONOMY AG for the reporting period from 1 October 2017 to 30 September 2018. The content of the non-financial reporting by the Supervisory Board was reviewed with the external support within the context of an audit to obtain limited security by KPMG AG Wirtschaftsprüfungsgesellschaft, which was commissioned by the Supervisory Board in its resolution of 20 July 2018 with supporting the Supervisory Board separately from the audit of the annual financial statement and the consolidated financial statements. KPMG AG Wirtschaftsprüfungsgesellschaft did not become aware of any circumstances in its audit which would have led KPMG to the conclusion that the Separate non-financial Group report had not been prepared in all material respects in accordance with §§ 315b, 315c in conjunction with 289c to 289e of the German Commercial Code [HGB]. At the Supervisory Board meeting on 11 December 2018, KPMG reported on the principal findings of the audit and was available to answer questions and provide additional information.

Appointments and resignations

In the past financial year, Angelika Will, Ulrich Dalibor and Dr Hans-Jürgen Schinzler resigned from the Supervisory Board with effect from the end of the Annual General Meeting on 14 February 2018. On 21 March 2018, Stefanie Friedrich and Vinko Vrabec also resigned from the Supervisory Board by virtue of the condition of the resolution of the Düsseldorf Local Court of 13 July 2017, under which they had been legally appointed as members of the Supervisory Board until the election of employee representatives had been completed.

Claudia Plath was elected by the Company's Annual General Meeting on 14 February 2018 as shareholder representative to the Supervisory Board, effective immediately. With immediate effect, Lena Widmann, Wolfgang Baur, Kirsten Joachim Breuer and Jens Ploog were newly elected to the Supervisory Board following the employee elections on 21 March 2018.

The terms of office of the members of the Supervisory Board Daniela Eckardt, Birgit Popp, Sylvia Woelke, Ludwig Glosser, Rainer Kuschewski and Jürgen Schulz were renewed through their reappointment following the employee elections on 21 March 2018.

After my previous term of office ended at the end of the Annual General Meeting of CECONOMY AG on 14 February 2018, my term of office as a member of the Supervisory Board was renewed by my re-election at the 2018 Annual General Meeting.

The Supervisory Board members elected through the employee elections on 21 March 2018, Daniela Eckardt, Birgit Popp, Lena Widmann, Sylvia Woelke, Wolfgang Baur, Kirsten Joachim Breuer, Ludwig Glosser, Rainer Kuschewski, Jens Ploog and Jürgen Schulz, are each appointed for a term of office until the end of the Annual General Meeting of CECONOMY AG in 2023. Claudia Plath and I have been appointed by the election of the Annual General Meeting in 2018 for a term of office until the end of the Annual General Meeting of CECONOMY AG in 2021.

In view of the fact that the Supervisory Board's Code of Procedure stipulates a ten-year limit for membership of the Supervisory Board, the Supervisory Board has established justified exceptions to this rule with regard to both Rainer Kuschewski and myself.

I would like to congratulate all newly elected members of the Supervisory Board, and I am looking forward to working with them in the future.

On behalf of the entire Supervisory Board, I would also like to thank all the members of the Supervisory Board who have retired in the past financial year for their commitment to the Company and their many years of loyalty to CECONOMY AG (formerly METRO AG). Always mindful of the interests of the Company, all former members of the Supervisory Board contributed to the deliberations and resolutions of the Supervisory Board and its committees with their own specialist knowledge and wide-ranging experience. I would like to offer special thanks to Dr Hans-Jürgen Schinzler for his many years of service as Chair of the Audit Committee of the Supervisory Board and as a member of the Nomination Committee and the Mediation Committee. Special thanks are due to Ulrich Dalibor for his many years of membership of the Supervisory Board and for his contributions as a member of the Audit Committee. I would particularly like to thank Mr Vinko Vrabec for his commitment to the Presidential Committee.

At its constituent meeting on 14 February 2018, immediately following the Annual General Meeting of the Company, the Supervisory Board re-elected me as its Chair. Jürgen Schulz was again elected Vice Chair at the new constituent meeting on 16 May 2018 for a term of office until the end of the Annual General Meeting of CECONOMY AG in 2020. The Supervisory Board elected Sylvia Woelke as Deputy Chair of the Supervisory Board for a term of office from the end of the Annual General Meeting in 2020 until the end of the Annual General Meeting in 2023.

With the resolutions of the Supervisory Board to amend the rules of procedure for the Audit Committee of the Supervisory Board and to constitute the committees established by the Supervisory Board, the Supervisory Board elected Karin Dohm as Chair of the Audit Committee and Sylvia Woelke as Vice Chair of the Audit Committee.

I would also like to congratulate the new members on their election to their respective offices as Vice Chairs of the Supervisory Board or as Chairs or Vice Chairs of committees and wish them the very best in the exercise of their offices.

Düsseldorf, 11 December 2018

On behalf of the Supervisory Board

JÜRGEN FITSCHEN
Chair

JÜRGEN FITSCHEN
Chair of the Supervisory Board

Brief profile: Jürgen Fitschen has been a member of the Supervisory Board of CECONOMY AG (formerly: METRO AG) since 2008 and has been its Chair since 2017.

Jürgen Fitschen was born in Harsefeld in 1948. Following his degree in economics at Hamburg University, he held various senior management positions, first at Citibank, then at Deutsche Bank. Until May 2016, Jürgen Fitschen was Co-CEO of Deutsche Bank AG and has since continued to work for Deutsche Bank as a Senior Advisor. Due to his professional career and further mandates in the supervisory committees of renowned companies, Jürgen Fitschen brings exceptional experience in the management and monitoring of internationally active companies to the Supervisory Board. He has outstanding specialist knowledge, in particular in all banking and financial matters, and is familiar with special questions of growth markets thanks to his long-standing activities in Asia.

↗ For more information about Jürgen Fitschen and the other members of the Supervisory Board, please refer to www.ceconomy.de/en/ in section Company – Supervisory Board.

CORPORATE GOVERNANCE REPORT

Pursuant to the recommendation of Subsection 3.10 of the German Corporate Governance Code [Deutscher Corporate Governance Kodex, DCGK], the Management Board and the Supervisory Board of CECONOMY AG deliver the following report on corporate governance at CECONOMY AG and CECONOMY Group.

The Management Board and the Supervisory Board of CECONOMY AG are firmly committed to the principles of transparent, responsible corporate management and supervision. They attach great importance to good corporate governance standards.

The voluntary commitment of the corporate bodies to the German Corporate Governance Code is reinforced by the following provision in § 1 para. 2 of the Code of Procedure for the Management Board of CECONOMY AG and in § 1 para. 2 of the Code of Procedure for the Supervisory Board of CECONOMY AG:

“The Management Board and the Supervisory Board of the Company base their actions on the relevant valid recommendations of the German Corporate Governance Code and deviate from the code’s recommendations only in well-founded exceptional cases. If the Management Board or Supervisory Board intends to deviate from a recommendation, the corporate bodies inform each other of the planned move in advance.”

Implementation of the German Corporate Governance Code

During financial year 2017/18, the Management Board and the Supervisory Board of CECONOMY AG discussed the implementation of the recommendations of the German Corporate Governance Code and compliance therewith in detail and issued the following declaration pursuant to § 161 para. 1 of the German Stock Corporation Act [AktG] in September 2018:

“The Management Board and Supervisory Board of CECONOMY AG hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with since the last declaration of compliance was issued by the Management Board and the Supervisory Board of CECONOMY AG (the **Company**) in September 2017 with the following exception:

As the reorganisation in connection with the demerger of the former METRO GROUP and the associated transition of the Company to an independent listed holding company continued in the first half of financial year 2017/18, the half-year financial report Q2/H1 2017/18 was not published until 17 May 2018. Although this took place within the legally prescribed period, it did not take place within the period of 45 days after the end of the reporting period recommended in Subsection 7.1.2 (3) DCGK.

The deviation was expected. In the forward-looking section of their last declaration, issued in September 2017, regarding the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 AktG, the Management Board and the Supervisory Board of the Company had indicated the likelihood of deviation from the recommendation pursuant to Subsection 7.1.2 (3) DCGK in the course of financial year 2017/18, as they assumed that publication of the half-year financial report Q2/H1 2017/18 would only be possible after expiry of the recommended period due to the reorganisation effort required in connection with the demerger and the associated transition to an independent listed holding company.

Another deviation from the recommendation pursuant to Subsection 7.1.2 (3) DCGK is already foreseeable in financial year 2018/19 since the publication of the half-year financial report for Q2/H1 2018/19 is scheduled for 21 May 2019, which – although still within the statutory period – is not within the recommended period of 45 days from the close of the reporting period. Due to organisational constraints during the preparation period, publication will not be possible until slightly after the recommended period has elapsed.”

Unlike the half-year financial report for Q2/H1 2018/19, the quarterly statements for Q1 and Q3/9M 2018/19 will be published within the recommended period of 45 days from the close of the reporting period in light of their smaller volume compared to the half-year report.

↗ CECONOMY AG makes the current declarations pursuant to § 161 AktG permanently available on the website, as well as declarations that are no longer up to date, at www.ceconomy.de/en/ in section Company - Corporate Governance.

In addition to recommendations, the DCGK contains suggestions that listed companies can – but do not have to – address. CECONOMY AG follows the vast majority of these suggestions. In financial year 2017/18, there was only one suggestion that the Company did not fully implement:

Subsection 2.3.3 DCGK recommends enabling shareholders to follow the Annual General Meeting via modern communication media such as the internet. In financial year 2017/18, CECONOMY AG – like the former METRO AG in previous years – only broadcast the speech by the Chair of the Management Board over the internet. This practice will be continued.

Division of duties and areas of responsibility between the Management Board and the Supervisory Board

The clear division between corporate management and corporate supervision is a key element of corporate governance for German stock corporations.

Duties and areas of responsibility are clearly divided between the Management Board and the Supervisory Board of CECONOMY AG.

The management authority lies with the Management Board of CECONOMY AG, which was composed of three members in financial year 2017/18. The Management Board of CECONOMY AG is responsible for running the Company. The key duties of the Management Board include defining corporate objectives and budgets, determining the corresponding strategic position of the Company and Group, and steering and monitoring them. In addition, the Management Board ensures the availability of investment funds, decides on their allocation within the Group, and is responsible for attracting and promoting highly qualified managers.

The Supervisory Board of CECONOMY AG monitors the management of the Company and advises the Management Board on the management of the Company. In accordance with the applicable regulations of the German Co-determination Act, the German Stock Corporation Act and the Company’s articles of association, the Supervisory Board of CECONOMY AG consists of ten shareholder representatives and ten employee representatives, with women and men both holding at least 30 per cent of the seats (that is, at least three each acting as shareholder representatives and employee representatives, respectively). The Supervisory Board advises the Management Board and oversees their management including the attainment of long-term corporate objectives. The Management Board informs and involves the Supervisory Board on an ongoing basis in its plans for the future development of CECONOMY and includes the Supervisory Board in decisions about important measures and legal transactions. Above and beyond its legally prescribed approval obligations, the Supervisory Board has determined its own approval requirements for certain types of business dealings and measures planned by the Management Board. The Supervisory Board is also responsible for appointments and revoking appointments to the Management Board.

↗ For more information about members of the Management Board and Supervisory Board, see the notes to the consolidated financial statements of CECONOMY AG, No. 55 Corporate bodies of CECONOMY AG and their mandates.

↗ The modes of operation of the Management Board and Supervisory Board, the composition and functions of the Supervisory Board committees and information on key corporate management practices are described in the annual declaration on corporate management, in which the declaration of compliance pursuant to § 161 AktG also appears in full.

The statement on corporate management is available on the website www.ceconomy.de/en/ in section Company – Corporate Governance.

Objectives regarding the composition of the Management Board and Supervisory Board

To carry out their duties properly, the Management Board and the Supervisory Board must possess a broad range of knowledge, skills and experience.

REQUIREMENTS FOR APPOINTMENTS TO THE MANAGEMENT BOARD

The Supervisory Board appoints the members of the Management Board. The decisions taken by the Supervisory Board regarding the composition and appointment of the Management Board as a whole are based on careful analysis of current and future business challenges. Potential members of the Management Board must not only have solid general qualifications, but must also be individuals capable of helping the Company to address its current situation and future challenges.

In selecting members of the Management Board, the Supervisory Board also heeds the recommendations of the DCGK. In particular, the Supervisory Board considers the issue of diversity, and strives to provide adequate consideration of women.

In financial year 2017/18, no woman had yet been appointed a member of the Management Board of CECONOMY AG. In compliance with German legislation governing equal participation of men and women in management positions, the Supervisory Board again set targets and deadlines in financial year 2016/17 for increasing the share of women on the Management Board. According to the law, these deadlines must not exceed five years. In light of the remaining terms of the members of the Management Board in office in financial year 2017/18, the Supervisory Board has determined that no women will probably be appointed to the Management Board of CECONOMY AG before 30 September 2020. However, in order to demonstrate that diversity is a preferred criterion for the Supervisory Board with regard to the composition of the Management Board, the Supervisory Board have adopted a longer-term perspective on this target, aiming to ensure that at least one woman be appointed to the Management Board between now and 30 June 2022. Given the conceivable composition of the Management Board of three or four members, this would equate to a share of at least 25 per cent.

With its resolutions in the meeting of 12 October 2018, the Supervisory Board initiated a fundamental personnel realignment in the Management Board of CECONOMY AG, which also entails the search for suitable candidates for the positions of CEO and CFO at the level of the Management Board of CECONOMY AG. The Supervisory Board's intention and claim to equal participation of women and men in management positions will continue to apply and will be taken into account in the ongoing selection process. With regard to the ongoing process, however, at the time of this statement it is not yet possible to say whether the aforementioned long-term objective will be achieved ahead of schedule.

REQUIREMENTS FOR APPOINTMENTS TO THE SUPERVISORY BOARD

To ensure that the Supervisory Board of CECONOMY AG can duly perform its responsibilities, the members once again defined the overall competence profile for the Supervisory Board in the constituent meeting of the Supervisory Board on 16 May 2018 and at the meeting on 19 September 2018 and, building on this, formulated a diversity concept as well as concrete objectives for the composition of the Supervisory Board and the associated composition requirements. The diversity concept aims to ensure that the Supervisory Board and the Management Board each have a diverse composition, particularly, but not exclusively, with regard to gender, educational, experience or professional background, age and an international outlook.

Diversity

The "Diversity" objective ensures that the members of the Supervisory Board complement each other in terms of age, (educational and professional) background, experience and skills, in such a way that the Board as a whole can draw on the widest possible range of knowledge and expertise.

In addition to the aforementioned criteria, the Supervisory Board aims to have a sufficient number of members with international experience or expertise.

Moreover, the employee representatives and the shareholder representatives should each comply separately with the statutory gender quota of 30 per cent. This means that the Supervisory Board should have at least three female and at least three male members on each side.

The current composition of the Supervisory Board fulfils this target (as of 30 November 2018). The employee representatives contribute their experience from the Group's German business and their administrative expertise from the key holding and cross-divisional service companies in Germany to the Supervisory Board, including, in particular, expertise in the Group's service business. Several shareholder representatives have national and international retail expertise, but also specific banking and finance expertise. Some members also have extensive experience in insurance or with consumer goods. In their capacity as active or former managers, several of the shareholder representatives contribute specific expertise in managing publicly listed globally operating companies to the Supervisory Board, while other individuals representing the shareholders are knowledgeable about digitalisation, marketing and M&A.

The representation of men and women on the Supervisory Board of CECONOMY AG complies with the legal requirements governing equal participation of men and women in management positions. The employee representatives and the shareholder representatives each comply separately with the statutory gender quota of 30 per cent applicable to the Supervisory Board of CECONOMY AG. The Supervisory Board currently includes five female representatives on the shareholder side and four on the employee side.

Impartiality

In addition to the diversity envisaged by the diversity concept, the impartiality of the members of the Supervisory Board is another important aspect for the composition of the Supervisory Board as a whole. At least six of the ten shareholder representatives on the Supervisory Board should be impartial within the meaning of Subsection 5.4.2 DCGK in accordance with the objectives set by the Supervisory Board for its composition.

Moreover, at least one member of the Supervisory Board must fulfil the requirements for chairing the Audit Committee. The committee Chair must also be impartial in accordance with the Code of Procedure of the Audit Committee.

The current composition of the Supervisory Board of CECONOMY AG meets these requirements. In accordance with legal stipulations, the Supervisory Board is composed of ten employee representatives and ten shareholder representatives. At least six shareholder representatives are impartial as defined in Subsection 5.4.2 of the DCGK. The Chair of the Audit Committee, Karin Dohm, is one of the impartial members of the Supervisory Board, as defined in Subsection 5.4.2 DCGK.

Special requirements related to appointments to the Audit Committee

With regard to the composition of the Audit Committee and the position of the Chairperson of the Committee, the Supervisory Board has stipulated in the Code of Procedure of the Audit Committee that the Chair must be impartial and possess professional knowledge in the areas of accounting and auditing as well as internal control measures (financial expert). The other committee members should possess sufficient professional knowledge and experience in these areas, and one member of the Audit Committee should ideally also possess special knowledge in the area of compliance.

These requirements are met by the current composition of the Audit Committee (as of 30 November 2018). The Chair of the Audit Committee, Karin Dohm, is impartial and possesses professional knowledge in the areas of accounting, auditing, and internal control procedures. The Vice Chair of the Audit Committee, Sylvia Woelke, is sufficiently knowledgeable and experienced in these fields, as are all other members of the Audit Committee, Dr Florian Funck, Ludwig Glosser, Peter Küpfer and Rainer Kuschewski. In her current capacity as a member of the Corporate Risk Management & Internal Controls department, and her former capacity as a member of the internal auditing department, Sylvia Woelke also possesses special knowledge in the area of compliance.

The distribution of competencies in accordance with the competence profile adopted by the Supervisory Board at its meeting on 19 September 2018 is shown in the table below:

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

Retail
- W. Baur
- D. Eckardt
- J. Ploog
- F. Raas
- J. Schulz
- L. Widmann
- S. Woelke

Service
- D. Eckardt
- L. Glosser
- J. Schulz

Digitalisation/technology
- L. Glosser
- J. Goldin
- J. Harlow
- R. Stachelhaus

International experience
- K. Dohm
- B. Düttmann
- J. Fitschen
- J. Goldin
- J. Harlow
- P. Küpfer
- R. Stachelhaus
- L. Widmann

Impartiality
- K. J. Breuer
- K. Dohm
- B. Düttmann
- J. Fitschen
- J. Goldin
- J. Harlow
- R. Kuschewski
- C. Plath
- R. Stachelhaus
- L. Widmann

Corporate management
- B. Düttmann
- J. Fitschen
- F. Funck
- P. Küpfer
- C. Plath
- F. Raas
- R. Stachelhaus

Marketing
- B. Düttmann
- J. Goldin
- J. Harlow

HR
- B. Düttmann
- B. Popp
- R. Stachelhaus

Business mergers and acquisitions (M&A)
- K. Dohm
- F. Funck
- P. Küpfer
- F. Raas

Compliance
- R. Stachelhaus
- S. Woelke

Internal controls
- C. Plath
- B. Düttmann
- S. Woelke

Accounting, audits
- K. Dohm
- B. Düttmann
- J. Fitschen
- F. Funck
- P. Küpfer
- C. Plath
- F. Raas
- S. Woelke

[1] Competencies in accordance with the resolution on the competence profile dated 19 September 2018

POTENTIAL CONFLICTS OF INTEREST WITHIN THE SUPERVISORY BOARD/TERM OF OFFICE AND AGE RESTRICTIONS

To prevent potential conflicts of interest, the Supervisory Board has stipulated in its Code of Procedure that members of the Company's Supervisory Board may not assume board functions, consulting tasks or memberships on the supervisory boards of German or international, direct and material competitors.

In addition, the Supervisory Board has set a standard limit of ten years for the period of service on the Supervisory Board and determined that the term of office for shareholder representatives on the Supervisory Board should typically be three years. The Supervisory Board may, at it's sole discretion, approve exceptions to these rules.

Candidates proposed for election to the Supervisory Board for the first time should, as a rule, not be older than 65 at the time of election. Only candidates who are younger than 71 at the time of election should generally be proposed for election to the Supervisory Board. The Supervisory Board may also, at its discretion, approve justified exceptions to these rules.

The Supervisory Board of CECONOMY AG currently meets these requirements (as of 30 November 2018). No member of the Supervisory Board assumes a function for direct, material competitors. In view of the fact that the Supervisory Board's Code of Procedure stipulates a ten-year limit for membership of the Supervisory Board, the Supervisory Board has established justified exceptions to this rule with regard to Rainer Kuschewski and Jürgen Fitschen. Rainer Kuschewski has been a member of the Supervisory Board since 2005 and Jürgen Fitschen has been a member since 2008. As part of the resolutions to approve the exceptions, the Supervisory Board determined that the in-depth knowledge and experience of the members in question were particularly valuable to the future work of the Supervisory Board. In particular, the Supervisory Board believes that their experience as members of the Supervisory Board of the former METRO AG prior to the demerger implemented in 2017 will serve to ensure continuity in the work of the Supervisory Board following the repositioning of the Company.

Compliance as well as opportunity and risk management

Compliance as well as opportunity and risk management are integral parts of the value-based management practiced by CECONOMY.

CECONOMY's business activities are subject to various legal stipulations and self-imposed standards of conduct. CECONOMY AG has bundled its measures for securing compliance with these rules and regulations in its Group-wide compliance management system.

The aim of the compliance management system is to systematically and sustainably prevent, detect and sanction regulatory infringements within the Company and the Group. To this end, CECONOMY regularly identifies behavioural compliance risks, establishes the necessary organisational structures and rigorously monitors and controls these risks through the responsible departments. In its Group-wide systematic reporting, key compliance risks and measures are transparently communicated and documented. The need for the further development of the compliance management system is ascertained from the results of regular internal controls and audits.

Opportunity and risk management at CECONOMY is a systematic, Group-wide process that helps the Company management identify, assess, monitor and manage opportunities and risks. As such, opportunity and risk management is a uniform process. The risk management system ensures that unfavourable developments and events are transparently flagged early on and their implications analysed to enable the Company to put the necessary countermeasures in place. Equally, the opportunity management system enables early identification and analysis of any opportunities that arise so that they can specifically be exploited. Both the compliance management system and the opportunity and risk management system are subject to continuous improvement.

They are managed through the internal control system [ICS]. CECONOMY AG further oriented and developed its management systems in financial year 2017/18 and adjusted them to the new structure of CECONOMY following the demerger.

↗ For more information about compliance as well as opportunity and risk management, see the combined management report – opportunity and risk report – as well as the declaration on corporate management. The statement is available on the website www.ceconomy.de/en/ in section Company – Corporate Governance.

Transparent corporate management

Transparency is an essential element of good corporate governance. The website of CECONOMY AG www.ceconomy.de/en/ is an important source of information for its shareholders, other capital market participants and the general public. Aside from a host of information about CECONOMY's strategy, brands and business unit, the site also contains IR publications, investor news, and ad hoc and other legal disclosures. CECONOMY also publishes the dates for its most important regular publications and events (including announcements of annual sales results, annual reports, quarterly statements and half-year financial reports, the annual business press conference and the Annual General Meeting) on its website with reasonable advance notice. The website also offers information shown as part of annual business press conferences, roadshows, investor conferences and information events for private investors.

The Annual General Meeting

The Annual General Meeting of CECONOMY AG gives shareholders the opportunity to use their legal rights, that is, in particular, to exercise their rights to vote (where these apply) as well as to address questions to the Company's Management Board. To help shareholders exercise their individual rights at the Annual General Meeting, CECONOMY AG posts documents and information for each Annual General Meeting in advance on its website.

The registration and legitimation procedure for the Annual General Meetings of CECONOMY AG complies with German stock corporation law and international standards. All shareholders wishing to attend an Annual General Meeting of CECONOMY AG and exercise their voting rights must register and supply proof of their right to attend and exercise voting rights. Written proof of share ownership in German or English from the custodian of the securities deposit account satisfies this requirement. A deposit of shares is not necessary. Proof of share ownership must correspond to the beginning of the 21st day before each Annual General Meeting. Like the registration for the Annual General Meeting, it must be submitted to CECONOMY AG at the address specified in the invitation within the time frame specified by law and in the articles of association. Detailed registration and attendance conditions are announced in the invitation to each Annual General Meeting.

Shareholders who are unable to attend the Annual General Meeting in person may exercise their voting rights through a proxy. The necessary voting right authorisation must be provided in written form. In certain cases, described in the invitation to the Annual General Meeting, simplified formal stipulations may apply, such as issuing voting right authorisations to banks or shareholder associations.

Shareholders may also authorise Company-appointed proxies to exercise their voting rights (known as proxy voting). The following rules apply: In addition to voting right authorisations, shareholders must also provide instructions on how to exercise these voting rights. The proxies appointed by the Company are obliged to vote according to these instructions. For the assignment of voting rights during the Annual General Meeting for those shareholders who initially participate in the Annual General Meeting but who want to leave early without forgoing the exercise of their voting rights, proxies appointed by CECONOMY AG are also available. Of course, this does not affect the right to appoint other proxies to exercise one's voting rights. The details on proxy voting are given in the invitation to each Annual General Meeting.

In the interest of shareholders, the Chair of the Annual General Meeting, who as a rule is the Chair of the Supervisory Board, works to ensure that the Annual General Meeting is conducted efficiently and effectively. The objective is to complete a regular CECONOMY AG Annual General Meeting within four to six hours at most.

Managers’ transactions, share ownership by members of the Management and Supervisory Boards

Pursuant to Art. 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation), members of the Management and Supervisory Boards as persons discharging managerial responsibilities must inform CECONOMY AG of any transactions involving their own CECONOMY shares or CECONOMY bonds or related financial instruments (referred to as Managers’ Transactions). This notification requirement also applies to persons closely associated with members of these corporate bodies. However, there is a minimum threshold for reporting such transactions, with transactions under €5,000 in any calendar year not being reportable. No managers' transactions were reported to CECONOMY AG in the 2017/18 financial year.

↗ Notifications of managers’ transactions are published in the Legal Announcements section of the website at www.ceconomy.de/en/.

Audit

AUDIT 2017/18

The Annual General Meeting of CECONOMY AG held on 14 February 2018 appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) to audit the financial statements for financial year 2017/18 and to perform a review of the condensed financial statements and the interim management report for the first half of financial year 2017/18. In awarding the corresponding auditing contract, the Supervisory Board considered the recommendations listed in Subsection 7.2 of the DCGK.

Throughout the audit, which was completed in November 2018, KPMG did not notify the Supervisory Board of any grounds for disqualification or conflicts. There was also no evidence that any existed.

Whilst conducting the audit, the auditor informed the Audit Committee of all findings and facts material for the duties of the Supervisory Board of which it became aware when conducting the audit. In the past financial year, the auditor participated in six out of seven Audit Committee meetings for this purpose. The auditor found no irregularities in the Management and Supervisory Boards’ declarations of compliance.

AUDITOR’S IMPARTIALITY

The auditor fulfils two key functions. Their audit activities help the Supervisory Board in exercising corporate control while providing the basis for the trust of the general public and capital market participants, in particular, in the accuracy of the annual financial statements and management reports. The auditor’s impartiality is a key precondition for fulfilling these two functions. One of the foremost tasks of the Audit Committee of the Supervisory Board of CECONOMY AG is therefore the reassurance of the auditor’s impartiality. The committee reviewed this impartiality again in financial year 2017/18.

↗ For more information on corporate governance at CECONOMY Group, please refer to the Company – Corporate Governance section of the website at www.ceconomy.de/en/.

COMBINED MANAGEMENT REPORT

OVERALL STATEMENT BY THE MANAGEMENT BOARD OF CECONOMY AG ON THE BUSINESS DEVELOPMENT AND SITUATION OF CECONOMY

CECONOMY was not able to fulfil all expectations placed in the Company in the past financial year. This was due, in particular, to the operating business and the unsatisfactory business performance in Germany. In addition, the implementation of important strategic initiatives had not progressed fast enough.

Against this background, the Management Board and Supervisory Board initiated a personnel realignment of CECONOMY and MediaMarktSaturn in October. In addition, central levers for operational improvements have already been defined and the implementation commenced. A concept was also developed to restructure and improve management structures and processes.

CECONOMY is facing major challenges. The Management Board is however certain that the company will be able to overcome these challenges with a clear strategy and its rigorous implementation.

In order to strengthen equity and pool our strengths, no dividend will be distributed at the next Annual General Meeting.

OVERVIEW OF FINANCIAL YEAR 2017/18 AND FORECAST

Results of continuing operations

- In financial year 2017/18, total sales of CECONOMY decreased by −0.9 per cent to €21.4 billion compared to the previous year (2016/17: €21.6 billion).

- Adjusted for currency effects and portfolio changes, sales increased by 0.2 per cent compared with the previous year (like-for-like: −0.7 per cent).

- Group EBITDA was €650 million (2016/17: €714 million before special items or €636 million including special items). Group EBIT was €419 million (2016/17: €494 million before special items or €395 million including special items). Both EBITDA and EBIT include an earnings contribution from our investment in Fnac Darty S.A. of €21 million (2016/17: €0 million).

- Profit or loss for the period decreased to €87 million (2016/17: €270 million before special items or €181 million including special items).

- Earnings per share reduced to €0.07 (2016/17: €0.63 before special items or €0.41 including special items).

Financial and asset position

- As at 30 September 2018, the consolidated statement of financial position records an equity of €665 million (30/09/2017: €666 million). The equity ratio is 7.9 per cent (30/09/2017: 8.0 per cent).

- As at 30 September 2018, net liquidity totalled €675 million (30/09/2017: €317 million, of which €3 million from discontinued operations).

- Investments from continuing operations according to the segment report amount to €278 million (2016/17: €308 million).

- The cash flow from operating activities for continuing operations led to a cash inflow of €743 million in the past financial year (2016/17: €584 million).

- Total assets and liabilities increased to €8,475 million (30/09/2017: €8,280 million).

- The net working capital according to the statement of financial position improved compared to the previous year to €−1,125 million (30/09/2017: €−858 million).

- The ratings awarded to CECONOMY AG were as follows as at 30 September 2018: Baa3/Stable (Moody's), BBB−/Stable (Scope).

Outlook of CECONOMY

The outlook is adjusted for exchange rate effects and before portfolio changes. Still to be specified expenses in connection with the restructuring and optimisation of structures and business processes at administrative and central units are not included. Expenses for already announced management changes in top management are also not included.

SALES

For the 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.

GROUP PRINCIPLES

Group business model

In an increasingly digital world, people are taking advantage of the opportunities offered by technology and integrating it more and more into their everyday lives. The boundaries between the digital and the physical world are becoming increasingly blurred. The role of consumer electronics has changed considerably in this new reality, and so has our role; we provide the “tools”, the products and services that make digital life possible. As the number one European platform for consumer electronics companies, concepts and brands, CECONOMY is committed to driving this change and creating value for customers and shareholders. Future growth and success are contingent on the combination of today’s assets with all the opportunities that a strong holding organisation can offer its group companies, shareholders and business partners.

The business model builds on a clear division of responsibilities. As the central management holding Company, CECONOMY AG performs the basic AG functions such as Finance, Accounting, Controlling, Legal and Compliance.

Operational business is handled by several Group companies, with the main focus on the MediaMarktSaturn Retail Group with its brands MediaMarkt and Saturn. The online retailer iBood and the entertainment platform Juke complete the range of products and services offered by the MediaMarktSaturn Retail Group.

CECONOMY AG is also the principal shareholder in DTB Deutsche Technikberatung GmbH at 80 per cent. The Company is known as the partner for professional technical support at home. Since June 2018, these services have also been offered throughout Germany in all MediaMarkt and Saturn stores. Our aim in providing these services is to ensure that customers are able to get the most out of their technology as quickly as possible. Retail Media Group GmbH (RMG) is a further Group subsidiary of CECONOMY AG. It helps advertisers to develop individually tailored online campaigns based on impersonal statistics about visitors and purchases to ensure maximum reach of clearly specified target groups.

CECONOMY AG also holds a minority stake of around 24.08 per cent in Fnac Darty S.A., the leading consumer electronics and household appliances retailer in France. CECONOMY AG also holds, via Media-Saturn-Holding GmbH, a 15 per cent stake in M.video, Russia’s market leader for consumer electronics.

Overview of CECONOMY

MediaMarkt, founded in 1979, now operates around 850 stores in 14 European countries with around 46,000 employees and is steadily expanding its position as Europe's leading consumer electronics retailer. MediaMarkt is consistent in promoting the core of its brand – entertainment – in its range, pricing, customer assistance and communication as well as after-sales service. Its declared aim is to make MediaMarkt the most enjoyable place for customers to shop for consumer electronics – whenever and wherever they are. The recipe for success includes not just the very latest assortment of brand products at prices that are always low, but also individual advice and a portfolio of tailor-made after-sales services, ranging from delivery to assembly and installation and up to repairs of electronic appliances. MediaMarkt also offers customers the option of renting appliances rather than buying them. MediaMarkt's online and mobile shops, which are closely linked to the store-based business as part of a multi-channel strategy, are also important sales channels in nearly all the countries where it has a store presence. The company has positioned itself as a provider of continuous customer experience that spans all sales channels – while at the same time giving its customers the option of flexibly combining all mobile, online and offline services with each other. In addition, MediaMarkt operates various online portals to provide information for consumers, focusing on topics such as Smart Home, gaming and virtual reality, and featuring technology and lifestyle trends and special offers.

Saturn has been a specialist for electronic brand products at consistently fair prices for more than 50 years. Today, Saturn operates more than 170 stores in three European countries. Saturn stores bring technology to life for its customers and show how modern technological products can enrich their lives. They offer a range of approximately 45,000 articles from the areas of entertainment technology, gaming, household appliances, smart home technology, telecommunications, computers and photography. Saturn also incorporates virtual reality and robotics, as well as other technologies, to present the very latest technologies to customers while in store. Saturn enhances its store-based business in Germany with its online shop and mobile channels. Within the framework of this multi-channel strategy, Saturn customers reap the benefits of both online shopping and the personal advice and comprehensive services offered by the local stores and at home. Saturn publishes a magazine entitled "Turn On" in hard copy and on social media to keep technology enthusiasts up to date with the latest trends and to report on the latest developments in digital lifestyle.

iBood stands for "Internet's Best Online Offer Daily" and is Europe's biggest live shopping portal. Customers can find new brand products at particularly low prices on iBood. Availability is limited, and the products change daily. A key element of this business model is the communicative exchange about products and offers within the iBood community.

Juke is MediaMarkt and Saturn's music streaming service. More than 46 million songs can be consumed digitally via Juke. Juke is currently available in Germany and the Netherlands.

Deutsche Technikberatung (DTB) offers professional assistance – either individually on site or remotely – with home installation, networking and troubleshooting of electronic appliances. In addition, cooperation with MediaMarkt and Saturn makes customers' lives easier in the digital world: DTB consultants can design solutions for an unlimited technology experience at home.

Retail Media Group (RMG) develops customised advertising campaigns based on impersonal visitor and purchase statistics. The CECONOMY subsidiary draws on the online and mobile platforms operated by the participating retailers, such as MediaMarkt, Saturn or Thalia. RMG helps advertisers to develop online campaigns that ensure maximum reach of defined target groups.

Financial investments

Fnac Darty S.A. is the leading retailer for consumer electronics and household appliances in France, with a presence in ten additional countries. The Group consists of a multi-channel network of 728 stores, including 510 in France. Through its two commercial websites, www.fnac.com and www.darty.com, Fnac Darty S.A. operates the second most frequently visited e-commerce platform in France with more than 19.9 million visitors per month. As a leading omnichannel retailer, Fnac Darty S.A. achieved proforma sales of €7.4 billion in 2017. The stake in Fnac Darty S.A. of approximately 24.08 per cent underscores CECONOMY's ambition to further strengthen its position as the leading European platform for companies, brands and concepts in the consumer electronics sector. In May 2018, MediaMarktSaturn and Fnac Darty S.A. signed a memorandum of understanding to establish the European Retail Alliance, which officially launched on 30 August 2018. The Alliance is intended to create added value for members, consumers and suppliers alike.

M.video is the leading Russian consumer electronics retailer. In April 2018, M.video concluded the acquisition of its competitor Eldorado. The two companies together have a market share of around 26 per cent in Russia and currently operate 840 stores. Sales amounted to approximately RUB 304 billion in 2017 (equivalent to approximately €4.4 billion, exchange rate on 31 December 2017: €1 = 69.1607 RUB). In the summer of 2018, Media-Saturn-Holding GmbH, a majority shareholding of CECONOMY AG, acquired a 15 per cent minority interest in M.video. In addition to the purchase price, the entire Russian MediaMarkt business was transferred to the Safmar Group, the majority owner of M.video.

Store network by country

	30/09/2017	Openings/Additions 2017/18	Closures/Disposals 2017/18	30/09/2018
Germany	429	5	−2	432
Austria	50	2	0	52
Switzerland	27	1	−1	27
Hungary	24	0	0	24
DACH	**530**	**8**	**−3**	**535**
Belgium	28	1	0	29
Greece	12	0	0	12
Italy	116	1	−2	115
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	83	2	0	85
Western/Southern Europe	**300**	**4**	**−2**	**302**
Poland	86	3	−3	86
Turkey	53	18	0	71
Eastern Europe	**139**	**21**	**−3**	**157**
Sweden	27	1	0	28
Others	**27**	**1**	**0**	**28**
CECONOMY	**996**	**34**	**−8**	**1,022**
Russia	57	86	−143	0
Discontinued operations	**57**	**86**	**−143**	**0**

Management system

CECONOMY's ambition is to offer tailor-made solutions to support consumers and make their lives easier in a world that is becoming steadily more digital. In order to consolidate and expand its position as the leading European platform for companies, brands and concepts in the consumer electronics sector, CECONOMY's management system is geared to the needs of the stakeholders.

The key figures used by CECONOMY to control the Company are presented below. In addition to a brief description of the content of the respective key figure, reference is made to the corresponding section of the annual report, which provides a more detailed description of the key figure in its overall context. The table is followed by a summary of how the key performance indicators are used in a value-oriented manner to sustainably increase the corporate value of CECONOMY.

Special items were reported for the last time in the 2016/17 financial year. The comparative figures for the key figures relevant to forecasts for the 2017/18 financial year have therefore been adjusted for special items. Special items relate to transactions that were not regularly recurring, such as restructuring or changes in the Group portfolio.

The key performance indicators of CECONOMY, total sales growth adjusted for currency effects and portfolio changes as well as net operating assets, EBITDA and EBIT, are highlighted at the beginning of the table. CECONOMY provides a forecast for these main key figures. The key figures are grouped below according to their allocation to the income statement, cash flow statement, statement of financial position and other operating figures.

Key figure	Explanation	Reference
Forecast-relevant key figures		
Sales adjusted for currency and for portfolio changes	Total sales are stated in euros. The sales generated in a given period in the countries are translated at the corresponding average exchange rate. Currency-adjusted sales growth is determined for the overall year by translating the sales of the previous year's period at the exchange rate of the corresponding period of the current year. Currency-adjusted sales growth in individual quarters is calculated as the difference between the respective cumulative periods. All cumulative periods required for this are translated using the exchange rate of the last cumulative period (example: currency-adjusted sales growth Q4 2017/18 based on exchange rates for full year 2017/18). Adjustments are made for portfolio changes by taking into account sales affected by the measure neither in the current year nor in the previous year.	Earnings position
EBITDA	EBITDA is the profit before net financial result, taxes, depreciation/amortisation/impairment and reversals of impairment losses on property, plant and equipment, and intangible assets (earnings before interest, taxes, depreciation and amortisation).	Earnings position
EBIT	EBIT is defined as earnings before the deduction of net financial result and taxes (earnings before interest and taxes.	Earnings position
Net working capital	Net working capital as non-current operating assets is defined as follows: Inventories + Trade receivables + Receivables due from suppliers + Credit card receivables + Advance payments on inventories - Trade payables - Liabilities to customers - Deferred sales from vouchers and customer loyalty programmes - Provisions for customer loyalty programmes and rights of return - Prepayments received on orders = Net working capital	Financial and asset position

Key figure	Explanation	Reference
Other key figures in the income statement		
Total sales	Total sales are stated in euros. The sales generated in a given period in the countries are translated at the corresponding average exchange rate.	Earnings position
Total sales growth	Total sales growth refers to the percentage change in total sales compared with the corresponding period of the previous year.	Earnings position
Like-for-like sales growth	Like-for-like sales growth refers to like-for-like sales growth in local currency or with respect to a comparable group of stores or sales concepts such as online retail and delivery. The figure includes only sales of stores with a comparable history of at least one full financial year. This means that stores affected by openings, closures or material changes to the business during the reporting period or comparable year are excluded.	Earnings position
Online sales	The key figure online sales comprises the sales generated via the internet. This includes both the sales of the Online Pure Player and the sales generated by MediaMarktSaturn Retail Group via their websites. Goods ordered online and collected at the store are also included here.	Earnings position
Online growth	Online growth refers to the change in online sales compared with the corresponding period of the previous year.	Earnings position
Online share	The online share refers to the share of online sales in the total sales of the relevant period. $\text{Online share} = \frac{\text{Online sales}}{\text{Total sales}}$	Earnings position
Services & Solutions sales	Services & Solutions sales are those sales that are not pure sales of goods. Examples are warranty extensions, brokerage of mobile phone contracts, repair services, and delivery and assembly.	Earnings position
Services & Solutions growth	Services & Solutions growth refers to the change in Services & Solutions sales compared with the corresponding period of the previous year.	Earnings position
Services & Solutions share	The Services & Solutions share represents the share of Service & Solutions sales in total sales for the relevant period. $\text{Services \& Solutions share} = \frac{\text{Services \& Solutions sales}}{\text{Total sales}}$	Earnings position
Gross margin	The gross margin is the ratio of gross profit on sales and total sales. $\text{Gross margin} = \frac{\text{Gross profit on sales}}{\text{Total sales}}$ Gross profit is defined as total sales less cost of goods sold, plus any subsequent rebates granted by suppliers.	Earnings position

Key figure	Explanation	Reference
EBITDA margin	The EBITDA margin is the ratio of EBITDA to total sales. $\text{EBITDA margin} = \frac{\text{EBITDA}}{\text{Total sales}}$	CECONOMY facts & figures
EBIT margin	The EBIT margin is the ratio of EBIT to total sales. $\text{EBIT margin} = \frac{\text{EBIT}}{\text{Total sales}}$	CECONOMY facts & figures
EBT	EBT is the earnings before taxes (EBT) of CECONOMY. EBIT +/- Net financial result = EBT	Earnings position
Tax rate	The tax rate is the ratio of tax expense to earnings before taxes (EBT). $\text{Tax rate} = \frac{\text{Tax expense}}{\text{Earnings before taxes}}$	Earnings position
Minority interest in the profit or loss for the period	The minority interest in the profit or loss for the period refers to the share of the net profit or loss for the period attributable to non-controlling interests (synonym for "profit or loss for the period attributable to non-controlling interests").	Earnings position
Net result	Net result is defined as the figure which, after deduction of non-controlling interests, is calculated from the result for the period (synonymous with "profit or loss for the period attributable to CECONOMY AG shareholders").	Earnings position
Earnings per share (EPS)	EPS is the ratio of net result to the number of shares issued (ordinary and preference shares). $\text{EPS} = \frac{\text{Net result}}{\text{No. of shares issued}}$	Earnings position
Key figures in the cash flow statement		
Change in net working capital	As part of the cash flow from operating activities, changes in the statement of financial position items in the statement of financial position attributable to net working capital are shown here, adjusted for currency effects, which are recognised separately, and investments and divestments.	Financial and asset position
Income taxes paid (cash taxes)	As part of the cash flow from operating activities, the actual cash outflow for income taxes in the relevant period is shown here.	Cash flow statement
Cash flow from operating activities	The cash flow from operating activities refers to movements in the item "cash and cash equivalents", which are allocated to operating activities. These mainly comprise EBITDA adjusted for additions to or reversals of provisions, changes in net working capital and tax payments.	Financial and asset position

Key figure	Explanation	Reference
Cash investments	Cash investments is the absolute amount of cash investments in the period under review. For this purpose, the “Acquisition of subsidiaries”, “Investments in property, plant and equipment (excl. finance leases)” and “Other investments” from cash flow from investing activities are combined.	Cash flow statement
Cash flow from investing activities	The cash flow from investing activities refers to movements in the item “cash and cash equivalents”, which are allocated to investing activities. This mainly comprises cash investments and inflows from divestments.	Financial and asset position
Profit distributions	The key figure dividends paid includes the cash outflows to shareholders contained in the cash flow from financing activities and includes both the distribution to ordinary and preference shareholders and payments to non-controlling shareholders.	Cash flow statement
Cash flow from financing activities	The cash flow from financing activities refers to movements in the item “cash and cash equivalents”, which are allocated to financing activities. This mainly comprises payments of dividends paid, borrowing/redemption of borrowings and interest payments.	Financial and asset position
Free cash flow	Free cash flow comprises cash flow from operating activities less cash investments. Cash flow from operating activities – Cash investments = Free cash flow	CECONOMY facts & figures
Key figures in the statement of financial position		
Equity	Under IFRS accounting, equity is a residual value resulting from the formation of the difference between assets and liabilities.	Financial and asset position
Equity ratio	The equity ratio is the ratio of equity to total assets and liabilities. $\text{Equity ratio} = \frac{\text{Equity}}{\text{Total assets and liabilities}}$	Financial and asset position
Financial liabilities	Financial liabilities comprise current and long-term financial liabilities including finance leases.	Financial and asset position
Cash and cash equivalents	Cash and cash equivalents comprise cash and cash equivalents as well as financial investments in the form of short-term bank balances and short-term debt securities available for sale.	Financial and asset position

Key figure	Explanation	Reference
Net liquidity/net debt	Net liquidity/net debt is calculated by offsetting financial liabilities against cash and cash equivalents. Financial liabilities – Cash and cash equivalents = Net liquidity/net debt	Financial and asset position
Other key operational figures		
Cash flow conversion	Cash flow conversion is the percentage ratio of simplified free cash flow to EBITDA. $\text{Cash flow conversion} = \frac{\text{EBITDA} - \text{Investments} \pm \text{Change in net working capital}}{\text{EBITDA}}$	See below
Investments according to the segment report	The key figure investments in the segment report includes all additions to long-term intangible assets and property, plant and equipment (e.g. land, buildings, expenditure on modernisation). In contrast to cash investments, this item also includes the present value of finance leases entered into. However, this figure does not include payments for financial assets, advance payments on account or prepayments of rent.	Investments/divestments
Total number of stores	The number of stores refers to the number of brick-and-mortar stores with a selling space that can be quantified in square metres.	Group business model/earnings position
Total new openings	Number of new openings in a period.	Group business model/earnings position
Total closings	Number of closings in a period.	Group business model/earnings position
Selling space	The selling space is the total area of all stores in square metres.	Earnings position
Average selling space per store	The average selling space per store is calculated as the ratio of the total area of all stores in square metres and the number of stores as of the closing date. $\text{Average selling space per store} = \frac{\text{Total area of all stores in square metres}}{\text{Number of stores}}$	Earnings position
Number of employees	This key figure specifies the number of full-time equivalents as of the closing date.	CECONOMY facts & figures

Based on similar prevailing economic conditions and the commercial circumstances of business activities, individual countries are grouped together in the following **business segments** that are subject to a reporting obligation:

- DACH (Germany, Austria, Switzerland, Hungary)

- Western/Southern Europe

- Eastern Europe

All operating segments that are not subject to a reporting obligation, and business activities that do not meet the definition criteria for an operating segment, are grouped together under "Others". These include in particular Sweden and smaller operating companies.

As part of CECONOMY's **value-based management**, key figures and targets are regularly checked for their orientation towards a sustainable increase in corporate value. The perspective of the shareholders and other stakeholders is taken into account. In addition to the strong focus on sales and margin ratios, which is typical for the retail sector, cash flow also plays an important role in CECONOMY's key figure system. Based on the 2015/16 financial year, CECONOMY's management formulated a medium-term ambition prior to portfolio changes to which the following key figures and corresponding target values were assigned:

- Sales growth (>3 per cent average growth rate)

- EBITDA margin (close to 5 per cent)

- Cash investments (around 1.5 per cent of sales) and cash flow conversion (60 to 70 per cent)

- Tax rate (close to 40 per cent)

- Dividends (generally 45 to 55 per cent of EPS, depending on future economic development and the profitability of investment projects)

Sustainability management

CECONOMY's vision is "We empower life in the digital world". This statement implies that we have a direct responsibility towards people and the environment. We align our business activities along the entire value chain with environmental, social and legal framework conditions. We use the United Nations Sustainable Development Goals (SDGs) as a guiding framework in this endeavour. These goals for sustainable development were passed in 2015 by the 193 member states of the United Nations at the General Assembly. These SDGs have been in place since 1 January 2016 and will remain valid for a period of 15 years. They also serve as a guideline for companies around the world. Our goal is to boost our positive impact on the SDGs through our business activities while systematically mitigating any negative effects. We seek partnership approaches in dialogue and cooperation with our stakeholders to develop sustainable solutions and ultimately create added value for all.

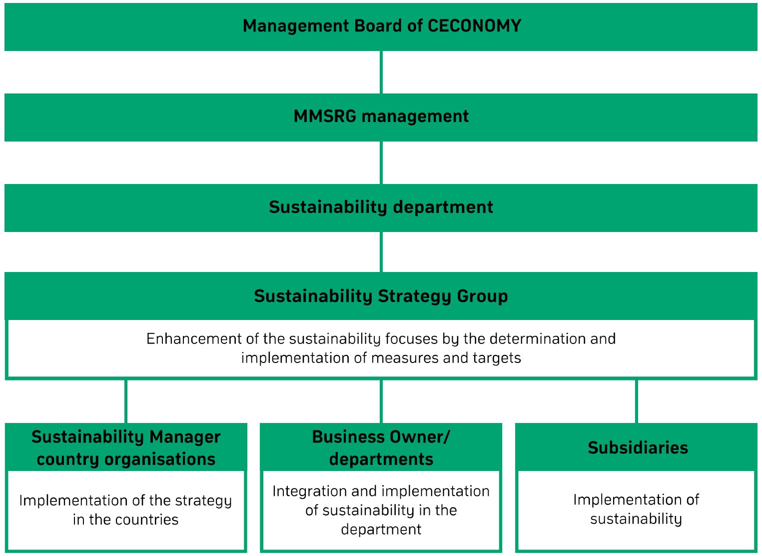
Sustainability management and organisation

The Management Board of CECONOMY AG is the highest authority on sustainability and is responsible for strategic decisions as well as for monitoring goals and progress. As the highest sustainability ambassador, the Chair of the Management Board regularly includes sustainability activities on the agenda of Management Board meetings. This means that the Management Board meetings of CECONOMY AG are our highest "Sustainability Committee" in the Group.

The "Sustainability Strategy Committee" was introduced at the level of MediaMarktSaturn Retail Group. All relevant experts regularly meet under the coordination of the sustainability department in order to plan the concrete implementation of the sustainability strategy as a part of the overall strategy and merge it with the operative business. Within the Strategy Committee, the operational managers specify the structure of the sustainability projects and develop templates for decision-making by management and the Management Board. Sponsors are also assigned to each sustainability focus in our strategy at the highest management level. These sponsors are responsible for the integration of sustainability in their respective departments.

In addition, executives in each country and service organisation of MediaMarktSaturn Retail Group have been appointed as “Sustainability Managers” to bring the sustainability strategy directly into the countries. These country-specific activities are based on the overarching sustainability strategy.

Sustainability organisation



↗ Please find more information on sustainability management and sustainability organisation in the Separate non-financial Group report.

Sustainability strategy

After the demerger of METRO GROUP, CECONOMY AG, together with MediaMarktSaturn Retail Group, developed its own sustainability approach and strategy, using the SDGs of the United Nations as the foundation. They define sustainable development and what goals are to be achieved. We applied them to reflect our business model and to review our impact on the environment and society. The global sustainability goals are a tangible mandate for us to make a contribution to a more sustainable future as part of our business activities. We have defined our guidelines accordingly.

↗ You can find additional information on our sustainability strategy and the related management approaches, targets and key figures in our Separate Non-Financial Group Report, which is also shown in the German Federal Gazette

Pursuant to this mandate, in August 2018 MediaMarktSaturn Retail Group joined the United Nations Global Compact (UNGC), the world’s largest initiative for corporate responsibility and sustainable development. MediaMarktSaturn’s accession to the UNGC is a commitment to the ten principles of the UNGC and a commitment to working on their implementation.

With the materiality analysis we conducted in the reporting period, we identified central starting points for our sustainability strategy in addition to the report contents for our Separate non-financial Group report in accordance with the CSR Directive Implementation Act. We have derived specific targets from this, which are closely linked to our overarching corporate strategy.

↗ You can find more information on the materiality analysis in the Separate non-financial Group report.

Employees[1]

We have set ourselves the goal of increasing the relevance of our concepts, formats and brands, supporting our customers in an increasingly digital world and making their lives easier with our tailor-made solutions. To achieve this goal, we need dedicated employees who bring our strategy to life in their everyday work and create added value for our customers. One thing is certain: CECONOMY can only grow if we support our employees. Our human resource strategy focuses on two key aspects: human resource management, which includes employee recruitment, retention and development; and occupational safety and health management. Our objective is to attract the very best employees, to support them in accordance with their drive and abilities, and to strengthen their long-term connection to our company. By taking this approach, we strive to be an attractive employer for current and future employees.

Recruiting employees

In the competition for the most highly skilled employees and executives, we at CECONOMY are taking steps to polish our image among potential applicants. For us, this also includes the initial training of young employees for retail, through which we can recruit employees from our own ranks.

Training programmes at CECONOMY

	2016/17	2017/18
Number of trainees in Germany	2,328	2,296
Number of trainees internationally	395	644
Newly employed trainees in Germany	780	815
Trainee ratio (incl. interns and students) in Germany (in %)	9.4	9.4

In financial year 2017/18, training focused on the topics of customer orientation and digital skills.

We are revising our entire training concept (Training 2.0) and placing it on a different footing with our trainers and apprentices in order to meet this requirement for the future. The e-learning module "Online & Digital World" was rolled out for all apprentices at MediaMarkt, Saturn and the administrative centre.

Following the link between training and the digital world as well, CECONOMY was represented by the MediaMarktSaturn Retail Group (MMSRG) as a business representative in an advisory capacity in the BIBB (Federal Institute for Vocational Education and Training) committee on the establishment of Management Assistant in E-commerce as a new job requiring training. The job requiring training was launched on 1 September 2018.

MediaMarkt further increased the number of trainees in the 2017/18 financial year. In order to maintain the quality of training at the highest level, the trainers in the stores on the e-learning platform "Fit with MediaMarkt" are supported by their own departments (Trainer toolbox). This toolbox contains complete information on recruiting, onboarding, mentoring and development of the trainees. There are also trainee workshops and regional trainee courses available in the regions. The new trainee campaign "Without you – with you" helps stores recruit talented young people for sales.

Saturn also relies on close cooperation with in-store trainers for its training. A national meeting of trainers was held for this purpose. In addition to having the opportunity to exchange ideas, and network and give spontaneous presentations, they worked together on producing the content of a future-oriented training course.

At the Trainee Academy, Saturn trainees are prepared for their future careers and supported through the entire training. The annual Top Trainee Event is the crowning achievement for all trainees who are taken on at Saturn.

[1] Due to a changed calculation basis, the previous year's figures have been adapted. The number of people cited in the text are essentially calculated based on the average head count, unless described otherwise. All cited facts and figures relate exclusively to the area of continued operations.

In addition to dual vocational training, we offer young people the opportunity to attend a dual course of study with practical modules. In the reporting period 2017/18, 95 students were registered in Germany.

TALENT DEVELOPMENT

For its junior employees at MMSRG, CECONOMY conducts special trainee programmes with a focus on finance, IT and multi-channel marketing. These programmes encourage graduates to take personal responsibility for themselves and at the same time offer individual design freedom in terms of process, programme design and personal development.

MediaMarkt and Saturn are focusing on the continuous expansion of their dual degree programmes in Germany. The focus of these programmes is on individual development and needs-oriented further training of junior employees. The training stores are specifically prepared to ensure that the students are well trained for their jobs in store.

In order to promote the exchange of ideas and networking within the talent groups as well as with management, both MediaMarkt and Saturn hold an annual talent day.

The Spanish country organisation offers a two-year “Digital Talent” trainee program for graduates in e-commerce, IT and computer science. With a 70 per cent placement rate, a two-year work/study programme also offers good career entry opportunities. The programme was awarded an social enterprise award from the Fundación Mundo Ciudad in 2018.

EMPLOYER BRAND AND HUMAN RESOURCE MARKETING

CECONOMY is again focusing this year on the recruitment of young talent and IT specialists. By rebranding from “MediaMarktSaturn IT Solutions” to “MediaMarktSaturn Technology” (MMST), CECONOMY was also able to further strengthen the employer brand MMST among IT specialists. This change helps recruiters to raise awareness and identify potential talent, in particular from the IT segment. During this process, MMST launched attractive, international social media presences and campaigns.

CECONOMY continues to focus on cooperation with universities in the recruitment of young talent and IT specialists. In order to generate awareness of our company among potential new talent, CECONOMY representatives also attended trade fairs, specialist lectures and workshops in financial year 2017/18. CECONOMY participated for the first time in Software Campus, a management development programme for master’s students and doctoral candidates sponsored by the German Federal Ministry of Education and Research. This programme opens up excellent career prospects for young IT experts by combining cutting-edge research and management practice in a new concept.

CECONOMY promotes active cooperation with university associations such as Students’ Life at the Technical University Ingolstadt to address the shortage of IT specialists and strengthen digital skills. Recruitment events with a focus on IT are developed jointly. For the first time, MMSRG is using various exchange and recruitment formats with external partner companies from the IT and e-commerce sector.

Internationally, CECONOMY is increasingly focusing on cooperation with the Spanish country organisation in Barcelona in order to attract IT talent. To this end, we initiated cooperative ventures with the Fòrum de les Tecnologies de l’Informació i de la Comunicació and JOBarcelona.

In addition, we expanded the employee recommendation programme launched at MMSRG called #plus1 to include international employees, for example in Spain. After a successful introduction, employees can recommend open positions within CECONOMY to their network at any time.

TOP4WOMEN – AN EMPLOYER BRAND FOR WOMEN

MMSRG participated for the first time in an online assessment centre for the Top4Women employer logo and received the silver award. This highlights MMSRG’s objective of consistently expanding its the female talent pool, retaining women with potential and offering them long-term career prospects.

Remuneration models and succession planning

Entrepreneurship is a value that has traditionally been firmly anchored at CECONOMY and especially at MMSRG. The remuneration structures are therefore oriented towards the market and to the success of the Company. Our systematic succession planning enables our skilled employees and managers to develop attractive careers within CECONOMY.

PERFORMANCE-BASED COMPENSATION FOR EXECUTIVES

Our compensation systems include a monthly fixed salary and a one-year variable salary component, the amount of which depends on the profitability and economic development of our Company. In addition, there are models of performance-based remuneration with a long-term incentive effect whose structure is at the discretion of the Company.

PERFORMANCE REVIEWS AND SUCCESSION PLANNING

Within CECONOMY, systematic development of managers is a central task of the Company's management. In this way, we ensure that the skills and competencies of our managers are consistently aligned with the needs and strategic goals of our Company. In addition, we are able to offer our managers targeted international career paths – regardless of the company in which they are employed. Moreover, our career planning processes enable us to identify and support suitable candidates for key positions in the Company. This ensures that we are able to fill the greatest number of vacancies possible from our own ranks.

EXECUTIVE DEVELOPMENT

The German country organisation of MediaMarkt has consistently pursued the path that was successfully embarked upon last year with the "Fit for Management" programme in this financial year.

46 managers completed the pilot project. The focus of the project is on the sustainability of the measures. Among other things, the communication between and networking of the participants – including various leadership programmes – was promoted through alumni meetings.

In addition, two further support programmes were launched: the talent programme, which is designed to assist employees at the start of their career, and the potential programme, which includes the development of young managers for the next steps in their management and specialist careers.

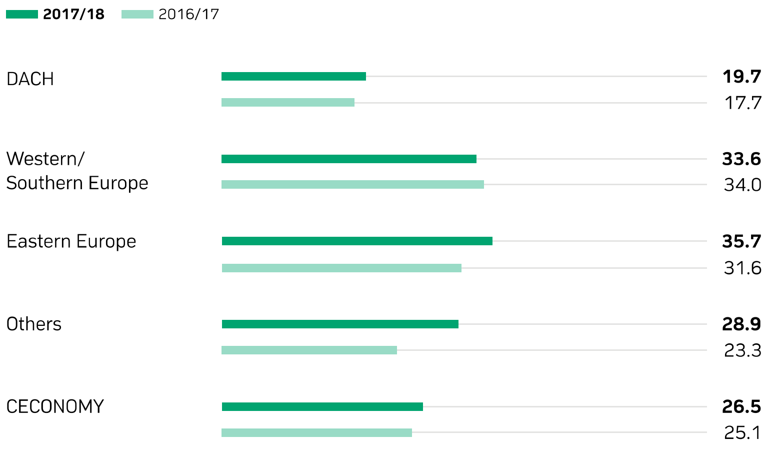
Furthermore, the management vision for the future was designed to develop a modern understanding of leadership that meets the requirements of the working world 4.0.

The Spanish country organisation offers two promotion/management programmes with a total of more than 100 participants from administration and the stores.

EMPLOYEE TURNOVER RATE

In the reporting period, CECONOMY's average length of service at the Company was 7.9 years, slightly higher than in the previous year (2016/17: 7.6 years). Turnover rates varied widely according to region. The chart shows the turnover rates by region for comparison purposes. The turnover rate is calculated as the number of employees leaving the Company in relation to the average number of employees (by headcount) in the reporting period.

Fluctuation
by regions in %



Further training for employees

We are determined to promote lifelong learning among our staff as a way of responding to current and future challenges in retail.

CECONOMY continues to rely on the blended learning approach for digitalisation. The e-learning platforms "Saturn Online Academy" and "Fit with MediaMarkt" were used intensively in the past financial year, among other things, for onboarding new employees of the two brands as well as for training on services and service topics.

Since 2017, MMSRG has provided digital training courses, seminars and talent programmes in a dedicated system and centrally compiled development measures within MMSRG. Group-wide, 427 different training courses are currently offered.

Since 2011, knowledge transfer between employees has been securely anchored at MMSRG under the name "Fast Forward". It covers the latest burning issues – issues that our Company is currently addressing and that help our employees on the job or in their personal lives –at regular intervals. Employees have the opportunity not only to benefit from this program themselves and gather knowledge, but also to pass on their specific knowledge to others.

All employees at the Ingolstadt store can voluntarily participate in Fast Forward training, exchange information and participate in discussion groups.

Occupational safety and health management

CECONOMY gives high priority to ensuring fair working conditions for all employees. Promoting occupational safety and health plays an important role in a personnel-intensive business like trade and retail. Due to demographic change, its importance continues to grow. We respond to these requirements with circumspect and structured activities.

For example, CECONOMY offers employee support programmes that give them the opportunity to seek psychological advice. In work-related conflict situations, but also in the event of private troubles, external experts are available to offer support in finding solutions, independently and anonymously.

Diversity management

	30/09/2017	30/09/2018
Average age of the workforce (years)	36.5	36.9
Share of employees in the 50-plus age group as a proportion of the total workforce in Germany (in %)	18.1%	19.6
Share of employees in the 50-plus age group as a proportion of the total workforce at international level (in %)	5.7	6.2
Employees with recognised severe disability or equivalent persons in Germany	534	552
Employees with recognised severe disability or equivalent persons at international level	504	527

We firmly believe that inclusion and diversity lead to better business results for CECONOMY – through improved representation of our customers within the Company, access to a larger talent pool and greater employee engagement and development. Going beyond gender diversity, our approach places the focus on the individuality and diversity of our employees, thereby creating a truly empowering work environment for all Company employees. For this reason, CECONOMY must create an inclusive work environment and open work culture in which individual differences are respected, valued and developed, resulting in a diverse workforce in which each individual can fully develop and exploit his or her individual potential and strengths.

CECONOMY relies on international cooperation, among other things, to execute its growth strategy successfully. In total, employees from 128 nations work together at CECONOMY. As at the closing date of 30 September 2018, 69.5 per cent of MMSRG's country organisation directors are from foreign subsidiaries.

Our declared objective is to promote diversity within the company – regardless of gender, race, nationality, ethnic origin, religion, belief, disability, age, sexual orientation or identity. The diversity of our employees is one of our great strengths for the sustained success of our Company. The CECONOMY Code of Conduct categorically excludes discrimination. Any form of harassment, such as bullying or sexual harassment, is prohibited. Employees can contact their managers or the Compliance Officer if they have any questions. A whistle-blower system also enables all employees to report any violations of this principle anonymously.

In November 2017, CECONOMY AG also signed the "Charter of Diversity". The objective of implementing the Charter of Diversity in the organisation is to create a working environment that is free of prejudice. All employees should feel appreciated – this is how CECONOMY AG creates a climate of acceptance and mutual trust.

At MMSRG, this principle is implemented by the compliance guideline "Style and Practice". This excludes discrimination in any shape or form. Employees can contact their managers and the relevant departments if they have any questions. An international reporting system also enables all employees to report any violations of this principle anonymously. As an Equal Opportunity Employer, we offer all employees and applicants full equality of opportunity.

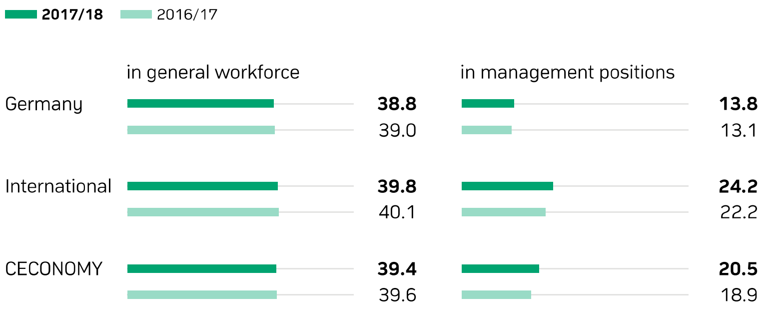
Through diversity management, we aim to achieve a proportion of women in management positions that corresponds to the employee structure. Currently, 39.4 per cent of CECONOMY's total workforce is female, 38.8 per cent in Germany. In management positions, the proportion is 20.5 per cent.

CECONOMY encourages women to participate in programmes for young talent. In 2017/18, 37.0 per cent of the trainees at MMSRG in Germany were female. In the "Foundation Management Programme", the proportion was 37.0 per cent.

EQUAL OPPORTUNITIES

As part of our diversity management, we promote equal professional opportunities for men and women. In 2011, together with other listed German companies, CECONOMY voluntarily pledged to increase the share of women in management levels one to three. During financial year 2013/14, CECONOMY renewed its voluntary pledge to increase the proportion of women in management positions. At CECONOMY AG, the proportion of women in the first two management levels under the Management Board is targeted to reach 15 per cent at the first level and 45 per cent at the second management level by the end of the 2018/19 financial year. We take these objectives into account in succession planning and recruitment.

Percentage of women
in %



↗ For information about the objectives regarding the composition of the Management and Supervisory Boards, see chapter Corporate governance – Corporate governance report.

WORK-LIFE BALANCE PROGRAMMES BASED ON PHASES OF LIFE

At CECONOMY, we place great value on the balance of work and family life. Therefore, we naturally offer our employees flexible working time models and extensive home office options where possible. We know that not every activity allows flexible working in equal measure. Our goal is for every employee, whether working in store or in administration, to be able to balance their private and professional lives in the best possible way. We are therefore constantly working on improving flexible personnel deployment planning.

Since 2010, the headquarters of MMSRG in Ingolstadt has been certified as a family-friendly company by the Hertie Foundation. As part of an array of measures aimed at supporting work-life balance, childcare during school holidays and on the day of prayer and repentance, as well as nursery slots for the children of employees are offered in Ingolstadt. In emergency situations, the services of the non-profit care services association Mobile Familie e. V. can be used for issues relating to childcare or family member care.

In addition, CECONOMY provides support by endorsing flexible working times. With the “three-month sabbatical”, employees have the option to take a longer break from everyday working life. The “My Day Off” programme allows them to gain up to 24 extra days of holiday per year. This is offset by a reduction in salary.

The share of part-time employees at CECONOMY is 22.0 per cent. In Germany, 19.1 per cent of our employees worked part-time and internationally the figure was 24.1 per cent.

Employer-employee relationships

CECONOMY supports open dialogue at various levels between the management and employees or employee representatives. We want to ensure good long-term working conditions for employees and thus contribute to growth. Specifically, this means:

- we apply the principles of fair working conditions and social partnership in all our activities.
- We encourage our management to create an open and trusting work environment in which people share their ideas and problems.
- We regularly meet with our employees and/or their representatives to inform them about the business situation and ask them for feedback.

At the European level, the CECONOMY Euro Forum acts as a European works council.

CECONOMY also continues its social dialogue with works councils on a national level.

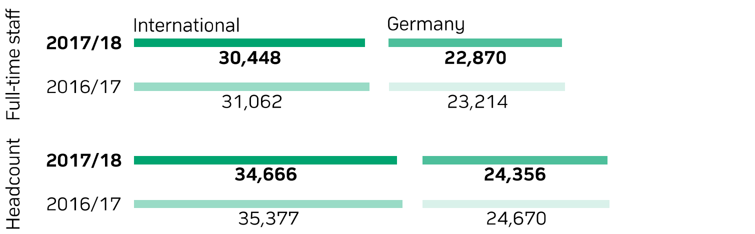
In the period from March to May 2018, the works councils of the Group in some companies were newly elected throughout Germany as part of the regular Works Council elections.

Employee representatives were elected to the Supervisory Board as part of an assembly of delegates in March this year.

Development of staff numbers

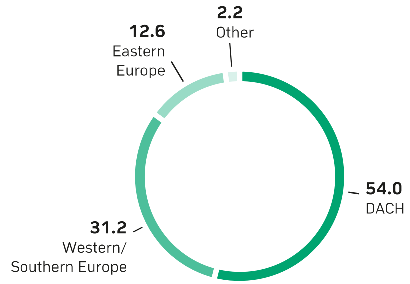
In the reporting period, CECONOMY employed 53,318 (2016/17: 54,276) full-time equivalents on average. The majority of our employees work outside our home market of Germany. MMSRG employed an average of 53,208 full-time equivalents in the reporting period. Approximately 54 per cent are employed in the DACH region, 43 per cent of them in Germany.

Employees: Full-time staff and headcount



Employees by region 2017/18

full time in %



Development of personnel expenses

Our personnel expenses are €2.3 billion (2016/17: €2.3 billion). €1.9 billion of this (2016/17: €1.9 billion) was allocated to wages and salaries. The rest was attributable to social welfare contributions, pension expenses and employee benefits.

We encourage our staff to set up their own private pension accounts. Our Group-wide future package provides them with voluntary benefits that exceed the collective bargaining standards generally observed in the industry. During the reporting year, 4,480 employees in Germany took advantage of these benefits (2016/17: 4,155 employees). This represents 18.3 per cent of employees (2016/17: 15.4 per cent).

↗ For more information about personnel expenses, see the notes to the consolidated financial statements, No. 16 Personnel expenses.

Development of employee numbers by country and segment as of closing date of 30/09

	Full-time equivalents[1]		By headcount	
	2017	2018	2017	2018
Germany	25,060	24,561	28,122	27,603
Austria	2,358	2,326	2,821	2,768
Switzerland	1,020	966	1,207	1,162
Hungary	1,339	1,346	1,355	1,372
DACH	**29,777**	**29,200**	**33,505**	**32,905**
Belgium	1,585	1,521	1,660	1,594
Greece	737	743	789	795
Italy	4,932	4,706	5,594	5,376
Luxembourg	132	137	136	140
Netherlands	3,908	3,327	5,214	4,891
Portugal	514	500	563	562
Spain	5,431	5,628	6,657	6,875
Western/Southern Europe	**17,240**	**16,563**	**20,613**	**20,233**
Poland	5,044	4,531	5,097	4,580
Turkey	2,043	2,300	2,044	2,301
Eastern Europe	**7,088**	**6,830**	**7,141**	**6,881**
Sweden	952	939	1,385	1,339
Miscellaneous	423	422	478	469
Others	**1,375**	**1,361**	**1,861**	**1,808**
CECONOMY	**55,480**	**53,954**	**63,120**	**61,827**
Russia	2,471	0	2,487	0
Discontinued operations	**2,471**	**0**	**2,487**	**0**

[1] Rounding differences may occur

Characteristics of the accounting-related internal control system

The objective of the accounting-related internal control system is to employ tools and measures to identify, assess, manage and monitor risks that might impact proper accounting. The system incorporates preventive, monitoring and detection measures that are firmly embedded in the accounting and reporting process to assure proper procedure when preparing financial statements.

Overarching responsibility for all processes related to the preparation of the consolidated and individual financial statements, as well as the combined management report of CECONOMY AG, rests with the Board department of the Chief Financial Officer. The actual preparation of the financial statements as well as the combined management report in the legal sense is the responsibility of the Management Board of CECONOMY AG. The Supervisory Board of CECONOMY AG is responsible for approving and releasing the consolidated and annual financial statements and the combined management report.

Building on the "Internal Control – Integrated Framework" concept of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the Accounting department of CECONOMY AG has defined Group-wide minimum requirements regarding the design of the accounting-related internal control system. These requirements are subject to continuous review and improvement.

They address risk control matrices governing the design of control mechanisms, the implementation of controls, accountabilities and reviews of the effectiveness of the controls.

- Design of controls: Taking a top-down approach, the Company has identified the risk of significant errors with regard to financial reporting for material financial and accounting processes, and has stipulated binding Group-wide control objectives which the key Group companies must meet through Company-specific control activities.
- Implementation of controls: The Group companies must keep records of the implementation of these controls.
- Effectiveness of controls: The major Group companies are obliged to evaluate the effectiveness of controls at the end of each financial year (self-evaluation). A uniform Group-wide method must be applied.

The results of the self-evaluations must be reported using a standardised reporting format. The Group companies must confirm that their self-evaluations were conducted using the stipulated method. Aside from the control activities, the Group companies must also report on the other four components of the COSO framework: control environment, risk assessment, information and communication as well as monitoring.

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

The Supervisory Board of CECONOMY AG monitors the effectiveness of the internal control system.

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

The half-year financial statements and the consolidated financial statements of CECONOMY AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. A Group-wide IFRS accounting guideline that is compulsory for all companies included in the consolidated financial statements ensures the uniform application in CECONOMY of accounting procedures in accordance with IFRS. The management of each key Group company must accompany each report with a letter of representation confirming compliance with the IFRS accounting guidelines. Amendments to IFRS are continually included in the guidelines and communicated to all companies included in the consolidated financial statements.

Standard operating procedures and deadlines for global milestones are defined and communicated for each upcoming report. The Accounting department of CECONOMY AG monitors adherence to the global financial statements calendar. The local scheduling of specific actions relating to the financial statements and monitoring of the milestones and activities required to achieve these Group milestones as part of the local preparation of the financial statements are part of the responsibilities of the respective company's management.

SAP-based accounting systems are mainly used for local preparation of the financial statements of consolidated companies according to IFRS for consolidation purposes. Functional separation is guaranteed to assure control processes such as the principle of dual control.

Local accounting-related business data are collated by a central consolidation system (CCH Tagetik) to which all consolidated Group companies of CECONOMY are linked. This system provides a uniform accounts table to be used by all consolidated companies in accordance with the IFRS accounting guidelines.

Once they have been transfered to the consolidation system, the local data are subjected to an automated plausibility review in relation to accounting-specific contexts and dependencies. Any errors or warning messages generated by the system during this validation process must be addressed by the person responsible for the financial statements before the data are transfered to the consolidation function. In addition, all key Group companies must add comments in the consolidation system to explain any notable deviations in key items on the statement of financial position and the income statement compared to the previous period.

Once the local data have been submitted and validated, the process of preparing the consolidated financial statements commences, for which, again, milestones, activities and deadlines are defined. The activities typically associated with the preparation of consolidated financial statements constitute specific milestones. These milestones include making sure the consolidation group is complete, checking the punctual submission of complete and correct data, typical consolidation steps – such as capital consolidation, expenses and income – and, ultimately, completing the Annual Report. Personnel responsibilities for these milestones are documented, and stand-in arrangements considered.

The Group also relies on external service providers to handle support activities related to the preparation of the consolidated financial statements. These services essentially relate to valuations of pension obligations and share-based remuneration as well as consultancy services for the introduction of new IFRS.

The consolidation measures required to prepare the consolidated financial statements are subject to various systematic and manual controls. The automated plausibility reviews (validations) used for local data also apply to the consolidation measures. Additional monitoring mechanisms at Group level include target-performance comparisons as well as analyses dealing with the composition and changes of individual items in the statement of financial position and the income statement.

Access regulations for accounting-related EDP systems guarantee IT security. Each company included in the consolidated financial statements is subject to the regulations concerning IT security, which are summarised in an appropriate set of guidelines. This ensures that users only have access to the information and systems needed to fulfil their specific task.

Access regulations for the consolidation system are implemented to ensure adherence to IT security regulations (writing and reading authorisations). Authorisations to use the consolidation system are managed centrally by CECONOMY AG.

In addition to self-assessing effectiveness, the internal audit function regularly checks the effectiveness of CECONOMY's accounting-related internal control system. This independent monitoring process ensures the discovery and remedy of any potential weaknesses in the control system, and supports its continuous optimisation.

ECONOMIC REPORT

Macroeconomic and sector-specific parameters[1]

The following comments on the macroeconomic and sector-specific parameters include descriptions relevant to the operations of CECONOMY in financial year 2017/18.

Global economy

In the 2017/18 financial year, the development of the global economy remained positive, at about the same level as the previous year. This was driven, among other factors, by strong economic growth in the US and a revival of the economy in the BRIC countries – particularly Russia and Brazil – as a result of rising oil and gas prices. Overall, national economies were supported worldwide by persistently low interest rates and only moderately rising prices. However, friction between the two largest economies, the US and China, which could lead to a trade war, poses a greater threat to the global economy. Economic development in Eastern Europe continues to be positive. Despite ongoing sanctions, the Russian market is showing signs of economic recovery. China, which is transforming into a more service-oriented economy, fell just short of the previous year's growth level. On the whole, the Chinese economy, with its strong focus on growth, is facing major challenges. In other emerging Asian countries, however, growth continued to improve and the region as a whole continued to record the strongest growth worldwide.

[1] The GDP development figures given in the chapter Macroeconomic parameters refer to the calendar years 2017 and 2018. Accordingly, the 2018 figures are forecasts. The qualitative statements in the text, on the other hand, refer to the reporting period, unless otherwise stated.

DACH

The German economy experienced solid growth in the past financial year 2017/18, although it was unable to match the growth rate of the previous year. This positive economic trend is underpinned by the continued strong performance of the labour market. This positive labour market development also contributed to the favourable overall economic development in the other countries of the DACH region. In addition, in Austria and Hungary there were significant increases in government spending, which offset declining private-sector growth rates, especially in Hungary. On the back of strong export growth supported by the positive economic environment in the EU and the US, significantly higher economic growth than in the previous year was achieved for Switzerland.

Western/Southern Europe

In Western Europe, the positive economic development in financial year 2017/18 continued at a slightly lower level than in the previous year, supported in particular by both an increase in exports and stable consumer spending against the backdrop of a positive labour market trend. France, in particular, is currently still in a position to turn the momentum from the Macron government's economic and structural reforms into economic growth based on strong private consumption. Spain will also be in a position to continue its slightly weaker but still positive economic development in 2018, also supported by the continued easing of the situation on the labour market. Italy's structural problems mean that its economic growth is significantly lower than that of most other Western/Southern European countries.

Eastern Europe

The economies of Eastern Europe, excluding Turkey, continued to enjoy a solid upturn during financial year 2017/18. If the declining economic momentum in Turkey in 2018 due to the current parameters in the country is taken into account, the entire region also experienced a deceleration of growth. Poland is also experiencing vigorous economic growth in the financial year 2017/18, supported by sustained private consumption and increasing investment activities.

COMBINED MANAGEMENT REPORT

Russia's economy continues to grow moderately. The key factors here were a continuation of the decline in inflation, falling unemployment figures and, as a result, the continued positive development of private consumption.

Development of gross domestic product in key global regions

Percentage change year-on-year	2017[1]	2018[2]
World	3.8	3.8
DACH[3]	2.2	2.1
Western Europe[4]	2.3	1.8
Eastern Europe[5]	4.9	3.3
Asia	5.3	5.3

Source: Feri
[1] Previous year's figures may deviate from the Annual Report 2016/17 since final figures were not yet available at the reporting date.
[2] Forecast
[3] Calculation for Germany, Austria, Switzerland and Hungary based on the Feri Database (incl. purchasing power parities)
[4] Western Europe excluding Germany, Austria and Switzerland based on the Feri Database (incl. purchasing power parities)
[5] Eastern Europe excluding Hungary incl. Turkey based on the Feri Database (incl. purchasing power parities)

Sector development in consumer electronics retailing

DACH

Sales in German consumer electronics retailing were slightly positive in financial year 2017/18. While departments such as large electrical appliances and, in particular, small electrical appliances lost some of their significance as growth drivers in the past financial year, a revitalised market for smartphones after a moderate slump in the previous financial year underpins overall growth. Austria remains on a stable positive growth path, albeit slightly below that of the previous years. Switzerland is finally recovering from the decoupling of the Swiss franc from the euro. After years of negative development, the market posted positive figures in the high single-digit range in the past financial year 2017/18. Hungary, which has been on a steady growth trajectory for several years, is continuing this trend, with a double-digit increase in sales in the electronics market.

Western/Southern Europe

In Western Europe, the saturated consumer electronics retailing markets of the Netherlands and Belgium recorded stable growth rates that were higher than in the previous year. France also recorded growth during financial year 2017/18. After two years with growth rates close to the positive range, sales in Spain increased again and grew moderately in financial year 2017/18. After two years of slightly falling sales in consumer electronics retailing, Greece has managed to reverse this trend for the time being by generating positive momentum. After experiencing a period of slightly positive growth rates, Portugal has been on a growth path since the previous financial year and recorded an almost double-digit increase in sales in the past financial year. Italy reported slightly positive performance despite shifting political conditions and a difficult economic environment.

Eastern Europe

Russia is still on a solid growth path in local currency terms and recorded double-digit sales growth in financial year 2017/18. Despite challenging political and economic conditions, Turkey is continuing its positive growth trend in local currency terms unabated. However, this development is supported by state subsidies and a high inflation rate. Poland also recorded stable growth in the mid single-digit range over several years in the past financial year 2017/18.

Results of operations, financial position and net assets

Comparison of forecast with actual business developments

The outlook was adjusted for currency effects and before portfolio changes.

Sales
For financial year 2017/18, CECONOMY forecast a slight increase in total sales compared to the previous year. The Western/Southern Europe region in particular was expected to contribute to this.

With the publication of the 2017/18 half-year financial report on 17 May 2018, CECONOMY adjusted its forecast, stating instead that all segments would contribute to the slight increase in total sales. With the publication of the Q3/9M 2017/18 quarterly statement on 14 August 2018, CECONOMY announced that in terms of sales growth it now expected the heterogeneous performance of the segments in the first nine months to continue for the entire financial year 2017/18.

The target was met with a slight increase in total sales of 0.2 per cent. Finally, in line with the latest prognoses, the Western/Southern Europe and Eastern Europe regions contributed to this growth. Originally, CECONOMY did not expect significant sales growth in the Eastern Europe region.

Correspondingly, CECONOMY expected a slight improvement in net working capital compared with the previous year. This goal was reached with an improvement of €302 million.

Earnings
Both in terms of EBITDA and EBIT, CECONOMY expected an increase at least in the mid single-digit percentage range, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The relevant comparison figures for financial year 2016/17 were adjusted for special items (EBITDA: €704 million, EBIT: €471 million).

With the signing of the agreement on the full disposal of the Russian MediaMarkt business in June 2018 and the subsequent classification as discontinued operations, CECONOMY adjusted the basis for 2016/17 and the outlook for earnings (without taking into account the earnings contributions from the investment in Fnac Darty S.A.) for financial year 2017/18.

Before special items, the comparison basis of financial year 2016/17 increased for EBITDA from €704 million to €714 million and for EBIT from €471 million to €494 million. Due to this increased comparison basis and without the expected increase in earnings of the Russian business for financial year 2017/18 in a low double-digit million euro amount, CECONOMY expected an increase in the low-to-mid single-digit percentage range for both EBITDA and EBIT. CECONOMY had previously anticipated an increase at least in the mid single-digit percentage range.

On 18 September 2018, CECONOMY announced a further adjustment of its earnings forecast for financial year 2017/18 on the basis of current business development. Without taking into account the earnings contributions from the investment in Fnac Darty S.A., CECONOMY now expected an EBITDA between €680 million and €710 million and an EBIT between €460 million and €490 million.

Adjusted for currency effects of €–4 million, the actual EBITDA was at €630 million and therefore €–80 million below the previous year's figure and the actual EBIT was at €399 million and therefore €–91 million below the previous year's figure. These earnings are below the original outlook as well as below the outlook adjusted over the course of the year. CECONOMY has thus not achieved this goal. On 8 October 2018, CECONOMY issued an ad hoc announcement referring to the preliminary earnings for financial year 2017/18.

In addition, CECONOMY expected an earnings contribution in the low-to-mid double-digit million amount in EBITDA and EBIT for financial year 2017/18 from its share in the profit or loss for the period generated by Fnac Darty S.A. With an earnings contribution of €21 million, this expectation was met.

COMBINED MANAGEMENT REPORT

Earnings position

Financial year	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	2016/17	2017/18	2017/18	2017/18	2017/18	2017/18
Total[1,2]	**21,605**	**21,418**	**–0.9%**	**–1.1%**	**0.2%**	**–0.7%**
DACH	12,662	12,410	–2.0%	–0.4%	–1.6%	–1.5%
Western/Southern Europe[2]	6,691	6,777	1.3%	0.0%	1.3%	–0.5%
Eastern Europe	1,699	1,689	–0.6%	–10.3%	9.7%	3.9%
Others	553	542	–2.0%	–4.4%	2.4%	3.3%

[1] All figures from continuing operations only
[2] Sales figures for Italy for 2016/17 and 2017/18 were restated to present revenues related to extended warranties on a net basis.

Quarter	Sales (€ million)		Change	Currency effects	Sales adjusted for currency and portfolio change effects	Like-for-like sales (local currency)
	Q4 2016/17	Q4 2017/18	Q4 2017/18	Q4 2017/18	Q4 2017/18	Q4 2017/18
Total[1,2]	**5,150**	**4,953**	**–3.8%**	**–1.9%**	**–1.9%**	**–2.8%**
DACH	2,968	2,843	–4.2%	–0.2%	–4.0%	–3.6%
Western/Southern Europe[2]	1,632	1,622	–0.6%	0.0%	–0.6%	–2.4%
Eastern Europe	409	362	–11.6%	–21.5%	9.9%	1.9%
Others	141	126	–10.5%	–7.0%	–3.5%	–2.3%

[1] All figures from continuing operations only
[2] Sales figures for Italy for 2016/17 and 2017/18 were restated to present revenues related to extended warranties on a net basis.

With the signing of the agreement on the full disposal of the entire Russian MediaMarkt business, this is reported as discontinued operations beginning with the third quarter 2017/18. The following disclosures were adjusted for the figures for the Russian MediaMarkt business and the previous year's figures were adjusted accordingly. It should be noted here that Group cost charges allocated to Russia remain in continuing operations.

GROUP SALES BELOW PREVIOUS YEAR

In **financial year 2017/18**, Group sales of CECONOMY decreased by −0.9 per cent to €21.4 billion compared with the same period in the previous year. Adjusted for currency and portfolio change effects, at 0.2 per cent sales were slightly higher compared to the previous year. The 34 new store openings less eight closures in the past financial year in addition to the stores opened during the previous year also contributed to this. Like-for-like sales were −0.7 per cent lower compared to the previous year's level.

The sales development (adjusted for currency effects and before portfolio changes) in the reporting period was significantly marked by declining brick-and-mortar sales that could not be fully compensated for by strong growth rates in the online business. In addition, the unusually hot weather in July and August led to a decline in sales in Germany in particular. Solid growth in the Services & Solutions business and momentum from the World Cup had a positive effect.

The individual segments recorded mixed results. While the DACH segment posted a decline in sales adjusted for currency effects and before portfolio changes, the other segments posted a positive year-on-year sales trend.

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

€ million	2016/17 as reported	2016/17 in local currency	2017/18
Total sales	21,605	21,375	21,418
Sales of stores that were not part of the like-for-like panel in 2017/18	–	351	540
Like-for-like sales in local currency	**–**	**21,025**	**20,878**

In the **fourth quarter of 2017/18**, CECONOMY reported Group sales of €5.0 billion, corresponding to a decline of −3.8 per cent. Adjusted for currency and portfolio change effects, sales declined by −1.9 per cent in comparison to the previous year. Like-for-like sales posted a decline of −2.8 per cent in the fourth quarter compared to the same period last year. In addition to a high basis for comparison, the unusually hot weather in July and August contributed to the decline in sales in the fourth quarter, particularly in Germany.

EXPLANATION OF SALES IN THE DACH SEGMENT

The DACH segment recorded sales of €12.4 billion in **financial year 2017/18**, which corresponds to a decline of −2.0 per cent. Adjusted for currency and portfolio change effects, segment sales fell by −1.6 per cent. This was mainly due to declining sales in Germany in the reporting period, also against the backdrop of the moderate Christmas sales and the unusually hot weather in July and August, as well as lower sales at redcoon Germany. Switzerland also recorded a decrease in sales due to a competitive environment. By contrast, currency-adjusted sales growth in Hungary was in the double-digit percentage range.

In the **fourth quarter of 2017/18**, sales declined by −4.2 per cent, reaching a total of €2.8 billion. Before currency and portfolio change effects, sales fell by −4.0 per cent in comparison to the previous year. This decline is attributable to the high comparable basis in the previous year quarter and, particularly in Germany, to the unusually hot weather in July and August. Positive momentum from the value added tax (VAT) campaigns at MediaMarkt and Saturn in September failed to compensate for the overall downward trend in Germany. In addition, sales declined in Switzerland, where competition remained fierce. By contrast, Hungary continued the successful sales trend of the previous quarters.

EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

The Western and Southern Europe segment generated sales growth in the past **financial year 2017/18** of 1.3 per cent to €6.8 billion. Adjusted for currency effects and before portfolio changes, sales also grew by 1.3 per cent. Growth in Spain and Italy made a major contribution to the increase in sales. This was supported by double-digit growth rates in the Online and Services & Solutions business. Spain also grew as a result of expansion.

In the **fourth quarter of 2017/18**, the Western and Southern Europe segment reported sales of €1.6 billion, which corresponds to a decline of −0.6 per cent. Adjusted for currency effects and before portfolio changes, sales also fell by −0.6 per cent. In Italy, the high demand for Services & Solutions contributed to a positive sales trend. This was contrasted by declining sales in the Netherlands and Belgium, primarily due to a high basis for comparison in the previous year quarter with sales-boosting campaigns that were not repeated in the fourth quarter of the past financial year. A decline in sales was also recorded in Spain.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In **financial year 2017/18**, sales in the Eastern Europe segment declined slightly, by −0.6 per cent, totalling €1.7 billion. Adjusted for currency effects and before portfolio changes, however, sales grew by 9.7 per cent. In the reporting period, the significant devaluation of the Turkish lira weighed on segment sales. Before currency effects, however, Turkey recorded a significant rise in sales and grew by a double-digit percentage due to expansion as a result of 18 store openings and inflation.

Sales in the Eastern Europe segment fell by −11.6 per cent to €0.4 billion in the **fourth quarter of 2017/18**. Adjusted for currency effects and before portfolio changes, sales rose by 9.9 per cent. The significant devaluation of the Turkish lira also weighed on segment sales in the fourth quarter. In local currency, Turkey continued its successful sales trend from the previous quarters and once again grew in the double-digit percentage range due to expansion and particularly due to inflation.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In **financial year 2017/18**, the Others segment recorded a decline in sales of −2.0 per cent to €0.5 billion compared to the previous year. Adjusted for currency effects and before portfolio changes, segment sales grew by 2.4 per cent. This was mainly due to a slight sales growth in Sweden, which more than compensated for the decline in sales resulting from the termination of the foreign redcoon activities.

In the **fourth quarter of 2017/18**, sales in the Others segment declined by −10.5 per cent, reaching a total of €0.1 billion. Adjusted for currency effects and before portfolio changes, sales reduced by 3.5 per cent. Smaller operating businesses reported negative sales growth. In contrast to the previous quarters, sales in Sweden also declined slightly and were also impacted by negative currency effects.

Financial year	Sales (€ million)		Change (%)	In % of total sales
	2016/17	2017/18		
Online	2,300	2,593	12.7	12.1
Services & Solutions	1,344	1,478	10.0	6.9

Quarter	Sales (€ million)		Change (%)	In % of total sales
	Q4 2016/17	Q4 2017/18		
Online	547	604	10.4	12.2
Services & Solutions	386	396	2.6	8.0

ONLINE BUSINESS CONTINUES TO GROW

Successful growth in the online business continued unabated in the past financial year. Total online sales increased in **financial year 2017/18** by 12.7 per cent to €2.6 billion. In total, the online share of total sales in the reporting period amounted to 12.1 per cent (2016/17: 10.6 per cent). In the **fourth quarter of 2017/18**, online sales grew by 10.4 per cent to €0.6 billion, thereby reaching a share of 12.2 per cent of total sales (Q4 2016/17: 10.6 per cent).

The strong online sales growth was due to the pick-up option (in-store collection of goods ordered online) which continued to be very popular among our customers. The pick-up rate in **financial year 2017/18** was 42 per cent (2016/17: 40 per cent). In the **fourth quarter of 2017/18**, this rate was 43 per cent (Q4 2016/17: 42 per cent). In addition, the expansion of our online business continues to progress. For example, we increased the number of articles available online to around 367,000 by the end of the financial year.

POSITIVE RECEPTION OF SERVICES & SOLUTIONS

Sales in the Services & Solutions business likewise developed positively. At €1.5 billion, they were 10.0 per cent higher in **financial year 2017/18** than in the previous year and accounted for 6.9 per cent of total sales (2016/17: 6.2 per cent). In the **fourth quarter of 2017/18**, growth in the Services & Solutions business slowed to around 3 per cent in line with the decline in total sales. Services & Solutions sales rose to €0.4 billion, which corresponds to 8.0 per cent of total sales (Q4 2016/17: 7.5 per cent).

Mobile communications contracts, insurances and financing, repair services and extended warranties performed particularly well in the past financial year 2017/2018. The positive development was also boosted by the continuous expansion of our "SmartBars", which now offer repair and other services in 922 stores (30/09/2017: 587 stores).

Financial year	EBITDA		Special items		EBITDA before special items		EBIT		Special items		EBIT before special items	
in € million	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Total[1,2]	**636**	**650**	**77**	**–**	**714**	**–**	**395**	**419**	**99**	**–**	**494**	**–**
DACH	507	428	23	–	530	–	374	300	38	–	412	–
Western/Southern Europe	148	200	21	–	169	–	65	123	26	–	91	–
Eastern Europe	36	63	19	–	56	–	17	43	21	–	37	–
Other[2]	−55	−41	13	–	−42	–	−62	−47	14	–	−47	–

[1] All figures from continuing operations only
[2] Includes an earnings contribution of €21 million from Fnac Darty S.A. in financial year 2017/18 (2016/17: €0 million)

Quarter	EBITDA		Special items		EBITDA before special items		EBIT		Special items		EBIT before special items	
in € million	Q4 2016/17	Q4 2017/18	Q4 2016/17	Q4 2017/18	Q4 2016/17	Q4 2017/18	Q4 2016/17	Q4 2017/18	Q4 2016/17	Q4 2017/18	Q4 2016/17	Q4 2017/18
Total[1,2]	**232**	**215**	**65**	**–**	**297**	**–**	**156**	**149**	**86**	**–**	**241**	**–**
DACH	194	112	5	–	198	–	147	73	20	–	166	–
Western/Southern Europe	54	83	22	–	76	–	31	63	26	–	57	–
Eastern Europe	−10	21	24	–	14	–	−14	16	25	–	11	–
Other[2]	−6	−1	14	–	8	–	−9	−3	15	–	7	–

[1] All figures from continuing operations only
[2] Includes an earnings contribution of €1 million from Fnac Darty S.A. in Q4 2017/18 (Q4 2016/17: €0 million)

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

EBITDA AND EBIT DECLINE SIGNIFICANTLY

In **financial year 2017/18**, Group EBITDA was €650 million. In the previous year 2016/17, Group EBITDA amounted to €714 million before special items or €636 million including special items. Adjusted for the earnings contributions from Fnac Darty S.A., Group EBITDA reached €630 million in the reporting period and was therefore significantly below the previous year’s level.

At €231 million, depreciation and amortisation in the past financial year was above the previous year’s figure of €220 million. Therefore, Group EBIT amounted to €419 million. In the previous year's period, Group EBIT still amounted to €494 million before special items or €395 million including special items. Excluding the earnings contributions from Fnac Darty S.A., Group EBIT in the past financial year was also significantly below the previous year’s figure before special items of €399 million.

This decline is attributable, in particular, to the decline in sales in Germany and Switzerland. This was coupled with a Group-wide decline of −0.5 percentage points in the gross margin to 20.1 per cent. The planned further build-up of the CECONOMY AG Holding and project costs also had a negative impact on the Others segment. By contrast, earnings were supported by positive effects from the valuation of goods and a change in the valuation of gift card liabilities following a revision of the prevailing legal norms. Based on the restructuring and repositioning initiated in the past financial year, Italy reported a positive earnings development. In addition, the Group recorded declining growth particularly in selling expenses, especially abroad.

In the **fourth quarter of 2017/18**, Group EBITDA of €215 million was generated. In the comparative previous year's period, Group EBITDA still amounted to €297 million before special items or €232 million including special items. Adjusted for the earnings contribution of Fnac Darty S.A., Group EBITDA reached €214 million in the reporting period and was therefore significantly below the previous year’s level. At €65 million, depreciation and amortisation in the fourth quarter of 2017/18 was higher than the previous year's figure of €55 million. This increase was mainly due to the impairment of goodwill at the Swiss country organisation in the amount of €7 million. Therefore, Group EBIT amounted to €149 million. In the corresponding period in the previous year, Group EBIT amounted to €241 million before special items or €156 million including special items. Excluding the earnings contribution of Fnac Darty S.A., Group EBIT was also significantly below the previous year’s figure, at €148 million, before special items. This decline is attributable, in particular, to the decline in sales in Germany and Switzerland. This was coupled with a Group-wide decline of −0.9 percentage points in the gross margin to 21.6 per cent. Provisions for location risks in Switzerland, Sweden and Greece also contributed to the decline.

In the following comments on figures by year-on-year comparison, the results for the previous year's period are before special items.

EXPLANATION OF THE RESULT FOR THE DACH SEGMENT

In the DACH segment, EBITDA declined in **financial year 2017/18** by €102 million to €428 million. Depreciation and amortisation rose by €10 million to €128 million. Therefore, EBIT amounted to €300 million (2016/17: €412 million). The decline in earnings was mainly due to the overall decline in sales in Germany, also driven by the moderate Christmas sales including the pull-forward effects into the highly competitive Black Friday period. In addition, the speed of implementation of strategic initiatives in Germany, particularly with regards to the Services & Solutions business and the centralisation of logistics and purchasing, fell short of expectations. Earnings in Germany were supported by a change in the valuation of gift card liabilities following a revision of the prevailing legal norms and positive results from the valuation of goods. The wind-down of redcoon also made a positive contribution. In Switzerland, earnings were impacted by a decline in the sales trend and an impairment of the goodwill of the country organisation.

In the **fourth quarter of 2017/18**, EBITDA decreased by €−86 million to €112 million. At €39 million, depreciation and amortisation were above the previous year’s figure of €32 million. This is due to the aforementioned impairment of the goodwill of the Swiss country organisation. Therefore, EBIT reduced to €73 million (Q4 2016/17: €166 million). This decline in earnings is mainly attributable to the weaker than expected trading in Germany in the fourth quarter. The unusually hot weather in July and August led to a significant decline in sales. The gross margin also decreased. In Switzerland, earnings were impacted by the aforementioned impairment of goodwill and a declining sales trend.

EXPLANATION OF THE RESULT FOR THE WESTERN AND SOUTHERN EUROPE SEGMENT

In the Western and Southern Europe segment, EBITDA was €31 million higher in **financial year 2017/18** than in the previous year's period, at €200 million. Depreciation and amortisation was around the same level as in the previous year at €77 million. Western and Southern Europe generated an EBIT of €123 million (2016/17: €91 million). Italy, in particular, contributed to the improvement in earnings, supported by the restructuring and repositioning initiated in the past financial year. The Netherlands also increased its earnings due in part to cost savings, and also benefited from the absence of losses from the insolvency of a telecommunications provider in the previous year. In contrast, Greece recorded a decline in earnings.

In the **fourth quarter of 2017/18**, EBITDA of the Western and Southern Europe segment improved by €7 million to €83 million. Depreciation and amortisation were around at the same level as in the previous year at €20 million. Therefore, EBIT in the Western and Southern Europe segment improved by €6 million to €63 million. In Italy, as expected, there was a positive effect from the reversal of the budget-related high deferrals in the first quarter of the previous year. In contrast, Greece recorded a decline in earnings.

EXPLANATION OF THE RESULT FOR THE EASTERN EUROPE SEGMENT

In the Eastern Europe segment, EBITDA declined in **financial year 2017/18** by €8 million to €63 million. This does not include the activities of the retail business in Russia, which both in the current year and the previous year were recognised as discontinued operations. Depreciation and amortisation was slightly above the previous year's level at €20 million. Eastern Europe generated an EBIT of €43 million (2016/17: €37 million). This positive development was mainly due to a significant improvement in earnings in Turkey which was also partially driven by non-recurring effects. Higher personnel expenses following a collective wage agreement adjustment in Poland had a negative impact on earnings and could not be offset despite positive one-off effects, amongst others at redcoon Poland.

In the **fourth quarter of 2017/18**, EBITDA improved by €7 million to €21 million, primarily due to the developments in Turkey. With depreciation and amortisation virtually unchanged, EBIT increased to €16 million (Q4 2016/17: €11 million).

EXPLANATION OF THE RESULT FOR THE OTHERS SEGMENT

The Others segment comprises, in particular, activities relating to CECONOMY AG in its capacity as a strategic management holding, the earnings contributions from Fnac Darty S.A. as well as Sweden and activities of smaller companies. In **financial year 2017/18**, EBITDA grew slightly, as compared to the corresponding period of the previous year, by €1 million to €–41 million. With depreciation and amortisation at the previous year's level, EBIT improved slightly by €1 to €–47 million. The main positive contribution to this development came from Fnac Darty S.A., which contributed €21 million to earnings (2016/17: €0 million). The planned further build-up of the CECONOMY AG Holding and project costs as well as a weaker result in Sweden had the opposite effect. The previous year's result also included income of €18 million from plan reductions to pensions. This compares to lower income of €13 million from the disposal of selected pension liabilities and associated cash assets in the past financial year 2017/18. The not reportable operating unit in Sweden assigned to the Others segment included an EBIT of €–27 million (2016/17: €–22 million). Other, smaller operating companies recognised in the Others segment recorded an EBIT of €–9 million (2016/17: €–12 million).

In the **fourth quarter of 2017/18**, EBITDA decreased by €–9 million to €–1 million. With depreciation and amortisation unchanged, EBIT also decreased to €–3 million (Q4 2016/17: €7 million). Sweden recorded weaker earnings in the quarter. In addition, the year-on-year decline was due to the above mentioned lower income from the disposal of selected pension liabilities and associated cash assets. In the previous year, this was offset by higher earnings from plan reductions to pensions. The not reportable operating unit in Sweden assigned to the Others segment included an EBIT of €−6 million (Q4 2016/17: €1 million). Other, smaller operating companies recognised in the Others segment recorded an EBIT of €−1 million (Q4 2016/17: €−2 million).

NET FINANCIAL RESULT AND TAXES

€ million	2016/17	2017/18
Earnings before interest and taxes EBIT	**395**	**419**
Other investment result	−5	−182
Interest income/expenses (interest result)	−13	−13
Other financial result	−10	−3
Net financial result	**−28**	**−198**
Earnings before taxes EBT	**367**	**221**
Income taxes	−186	−134
Profit or loss for the period from continuing operations	**181**	**87**
Profit or loss for the period from discontinued operations after tax	972	−296
Profit or loss for the period	**1,153**	**−210**

The **net financial result** in financial year 2017/18 reduced significantly by €−171 million to €−198 million (2016/17: €−28 million). The decline was primarily attributable to the value impairment of our investment in METRO AG in the amount of €268 million included in “other investment result”, which took place as a result of the significant decline in the share price of METRO AG in the second and third quarter of the past financial year. In contrast, the METRO AG dividend payment in the amount of €25 million and the gains from the disposal of 3.6 per cent of the shares in METRO AG had an opposing effect.

↗ For more information about the net financial result, see the notes to the consolidated financial statements, Nos. 6 to 8 – Other income from investments/earnings share of operating/non-operating companies recognised at equity, Other investment result, Net interest income/interest expenses, and Other financial result.

Therefore, **earnings before taxes** fell from €367 million to €221 million.

The recognised **income tax expenses** of €134 million (2016/17: €186 million) were €52 million below the previous year’s level. The decrease in tax expenses is mainly a result of the lower actual taxes in Germany, which was due to a decline in earnings and one-off improvement measures on tax consolidation in financial year 2017/18. In addition, deferred tax expenses decreased by €17 million, which can in particular be explained by reversals of impairment losses on deferred tax assets.

€ million	2016/17	2017/18
Actual taxes	167	132
thereof Germany	(118)	(75)
thereof international	(49)	(57)
thereof tax expenses/income of current period	(160)	(127)
thereof tax expenses/income of previous periods	(7)	(5)
Deferred taxes	19	2
thereof Germany	(19)	(14)
thereof international	(0)	(−12)
	186	**134**

The Group tax rate represents the relationship between recognised income tax expenses and earnings before taxes. In the reporting period, the Group tax rate from continuing operations stood at 60.7 per cent (2016/17: 42.1 per cent before special items or 50.7 per cent including special items). Without the non-tax-relevant impairment of the investment in METRO AG and the earnings contributions from the investments in METRO AG and Fnac Darty S.A., the underlying tax rate would have been 34.1 per cent (2016/17: 42.1 per cent before special items).

↗ For more information about income taxes, see the notes to the consolidated financial statements, No. 10 Income taxes.

PROFIT OR LOSS FOR THE PERIOD AND EARNINGS PER SHARE

The **profit for the period** from continuing operations fell from €180 million to €87 million. Without the earnings effects from the investments in METRO AG and Fnac Darty S.A., profit for the period would instead have risen from €181 million to €252 million. As these investments are not attributable to non-controlling interests, the non-controlling interest in the profit or loss for the period rose to €64 million (previous year: €47 million). This resulted in profit or loss for the period attributable to the shareholders of CECONOMY AG of €23 million (previous year: €134 million) or **earnings per share** of €0.07 (previous year: €0.63 per share before special items or €0.41 per share including special items).

A time-weighted number of 333,586,186 shares was used to calculate earnings per share for the 2017/18 financial year. This number is calculated as follows: previous number of 326,787,529 shares pro rata 9.5 months and new number of shares pro rata 2.5 months after the capital increase of 359,421,084 carried out in mid-July.

				Change	
		2016/17	2017/18	Absolute	%
Profit or loss for the period from continuing operations	€ million	181	87	–94	–52.1
Profit or loss for the period attributable to non-controlling interests from continuing operations	€ million	47	64	17	36.9
Profit or loss for the period from continuing operations attributable to the shareholders of CECONOMY AG	€ million	134	23	–112	–83.2
Earnings per share from continuing operations[1]	€	0.41	0.07	–0.34	–83.2
Earnings per share from continuing operations before special items[1]	€	0.63	–	–	–

[1] After non-controlling interests

SPECIAL ITEMS

Special items by segment[1]

€ million	2016/17 as reported	2016/17 special items	2016/17 before special items
EBITDA	**636**	**77**	**714**
thereof DACH	507	23	530
Western/Southern Europe	148	21	169
Eastern Europe	36	19	56
Others	−55	13	−42
Consolidation	0	0	0
EBIT	**395**	**99**	**494**
thereof DACH	374	38	412
Western/Southern Europe	65	26	91
Eastern Europe	17	21	37
Others	−62	14	−47
Consolidation	0	0	0
Net financial result	−28	0	−28
EBT	**367**	**99**	**466**
Income taxes	−186	−10	−196
Profit or loss for the period from continuing operations	**181**	**89**	**270**
Profit or loss for the period from discontinued operations after tax	**972**	**−301**	**671**
Profit or loss for the period	**1,153**	**−212**	**941**
Profit or loss for the period attributable to non-controlling interests	51	26	78
from continuing operations	47	17	64
from discontinued operations	4	9	13
Profit or loss for the period attributable to shareholders of CECONOMY AG	1,102	−239	864
from continuing operations	134	71	206
from discontinued operations	968	−310	658
Earnings per share in € (basic = diluted)	**3.37**	**−0.73**	**2.64**
from continuing operations	0.41	0.22	0.63
from discontinued operations	2.96	−0.95	2.01

[1] For an explanation of special items, see the chapter Group principles – Management system.

Special items by category 2016/17[1]

		Special items				
in € million	As reported	Portfolio changes	Restructuring and efficiency-enhancing measures	Risk provisions including impairment losses on goodwill	Other special items	Before special items
EBITDA	636	1	56	–	21	714
EBIT	395	15	63	–	21	494
Net financial result	−28	–	–	–	–	−28
EBT	367	15	63	–	21	466
Income taxes	−186	−2	−9	–	0	−196
Profit or loss for the period from continuing operations	181	14	54	–	21	270
Profit or loss for the period from discontinued operations	972	−505	123	–	82	671
Profit or loss for the period	1,153	−492	177	–	103	941
Profit or loss for the period attributable to non-controlling interests	51	1	26	–	–	78
from continuing operations	47	–	17	–	–	64
from discontinued operations	4	1	8	–	–	13
Profit or loss for the period attributable to shareholders of CECONOMY AG	1,102	−493	151	–	103	864
from continuing operations	134	14	37	–	21	206
from discontinued operations	968	−506	115	0	82	658

[1] For an explanation of special items, see the chapter Group principles – Management system.

Financial and asset position

CAPITAL STRUCTURE

CECONOMY's consolidated statement of financial position as at 30 September 2018 recorded **equity** of €665 million (30 September 2018: €666 million).

The equity ratio is 7.9 per cent (30/09/2017: 8.0 per cent).

€ million	Note no.	30/09/2017	30/09/2018
Equity	**31**	**666**	**665**
Share capital		835	919
Capital reserve		128	321
Reserves retained from earnings		–294	–554
Non-controlling interests		–2	–21

The share capital increased by €83 million to €919 million (30/09/2017: €835 million) in the reporting period as a result of the cash capital increase of around ten per cent (authorised capital) resolved on 28 June 2018.

With a notional value of €2.56 and an issue price of €8.50 per share, this results in a premium, causing the capital reserve to increase by €194 million to €321 million (30/09/2017: €128 million).

Reserves retained from earnings decreased to €–554 million as at 30 September 2018 (30/09/2017: €–294 million). This is mainly attributable to the negative profit or loss for the period attributable to the shareholders of CECONOMY AG in the amount of €–212 million and dividend payments made in the reporting year in the amount of €–107 million. In addition, in the reporting period profit and loss transfer agreements were concluded with selected store companies as part of the improvement measures for tax consolidation in Germany. The compensation payments to be paid to minority shareholders as a result of the five-year minimum contractual term of the profit and loss transfer agreements were recognised at their net present value of €47 million as other financial liabilities outside of profit or loss and thus led to a reduction in equity. Other financial liabilities reduced in subsequent years as a result of the dividends to be paid to the minority shareholders concerned.

Gains/losses from remeasuring financial instruments in the category "available for sale" had a counteracting effect, leading to a €70 million increase in equity. These were recognised directly in the other comprehensive income and relate almost exclusively to the approximately 6.4 per cent share in METRO AG held as of the reporting date.

Non-controlling interests decreased to €–21 million (30/09/2017: €–2 million).

€ million	30/09/2017	30/09/2018
Cash and cash equivalents according to the statement of financial position	861	1,115
Borrowings (incl. finance leases)	544	439
Net liquidity (+)/net debt (–)	**317**	**675**

Net liquidity as of 30 September 2018 amounts to €675 million (30/09/2017: €317 million, thereof €3 million from discontinued operations).

The lower financial liabilities compared to the previous year can in particular be attributed to the repayment of commercial papers in the amount of €109 million. In total, financial liabilities including finance leases are €439 million (30/09/2017: €544 million).

↗ For more information, see the cash flow statement and No. 41 Notes to the cash flow statement.

Non-current liabilities as at 30 September 2018 declined by €37 million to €1,025 million (30/09/2017: €1,062 million).

The decrease is mainly due to the disposal of selected pension obligations and associated cash assets in the amount of €83 million. In total, provisions for post-employment benefits plans and similar obligations decreased to €547 million (30/09/2017: €640 million). The increase in the other financial liabilities by €37 million to €52 million (30/09/2017: €15 million) had the opposite effect. The increase is mainly due to the recognition of the net present value of future compensation payments to minority shareholders as a liability as part of the optimisation measures for the tax consolidation in Germany.

Current liabilities as at 30 September 2018 amounted to €6,784 million, which corresponds to an increase of €233 million compared to 30 September 2017 (30/09/2017: €6,551 million).

Trade payables increased by €347 million to €5,277 million (30/09/2017: €4,929 million). This is mainly attributable to a temporary optimisation of payment terms and an increased purchasing volume due to the value added tax (VAT) campaigns carried out in Germany in September. Contrary was the repayment of commercial papers in the amount of €109 million, which mainly contributed to the decrease in the short-term financial liabilities as of 30 September 2018 by €113 million to €153 million (30/09/2017: €266 million). A transfer of liabilities from gift cards from current other financial liabilities following a revision of the prevailing legal norms led to an increase in other liabilities by €76 million to €671 million (30/09/2017: €596 million) with a simultaneous decrease in short-term other financial liabilities by €118 million to €400 million (30/09/2017: €517 million).

Compared with 30 September 2017, the debt ratio has increased by 0.2 percentage points to 92.2 per cent. The ratio of current liabilities to total liabilities increased by 0.8 percentage points to 86.9 per cent in comparison to 30 September 2017.

↗ For more information about the maturity, currency and interest rate structure of financial liabilities as well as the credit facilities, see the notes to the consolidated financial statements, No. 36 Financial liabilities.

€ million	Note no.	30/09/2017	30/09/2018
Non-current liabilities		**1,062**	**1,025**
Provisions for Pensions and similar obligations	32	640	547
Other provisions	33	51	44
Financial liabilities	36	278	287
Other financial liabilities	37	15	52
Non-financial liabilities	37	70	64
Deferred tax liabilities	24	8	31
Current liabilities		**6,551**	**6,784**
Trade payables	35	4,929	5,277
Provisions	32, 33	199	190
Financial liabilities	36	266	153
Other financial liabilities	37	517	400
Non-financial liabilities	37	596	671
Income tax liabilities	34	44	94
Liabilities related to assets held for sale		0	0

↗ For more information about the development of liabilities, see the notes to the consolidated financial statements under the numbers listed in the table. Information about contingent liabilities and other financial liabilities can be found in the notes to the consolidated financial statements, No. 44 Contingent liabilities and No. 45 Other financial liabilities.

INVESTMENTS/DIVESTMENTS

In the financial year 2017/18, CECONOMY invested €278 million, around €30 million below the previous year's level (continuing operations: without Fnac Darty S.A.). This decline is mainly due to the acquisition of Electronic Repair Logistics B.V. in the Netherlands in the previous year, on the one hand, and to lower expenses for the more selective expansion activities compared with previous years, on the other. This went hand in hand with less capital-intensive small formats, which accounted for almost all new stores. Investments in modernisation measures were at the previous year's level.

A total of 34 new stores were opened in the 2017/18 financial year, compared with 39 new store openings in the previous year. However, eight stores were closed during the reporting period, following five closures in the previous year. In addition to measures to reduce space at existing stores, the smaller size of the new store openings has reduced average selling space across all stores by three per cent to 2,724 square metres per site by the end of the financial year. At the end of the previous financial year, the average selling space per store was still 2,808 square metres. Total selling space amounted to 2,784 thousand square metres compared to 2,796 thousand square metres in the previous year.

Investments according to segment report

			Change	
€ million	2016/17	2017/18	Absolute	%
DACH	168	177	10	5.8
Western/ Southern Europe	112	60	–52	–46.4
Eastern Europe	24	29	5	21.9
Others	5	12	8	>100
	308	**278**	**–30**	**–9.6**

€177 million was invested in the **DACH** region in financial year 2017/18. Investment is thus around €10 million higher than in the previous year's period. This can be attributed, in particular, to increased investments in modernisation in Germany compared to the previous year. Expansion investments remained stable at the previous year's level in terms of the number of new store openings. A total of eight stores were opened in the DACH region, following eight new store openings in the previous year. Five new stores were added to the network of stores in Germany. In addition, two new stores were opened in Austria and one in Switzerland. However, two stores in Germany and one store in Switzerland were closed during the reporting period.

Investments in **Western/Southern Europe** in financial year 2017/18 amounted to €60 million, around €52 million lower than the previous year's period. This significant decline is due to falling investments in modernisation and expansion as well as the acquisition of Electronic Repair Logistics B.V. in the Netherlands in the previous year. A total of four new stores were opened, fourteen fewer than in the previous year. Two new stores were opened in Spain. One store was added to the portfolio in Belgium and one in Italy. Two stores in Italy were closed.

In **Eastern Europe**, €29 million was invested in financial year 2017/18, €5 million more than in the previous year´s period. The increase resulted from increased investments in expansion in Turkey, where 18 small stores were opened in the reporting period, eight more than in the previous year. In Poland, three stores were opened and three closed.

Investments in the **Others** segment amounted to €12 million in financial year 2017/18 (2016/17: €5 million). Investments related primarily to modernisation measures due to extensive store optimisation in Sweden. One store was also opened in Sweden.

In 2017/18, CECONOMY received cash of €23 million from **divestments** (2016/17: €33 million). This relates mainly to the sale of shelves and other equipment from closed stores.

LIQUIDITY (CASH FLOW STATEMENT)

In the past financial year 2017/18, **cash flow from operating activities** from continuing operations led to a cash inflow of €743 million. This is in comparison to a cash inflow from continuing operations of €584 million in the previous year. The improvement of €158 million compared with the previous year is mainly due to the positive change in net working capital (2017/18: €302 million, 2016/17: €75 million, deviations from balance sheet values due to currency effects and investments and divestments). Amongst others, the conversion of the non-cash earnings contribution from the investment in Fnac Darty S.A. of €21 million had a contrary effect.

Cash flow from investing activities from continuing operations exhibits a cash outflow of €278 million in the past financial year (2016/17: cash outflow of €735 million). The change is mainly due to payments for the acquisition of the investment in Fnac Darty S.A. in the previous year. The disposal of a 3.6 per cent share in METRO AG led to a cash inflow in the past financial year 2017/18. This was contrasted with cash outflows of €148 million for the acquisition of the investment in M.video and €69 million from the sale of a company whose assets and liabilities consisted of pension obligations and related cash assets.

Cash flow from financing activities from continuing operations records a cash inflow of €56 million for the past financial year 2017/18. This is compared to a cash inflow from continuing operations of €138 million in the previous year. The change in comparison to the previous year is mainly due to lower proceeds from long-term borrowings, which were significantly higher in the previous year in connection with the acquisition of approximately 24 per cent in Fnac Darty S.A. Proceeds of approximately €277 million from the approximate ten per cent increase in the share capital are also reflected here. The payment of dividends to the shareholders of CECONOMY AG amounted to €85 million. In the previous year, CECONOMY paid out the total dividend prior to the demerger of the former METRO GROUP (€327 million). This was contrasted with the net redemption of financial liabilities of €121 million.

Free cash flow from continuing operations was €480 million in financial year 2017/18. Due to the positive development of net working capital in the past financial year and the acquisition of the investment in Fnac Darty S.A in the previous year, free cash flow was €663 million above the figure from the previous year's period.

↗ For more information, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements, No. 41 Notes to the cash flow statement.

Cash flow statement[1]

€ million	2016/17	2017/18
Cash flow from operating activities of continuing operations	**584**	**743**
Cash flow from operating activities of discontinued operations	174	−60
Cash flow from operating activities	758	684
Cash flow from investing activities of continuing operations	**−735**	**−278**
Cash flow from investing activities of discontinued operations	−1,552	−164
Cash flow from investing activities	−2,287	−442
Cash flow before financing activities of continuing operations	**−151**	**465**
Cash flow before financing activities of discontinued operations	−1,378	−224
Cash flow before financing activities	−1,529	241
Cash flow from financing activities of continuing operations	**138**	**56**
Cash flow from financing activities of discontinued operations	−89	1
Cash flow from financing activities	49	57
Total cash flows	−1,480	299
Currency effects on cash and cash equivalents	−27	−46
Total change in cash and cash equivalents	−1,507	253

[1]Abridged version. The complete version is shown in the consolidated financial statements.

FINANCIAL MANAGEMENT

Principles and objectives of financial activities

The financial management function at CECONOMY ensures the permanent liquidity of the Group, manages cash flows throughout the Group, and reduces financial risks where economically feasible. The Treasury function manages these tasks centrally for the Group as a whole, with the aim of centrally steering the financing requirements and assets of Group companies to ensure surplus cash flows are invested under attractive terms and conditions or that any refinancing requirements can be funded where possible on the international capital markets. This applies to operating activities as well as to investments. CECONOMY aligns its selection of investment and financial products to the maturities of the underlying transactions.

Our financial activities are based on a financial budget for the Group, which covers all relevant companies. In addition to daily reconciliation of the Group-wide financial status, CECONOMY prepares both a short-term liquidity plan and a long-term liquidity plan for three months after the end of the financial year, which is updated on a rolling basis.

In addition, capital market access is facilitated through intensive dialogue with bond investors and credit analysts facilitates. The following principles apply to all Group-wide financial activities:

Financial unity: By presenting a single face to the financial markets, the Group obtains better terms on the financial markets.

Financial scope: In our relationships with banks and other business partners in the financial arena, we consistently maintain our scope of action in order to remain independent.

Central risk mitigation: First of all, we cover our financial needs through financial transactions. Secondly, the company secures underlying transactions encumbered with risks. CECONOMY's total financial portfolio is centrally monitored by the Treasury function.

Centralised risk monitoring: Changes in financial parameters, such as interest rate or exchange rate fluctuations, can impact the financing activities of CECONOMY. Associated risks are regularly quantified by the Treasury unsing scenario analyses. Open risk positions – for example, financial transactions without an underlying transaction – may only be concluded after the Management Board of CECONOMY AG has granted the appropriate approval.

Exclusively authorised contractual partners: CECONOMY only conducts financial transactions with contractual partners who have been authorised by the Treasury function. The creditworthiness of these contractual partners is tracked daily, based on their ratings and the monitoring of their credit risk ratios (essentially credit default swap analyses). On this basis, the Treasury function at CECONOMY continuously monitors adherence to the authorised limits.

Approval requirement: As a matter of principle, all financial transactions of CECONOMY Group companies are conducted with CECONOMY AG. In cases where this is not possible for legal reasons, these transactions are concluded with another Group company on behalf of the Group company or directly between the Group company and the external financial partner in coordination with CECONOMY AG.

Audit security: The principle of dual control applies within our company. All processes and responsibilities are laid down in Group-wide guidelines. The conclusion of financial transactions is organisationally separated from the settlement and controlling functions.

↗ For more information about the risks stemming from financial instruments and hedge accounting, see the notes to the consolidated financial statements – No. 43 Management of financial risks.

Ratings

Ratings evaluate the ability of a company to meet its financial obligations. They communicate the creditworthiness of a company to potential debt capital providers. In addition, ratings facilitate access to international capital markets. CECONOMY AG has commissioned Moody's Investor Service – a leading international ratings agency – and Scope Ratings – an agency that is increasingly making a name for itself in European ratings – to continuously analyse CECONOMY's creditworthiness.

The ratings awarded to CECONOMY AG by Moody's Investor Service and Scope Ratings were as follows as at 30 September 2018:

Moody's Investors Service

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

Scope Ratings

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

On 17 October 2018, Moody's changed the outlook for CECONOMY AG's rating from “stable” to “negative”.

Based on these ratings, CECONOMY has access to all financial markets.

Financing measures

CECONOMY AG's medium- and long-term financing needs are covered by issues on the capital markets. CECONOMY currently has several promissory notes with a total volume of €250 million and residual terms of between three and eight years outstanding.

A multi-currency commercial paper programme with a maximum volume of €500 million is available to cover the short-term financing requirements of CECONOMY AG. As at 30 September 2018, a nominal volume of €145 million in commercial papers was outstanding.

The Group had access to sufficient liquidity at all times. CECONOMY AG has adequate reserves comprising both the liquidity available within the Company and a syndicated credit facility of €550 million, together with multi-year guaranteed credit facilities of €465 million. These comprehensive multi-year credit facilities, which are listed in the table below, were undrawn as of 30 September 2018.

CECONOMY's undrawn credit facilities

	30/09/2017			30/09/2018		
		Remaining term			Remaining term	
€ million	Total	Up to1 year	More than 1 year	Total	Up to1 year	More than 1 year
Bilateral credit facilities	498	8	490	491	26	465
Utilisation	–8	–8	0	–1	–1	0
Undrawn bilateral credit facilities	**490**	**0**	**490**	**490**	**25**	**465**
Syndicated credit facilities	550	0	550	550	0	550
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**550**	**0**	**550**
Total credit facilities	1,048	8	1,040	1,041	26	1,015
Total utilisation	–8	–8	0	–1	–1	0
Total undrawn credit facilities	**1,040**	**0**	**1,040**	**1,040**	**25**	**1,015**

COMBINED MANAGEMENT REPORT

NET ASSETS

In financial year 2017/18, **total assets** increased by €195 million to €8,475 million (30/09/2017: €8,280 million).

The increase in **non-current assets** by €139 million to €2,282 million is mainly due to the higher financial assets resulting from the addition of the 15 per cent share in M.video, Russia's leading consumer electronics retailer. The impairment on our investment, classified as long-term, of one per cent in METRO AG in contrast led to a decline in financial assets by around €16 million due to the valuation at fair value. Investments accounted for using the equity method, which include our approximately 24 per cent share in Fnac Darty S.A., increased by €30 million.

€ million	Note no.	30/09/2017	30/09/2018
Non-current assets		**2,144**	**2,282**
Goodwill	18	531	525
Other intangible assets	19	100	124
Property, plant and equipment	20	858	809
Financial assets	22	135	262
Investments accounted for using the equity method	22	458	488
Other financial assets	23	8	3
Non-financial assets	23	15	11
Deferred tax assets	24	39	59

↗ For more information about the development of non-current assets, see the notes to the consolidated financial statements under the numbers listed in the table.

Current assets increased by €57 million to €6,193 million. Cash and cash equivalents in particular increased considerably as a result of the approximate ten per cent increase in the share capital with proceeds of around €227 million as well as the proceeds from the disposal of a 3.6 per cent share in METRO AG. The acquisition of an investment of 15 per cent in Russia's leading consumer electronics retailer M.video, which reduced cash and cash equivalents by €258 million, had an opposing effect.

Other financial assets decreased by €240 million to €495 million. The decline resulted mainly from the disposal of a 3.6 per cent share in METRO AG and the impairment of the remaining 5.4 per cent share in METRO AG, based on a price of €13.50 per ordinary share and €12.61 per preference share as per the last stock exchange trading day of the reporting period.

€ million	Note no.	30/09/2017	30/09/2018
Current assets		**6,136**	**6,193**
Inventories	25	2,553	2,480
Trade receivables	26	498	613
Receivables due from suppliers	23	1,246	1,239
Other financial assets	23	735	495
Non-financial assets	23	155	147
Entitlements to income tax refunds	23	87	103
Cash and cash equivalents	29	861	1,115
Assets held for sale	30	0	0

↗ For more information about the development of current assets, see the notes to the consolidated financial statements under the numbers listed in the table.

Net working capital according to the statement of financial position developed as follows in the financial year 2017/18:

Net working capital[1]

€ million	30/09/2016	30/09/2017	Change	30/09/2017	30/09/2018	Change
Inventories	2,293	2,449	155	2,449	2,480	31
Trade receivables	322	497	175	497	613	117
Receivables due from suppliers[2]	1,157	1,197	40	1,197	1,239	43
Receivables from credit cards	28	66	39	66	71	5
Advance payments on inventories	0	0	0	0	0	0
Trade payables	−4,359	−4,817	−458	−4,817	−5,277	−460
Liabilities to customers	−134	−129	5	−129	−45	83
Deferred revenues from vouchers and customer loyalty programmes	−51	−63	−12	−63	−137	−74
Provisions for customer loyalty programmes and rights of return	−18	−19	−1	−19	−23	−5
Prepayments received on orders	−32	−39	−6	−39	−46	−8
Net working capital	**−795**	**−858**	**−63**	**−858**	**−1,125**	**−267**

[1] Previous year's figures were adjusted for discontinued operations to enable comparison.
[2] Includes €29 million as of 30 September 2016, which was recognised in the statement of financial position under other financial assets item in non-current assets.

Net working capital according to the statement of financial position improved by €267 million compared to the previous year to €−1,125 million (30/09/2017: €−858 million).

This was mainly due to an increase in trade payables as of 30 September 2018 compared with the previous year. This was supported by a temporary optimisation of payment terms and increased purchasing volume due to the value added tax (VAT) campaigns in Germany in September.

The €117 million increase in trade receivables, which in turn was due to increased demand for mobile communications contracts, had a counteracting effect.

Receivables due from suppliers increased slightly by €43 million to €1,239 million.

Overall, inventories rose in the past financial year by approximately €31 million.

Discontinued operations

In accordance with IFRS 5, the Russian MediaMarkt business is classified as discontinued operations. This excludes the Group expenses allocated to Russia, which remain in continuing operations.

The profit or loss for the period from discontinued operations amounted to €−296 million in financial year 2017/18. The majority of the loss is attributable to current earnings from discontinued operations and the valuation/disposal result from the disposal of the MediaMarkt Russian business.

The share of non-controlling interests amounted to €−62 million, resulting in a net loss attributable to shareholders from profit or loss for the period from discontinued operations of €−234 million or €−0.70 per share for the past financial year.

↗ Additional information on discontinued operations can be found in No. 11 Profit or loss for the period from continuing operations after taxes and in No. 30 Assets held for sale/liabilities related to assets held for sale.

REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

Report on events after the closing date

Events after the closing date

Between the closing date (30 September 2018) and the date of preparation of the consolidated financial statements (30 November 2018) there were no events of material importance for the assessment of CECONOMY AG's and CECONOMY's income, financial and asset position.

At the start of the new financial year, the Swiss country organisation disposed of a consumer credit portfolio of CHF100 million. This is the result of a customer financing programme which allowed Swiss customers at MediaMarkt not only to purchase products but also to directly finance them through MediaMarkt. Customer financing can be flexibly repaid within a period of three years at any time. The disposal of these customer receivables allows the Swiss country organisation to release cash, thereby boosting net working capital. The selected structure provides for a revolving monthly disposal of the newly created credit card receivables over the next five years.

On 13 October 2018, CECONOMY AG issued an ad-hoc communication announcing staff changes to the Management Board of CECONOMY AG. CECONOMY AG's Supervisory Board and Pieter Haas, the Chair of the Management Board (CEO), mutually decided in an extraordinary meeting to part ways with immediate effect. Based on 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. The Management Board decided that Ferran Reverter Planet, Chief Operating Officer (COO) of Media-Saturn-Holding GmbH (MSH), is to assume the mandate previously executed by Pieter Haas as an MSH managing director seconded by CECONOMY. In connection with this change of management at CECONOMY AG and MSH, one-off payments in the low double-digit million euro range are expected.

On 17 October 2018, Moody's changed the outlook for CECONOMY AG's rating from "stable" to "negative".

Outlook

The outlook of CECONOMY AG considers relevant facts and events that were known at the time of the preparation of the consolidated financial statements, and that impact future business developments. Alongside numerous sources from national and international economic research institutes and organisations, the outlook is mainly based on analysis provided by Feri Trust. The following conclusions reflect a mid-range scenario of expectations.

Economic parameters for 2018/19

With global political uncertainty persisting, the outlook for economic development remains equally unpredictable.

As things stand at present, global economic growth is expected to recover in calendar year 2018, boosted by strong US growth of 2.8 per cent and economic revival in the BRIC countries. This global trend finds additional support from 4.8 per cent growth in the emerging markets. The rising trade friction between the US and China, the two largest global economic powers, poses a major threat to the future development of the global economy. Against this backdrop, in 2019 moderate growth is expected to continue slightly below the 2018 level. The mid-term development of the global economy will be strongly influenced by the further course of monetary policy and the currently high levels of sovereign, corporate and private debt. Overall, in 2018 the global economy has still not returned to a path of sustainable economic growth following the financial and sovereign debt crisis.

Driven by economic growth in France stimulated by structural reforms, we expect moderate economic growth of 2.0 per cent in the Eurozone in 2018. In addition, exports benefited from a recovery in global trade and growth in private consumption was also supported by declining unemployment rates. Economic uncertainty is increasing in Europe as Brexit looms nearer. Moderate growth is still expected for 2019, which will still be somewhat below the growth level from the previous year.

Furthermore, the Chinese economy is expected to slow down marginally due to the transition to a more strongly service oriented economy and increasing fiscal policy risks.

DACH

After the economic upturn in 2017, economic growth in Germany will return to a normal level in 2018. The principal factors behind the cooling of the German economy are capacity bottlenecks, particularly in the construction sector, and the first signs of a slowdown in the growth of the global economy. Boosted by a robust labour market which is ensuring solid domestic demand and continued high export surpluses, the German economy will continue to develop at a solid, slightly lower growth level in the course of 2018.

On this basis, economic growth in Germany is expected to decrease slightly in real terms, from 2.5 per cent in the previous year to 2.0 per cent in 2018. We expect real growth to weaken further to 1.7 per cent in 2019, though private consumption should remain stable.

In Austria, real growth for 2018 is expected to reach 3.0 per cent, the same high level as in 2017, due to strong domestic demand and a strong export economy. It can be assumed that this high growth will not be maintained in 2019 and that growth will normalise.

In Switzerland, growth in the overall economy is not expected to accelerate in 2018. With an increase of 2.1 per cent in real terms, growth significantly exceeds 2017 levels. The drivers for this are the export economy and stable private consumption. Real growth of 1.7 per cent is expected for 2019. Overall, the economic environment in Switzerland will remain challenging in 2019, but at a high level.

After extremely strong real economic development in 2017 with 4.0 per cent growth due to strong investment activity in 2017, Hungary is expected to experience slightly higher economic growth in 2018 than in the previous year, supported, among other factors, by sustained investment and robust private consumption. For 2019, solid growth of 3.2 per cent in real terms is expected, but at a slightly lower level.

Western/Southern Europe

Following years of (overall) solid growth rates, the economy in Western Europe is expected to continue expanding in 2018 at a stable rate of 1.9 per cent. The uncertainties provoked by the Brexit referendum and current US economic policy continue to pose a risk of declining GDP growth given the close economic and financial ties between Western Europe and both countries. France's strong economic performance is having a positive impact on the region's economic development. At the same time, the low interest environment continues to boost growth, although it remains to be seen which course the European Central Bank's monetary policy will take beyond 2018. Furthermore, the solid labour market with declining unemployment rates is supporting private consumption.

We expect real economic growth of about 1.7 per cent for calendar year 2019. The Netherlands (2.1 per cent) and Spain (2.2 per cent) continue to outperform this trend, although growth momentum is expected to slow in both countries.

Despite solid private consumption, France is also unlikely to be able to maintain the growth momentum of 2017 in the current and coming calendar years, and is expected to reach only 1.6 per cent in 2019.

Italy – Western Europe's fourth-largest economy – continues to labour under structural economic problems and a persistently very high level of sovereign debt. For 2019, only slight growth of 1.2 per cent is expected.

In light of the national impact of the Brexit referendum, Great Britain is expected to achieve real GDP growth rates of 1.3 per cent during the transitional phase of its departure from the EU.

Eastern Europe

Following (overall) moderate expansion in 2017, economic growth in Eastern Europe is picking up again in 2018. The growth rate of 2.9 per cent is significantly higher than that for Western Europe over the same period. For 2019, this growth trend is expected to continue at a slightly slower pace and 2.5 per cent real economic growth is expected.

This trend is being supported by the anticipated continued recovery in Russia, which will be coupled with real GDP growth of around 1.8 per cent in 2019. Private consumption is the main driver of this development.

Poland is a key driver for the development in Eastern Europe. In this case, based on its dynamic economic development of 4.8 per cent in 2018, economic growth in Poland is expected to continue at the slightly lower level of 3.5 per cent in 2019. Despite weaker growth rates, private consumption will continue to be an important pillar of the country's economic development in the future.

In Turkey, following a significant decline in real GDP growth in 2016 to 3.2 per cent, an increase of 7.4 per cent was recorded in 2017. This was triggered, among other factors, by a sharp decrease in value added tax (VAT) on certain product groups, low hurdles to loan approvals, and increased public spending. Weaker real growth of 5.8 per cent is expected for 2018. These political measures are not, however, resolving the deficits inherent in the Turkish economy that are manifested in the continued weakness of the Turkish lira against the euro. Negative real growth of −5.0 per cent coupled with a very high inflation rate of over 30 per cent is expected for 2019.

Consumer electronics retailing

Consumer electronics retailing in Europe is likely to continue its stable development in financial year 2018/19.

DACH

In view of the high base level and the relatively low speed of innovation expected in Germany, the electronics retail sector will probably see only minimal growth in financial year 2018/19. In Austria and Switzerland, we expect solid growth rates of about 1.0 per cent for the coming year compared to the previous year. As in previous years, the Hungarian electronics market is likely to be significantly more dynamic than this level, but will no longer achieve double-digit growth rates in the medium term.

Growth effects from the further development of networking options are expected to continue in 2019. The networking of home automation, household appliances and consumer electronics (subsumed under the term "smart home"), wearables, video and music streaming and speech assistants will continue to develop. Virtual and augmented reality as well as a large number of Internet of Things applications will probably stimulate growth and generate initial volume effects.

Western/Southern Europe

The saturated Western European electronics markets will continue to generate moderate growth in 2019, slightly below the previous year's level. We expect positive growth for Spain at a slightly lower level than in 2018. Because of the difficult economic environment, no growth is expected for Italy. We also anticipate low growth in France, despite the strong momentum in the current financial year.

Eastern Europe

Growth in consumer electronics will continue, albeit at different rates across Eastern Europe. Although market growth in Russia is currently high in local currency terms, the negative development of the rouble makes the growth rates appear low in euro terms. For 2019, we expect moderate growth in euro terms. Poland will continue to grow as in recent years, albeit at a slightly lesser pace from 2019 onwards. In light of the political and economic uncertainties (negative real economic growth, expected inflation of over 30 per cent, unpredictable future exchange rate development), no reliable forecast can be made regarding developments on the Turkish market in 2019.

Outlook of CECONOMY

The outlook is adjusted for exchange rate effects and before portfolio changes. Still to be specified expenses in connection with the restructuring and optimisation of structures and business processes at administrative and central units are not included. Expenses for already announced management changes in top management are also not included.

SALES

For the 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.

OPPORTUNITY AND RISK REPORT

Opportunity and risk management system

In a dynamic market environment, CECONOMY operates on the basis of a clear long-term strategy and short and medium-term goals derived from this strategy. There are risks and opportunities associated with implementing measures to achieve these goals. In some cases, however, we must consciously take risks so as to be able to exploit opportunities in a targeted manner. The early recognition and management of risks and opportunities is a core task of management.

We define risks as internal or external events resulting from uncertainty over future developments that can negatively impact the attainment of our corporate objectives. We define opportunities as possible successes that extend beyond the objectives defined in our planning and can thus positively impact our business development. We consider risks and opportunities as inextricably linked. For example, risks can emerge from missed or poorly exploited opportunities. Conversely, exploiting opportunities in dynamic growth markets or in new business units always entails risks.

With this in mind, we regard our Company's risk and opportunity management system as a tool that helps us to realise our corporate goals. The systematic process underlying risk and opportunity management is applied throughout the Group. It helps the Company's management to identify, assess, control and monitor risks and opportunities. As such, risk and opportunity management is a uniform process. Risk management flags up developments and events that could hinder us from reaching our business targets at an early stage and analyses their implications. This allows us to put the necessary countermeasures and monitoring in place in a timely manner. At the same time, opportunity management allows us to exploit opportunities systematically.

CENTRALISED MANAGEMENT AND EFFICIENT ORGANISATION

It is the responsibility and a legal requirement of the Management Board of CECONOMY AG to have an adequate governance system in place. This in particular includes risk and opportunity management, the internal control and compliance management system and internal auditing. Collectively, they make up the Governance, Risk and Compliance System (GRC System). This is based on the governance elements identified in § 107 para. 3 of the German Stock Corporation Act [AktG] as well as the German Corporate Governance Code [DCGK]. The goal of this is to make structures and processes more transparent and to harmonise the processes of the subsystems. In this way, we aim to increase the transparency and efficiency of the GRC system at CECONOMY as a whole and continuously improve its adequacy and effectiveness.

CECONOMY AG's Group committee for governance, risk and compliance (GRC committee) regularly discusses ways to harmonise and refine the GRC subsystems. The committee also regularly discusses the current opportunity and risk situation on the basis of reports from the respective units. Permanent members are representatives of the Group departments Accounting, Controlling & Reporting, Corporate Risk Management, Internal Control System, Investor Relations, Group Corporate Legal, Group Compliance & Antitrust, Internal Audit, Group Projects & PMO, Corporate Communications, Public Policy & Sustainability, as well as representatives from risk management at MediaMarktSaturn Retail Group. In addition, guests from the Tax and Treasury departments, for example, are invited to the meetings as required.

RISK MANAGEMENT

Group-wide risk and opportunity management tasks and responsibilities are clearly defined and reflect our corporate structure. Centralised business management is linked to the management holding company CECONOMY AG with the decentralised operating responsibility of our Group companies.

The Management Board of CECONOMY AG assumes overall responsibility for the adequacy and effectiveness of the risk and opportunity management system as part of the GRC system. Risks are identified, assessed, managed and monitored by the Group companies. The risks of the MediaMarktSaturn Retail Group are validated by Media-Saturn Holding and aggregated at the level of CECONOMY AG for further consideration and consolidation. The other Group companies report their risks directly to CECONOMY AG.

Key elements of internal monitoring include adequacy and effectiveness checks of risk and opportunity management in the form of self-assessments by the management of the Group companies as well as checks of the adequacy and effectiveness through internal audits at Group company level. Adequacy and effectiveness are also monitored by the Supervisory Board of CECONOMY AG. In compliance with the provisions of the Corporate Sector Supervision and Transparency Act (KonTraG), the external auditor submits the Company's early warning system as part of the opportunity and risk management system to a periodic review as part of the audit of the consolidated financial statements. The results of this review are presented to the Management Board and Supervisory Board.

CECONOMY AG Corporate Risk Management manages and develops our risk and opportunity management system. It defines the approach, measurement methodology and standards for risk and opportunity management in coordination with the GRC Committee and, as a current material investment, the MediaMarktSaturn Retail Group. CECONOMY AG Corporate Risk Management informs the Management Board of CECONOMY AG promptly and continuously about significant developments in risk and opportunity management, ensures the exchange of information within our Company and supports the further development of risk and opportunity management at Group level and in the Group companies.

OPPORTUNITY MANAGEMENT

Systematically identifying, assessing and communicating opportunities is an integral part of our management and controlling system. Opportunities may refer to internal or external events and developments that can have a positive impact on our business development beyond the targets defined in our planning. We strive to ensure that the main opportunities and risks of CECONOMY are well balanced.

We conduct macroeconomic analyses, study relevant trends and evaluate market, competition and location analyses. In addition, we discuss the critical success factors of our business models and relevant cost drivers of our Company. The Management Board of CECONOMY AG specifies the market and business opportunities derived from these processes as well as efficiency improvement potential in the context of strategic as well as short-term and medium-term planning. To this end, the Management Board is in close reciprocal communication with the heads of the Group departments and the management of the Group companies. As a Company, we focus primarily on business approaches driven by the market and by customers. We continuously review the various elements of our strategy, which aims for sustainable long-term growth.

REPORTING

Group reporting is the central element of internal opportunity and risk communication, supplemented by risk and opportunity management reporting. The aim is to allow for the structured and continuous monitoring of risks and opportunities and document this in line with legal and regulatory stipulations. In doing so, the Management Board shall regularly receive information on the risk situation. Recognising negative trends in good time and being able to take appropriate countermeasures is also ensured.

We conduct a risk inventory twice per year. In order to do so, we systematically record and describe all material Group-wide risks, and assess them based on quantitative and qualitative indicators and uniform criteria relating to loss potential and the probability of occurrence. The results of the risk inventory and the risk portfolio are updated on a regular basis.

The results reported by the Group companies are validated by the respective risk managers. In a second step, they summarise these in a functional risk profile coupled with a detailed description of material individual risks. In a third step, the risk profiles for individual categories are validated by the risk officers at Group level and the GRC committee, and specific steps to improve risk management are devised.

We also consider analyses and reports that we compile as part of our medium-term planning and forecasts. Furthermore, we examine relevant earnings from the internal control system, the compliance management system, the opportunity management system, and internal auditing.

Finally, we derive the overall opportunity and risk portfolio for CECONOMY AG from all of our findings. This enables us to take a balanced overall view of the opportunity and risk situation of our Company. The GRC report describes the status quo and contains recommendations for risk management. In addition, the main features of the GRC subsystems are presented, including planned measures to improve the effectiveness of the GRC subsystems.

The Management Board of CECONOMY AG informs the Supervisory Board and the Audit Committee on an ongoing basis about risk and opportunity management. Once a year, the Supervisory Board receives a comprehensive written report on the organisation and alignment of risk and opportunity management as well as the current opportunity and risk situation.

When preparing the half-year financial report, we review and update the opportunity and risk portfolio compiled in the previous year. Furthermore, an emergency notification system takes effect if serious risks to our asset, financial and earnings position arise. In this case, the Management Board of CECONOMY AG directly and promptly receives the necessary information.

STRICT RISK POLICY PRINCIPLES

In principle, METRO GROUP takes entrepreneurial risks only if they are manageable and if the associated opportunities promise a reasonable increase in value for the Company. Business interests and risk management aspects are therefore carefully weighed against each other and harmonised as much as possible.

We bear the risks associated with core processes in the retail industry ourselves. These core processes include, for example, the development and implementation of business models, decisions about store locations, and the procurement and sale of goods and services. Risks from support processes are reduced within the Group or, where this appears sensible, transferred to third parties. In principle, we do not assume risks that are not related to core processes or support processes. The same applies to risks that could pose an existential threat to our Company or result in non-compliance with legal requirements.

RISK MANAGEMENT DETAILS CLEARLY DEFINED

All relevant facts are compiled in sets of rules based on the internationally recognised standards COSO II and IDW PS 981. This ensures that the measures within risk management are coordinated and efficiently implemented. Our Group-wide risk management system records all material strategic, operational, financial and compliance risks.

We essentially consider all risks at the level of CECONOMY AG over a one-year period and the effects of the risks on Group companies are considered in the first and third year.

RISK CLASSIFICATION

All risks identified are classified based on uniform standards and quantitative and qualitative indicators with respect to loss potential (negative EBITDA or cash effects related to our corporate objectives) and probability of occurrence (in per cent). With regard to loss potential, we divide Group risks into five classes: < €5 million, ≥ €5 million, ≥ €25 million, ≥ €50 million, ≥ €150 million. The probability of occurrence is also divided into five classes: unlikely (≤ 5 per cent), low (> 5 to 25 per cent), possible (> 25 to 50 per cent), likely (> 50 to 90 per cent), high (> 90 per cent). All risks and their possible impacts are assessed at the time of the risk analysis and before any future risk mitigation measures are taken. In doing so, we present the gross risks, i.e. risks before initiating future mitigation measures, but taking into account measures that have already been effectively implemented. In principle, but at least from a probability of occurrence of > 25 to 50 per cent, obligatory, concrete measures are defined and implemented for each risk in order to control or avoid the risk or to mitigate the effects associated with it.

Presentation of the risk situation

In addition to the general risks, the Management Board of CECONOMY AG has identified and evaluated the following risks for the reporting period, which are material for CECONOMY.

CECONOMY's risks are classified into three categories – high, medium and low – on the basis of the loss potential and the probability of occurrence:

Risk matrix of CECONOMY

≥ €150 million critical	1	M	H	H	H	H
≥ €50 million considerable	2	M	M	H	H	H
≥ €25 million significant	3	L	M	M	M	H
≥ €5 million moderate	4	L	L	L	M	M
< €5 million marginal	5	L	L	L	L	L
		E ≤ 5% unlikely	D > 5 – 25% minor	C > 25 – 50% possible	B > 50 – 90% likely	A > 90% high

The risks classified as high (H) are considered material for CECONOMY and are described in detail below. The order in which they are presented does not reflect the significance of the risks. Risks that we classify as medium (M) or low (L) are not presented separately in the risk and opportunity report unless we expect the risk to become particularly relevant for the Group or our shareholders in the future.

No.	Material risks 2017/18	Risk group	Risk assessment
1	Further intensification of competition in the transformation to digital	Strategic risks	high
2	Failure of the transformation of MMSRG	Strategic risks	high
3	Rating downgrade	Financial risks	high
4	Default of receivables due to insolvency of business partners	Financial risks	high
5	Reduced ability to forecast sales against the background of changing customer behaviour	Financial risks	high
6	Violation of data protection laws, outflow or manipulation of confidential data	Compliance risks	high
7	Failure of measures to strengthen country performance	Operating risks	high
8	Cyber attacks - attacks on the IT infrastructure	Operating risks	high
9	Lack of suitable employees for key functions	Operating risks	high

In the following, we explain the material risks, classified into various risk groups, and the corresponding control measures.

STRATEGIC RISKS RELATED TO THE RETAIL BUSINESS

Particularly in the saturated markets of Western Europe and against the backdrop of digital change, the retail industry is characterised by a high rate of change and intense competition. The resulting conditions can influence business development and represent natural business risks. A major business risk is a significant intensification of competition in the transformation to digital, especially from online retailers such as Amazon (risk no. 1). The intense competition for market share in saturated markets and, during the consolidation phase against competitors that price aggressively, can lead to increasing pressure on margins and loss of sales and market share. Increasing market and price transparency in addition to significantly shortened product life cycles as a result of digitalisation may further strengthen these effects while making it more difficult to identify trends in consumer behaviour at an early stage. An intensification of competition in the online business, which is a strong growth driver for CECONOMY, can also lead to a weakening of the competitive position and slow online expansion. In addition, significantly slower growth than forecast in the Services & Solutions business may result in a loss of market share to our competitors. This could have a negative impact on sales and EBITDA/EBIT. Due to the relevance of the Services & Solutions business for our business model and in capital market communications, effects related to the capital markets, such as share price declines, would also be possible.

In order to counter the risk, we provide sufficient and adequate resources, in particular in the digital sector and for online expansion. We continuously observe the market and our competitors and continue to develop the Services & Solutions business in order to open up new income potential. Moreover, we also check our processes with regard to the demands of the digital transformation alongside our mix of goods on an ongoing basis so as to uncover potential for improvement. We also assume an active role in pan-European market consolidation and verify suitable consolidation options and potential takeover candidates.

We regularly evaluate internal and external information so that we can identify market trends and the changing needs of our customers at an early stage and remain responsive

MediaMarktSaturn Retail Group, as a significant participating interest of CECONOMY, is presently in a phase of transformation from product to customer orientation, from decentralised to agile and from analogue to digital. The need for transformation, in particular with regard to the German country organisation of MediaMarktSaturn Retail Group, is considerable due to negative sales and EBIT development in the past financial year. Transformation processes of this type are generally risky and require a high degree of coordination, allocation of resources and support by employees and management staff. The failure of this transformation (risk no. 2) could jeopardise our long-term success. To counteract this risk, we continuously drive the transformation process forward, for example, through stronger KPI-based decision-making, the development and implementation of agile methods, and stronger links between online and offline processes.

FINANCIAL RISKS

Price risks (interest rate risks, currency risks, share price risks), liquidity risks, credit risks in dealings with counterparties in the context of financial transactions and risks arising from cash flow fluctuations may have a significant negative impact on our net financial result and liquidity. CECONOMY's financial risks are therefore managed centrally.

Ensuring CECONOMY AG's unrestricted access to the capital markets is integral to the management of financial risks. A downgrading of our rating to a non-investment grade below Baa3/BBB- would have a negative impact on our liquidity and Group financing (risk no. 3). For example, this could not only lead to worsening payment conditions, but also to adjustment the credit limits of the credit insurer. In addition, negative effects on net working capital cannot be ruled out. In principle, a deterioration in net working capital would trigger additional financing requirements. For this reason, we continuously optimise and monitor ratings-relevant key figures to allow us to initiate short-term countermeasures. In order to counteract this risk, our strategy focuses on optimising our net working capital and the efficient allocation of funds for investment.

In addition, the default of receivables due to the insolvency of important business partners, in particular mobile communications providers, is also a risk that we continuously monitor and control (risk no. 4). To this end, we regularly analyse information about our business partners in order to be able to take early protective measures with regard to outstanding receivables if necessary. This also includes a review of the creditworthiness of our contractual partners. We grant higher receivables only to business partners with good credit ratings. We also regularly examine existing contracts to reduce possible default risks.

Unexpected deviations from the budget or forecast, particularly in view of increasingly dynamic customer behaviour and macroeconomic developments, represent a further risk for CECONOMY (risk no. 5). Such discrepancies could cause us to fail to meet our targets or the forecast communicated to the capital market or to make business decisions based on incorrect assumptions. As a result, the definition of targets and investment volumes as well as liquidity and tax planning and the resulting measures to achieve them may not be adequate and revaluing assets including goodwill may be necessary.

Deviations from our forecasts could also lead to a loss of confidence on the capital market. For this reason, we attach high priority to measures designed to limit these risks. In this context, we consistently implement strategic and organisational measures aimed at improving the quality of data and forecasts and at improving earnings. This includes the development of an interdisciplinary monthly forecast process and an improved front spread presentation on operational and financial management.

In addition, the steps we take to counter these risks include careful monitoring as well as the further development of internal controls for the budget and forecast process. We continue to intensify the planning process and the related internal information flow and coordination processes. Closer integration of strategic planning and the budgeting process as well as a stronger involvement of the supervisory bodies in the strategy and budgeting process contribute to this. In the outlook, we also communicate the Group's expectations for business development during the coming financial year.

COMPLIANCE RISKS

Data protection requirements further increased with the entry into force of the General Data Protection Regulation in May 2018 (risk no. 6). This relates, for example, to the processing of personal data relating to customers and employees. CECONOMY is aware of its significant responsibility in this area and continues view data protection as a high priority. We have implemented the requirements of the new EU General Data Protection Regulation. To ensure long-term data protection, we will implement further measures and, in particular, increase employee awareness of the issue. For example, we have rolled out a data protection management system, revised the data protection management concept and implemented it in the country organisations, and prepared the employees to implement the new requirements through various training courses.

OPERATING RISKS

We want to become or remain the market leader in the markets in which CECONOMY is active. We have defined numerous measures at all levels to ensure this. These measures support the performance of the low-margin countries in particular. If these measures do not succeed in the short term, a revaluation of assets of the units concerned, including goodwill, and the formation of provisions may be necessary (risk no. 7). This may have a negative impact on the net assets and earnings position of CECONOMY. For this reason, we attach high priority to measures designed to strengthen country performance. This includes the continuous monitoring of country performance and success in restructuring, the implementation of programmes to improve efficiency and the appointment of new personnel to key positions in the units. Special emphasis is placed on countries for which there is an impairment risk.

Digitalisation and the connectivity of IT systems with the outside world, which goes hand-in-hand with this, entail the risk of attacks on the IT infrastructure (risk no. 8). IT system breakdowns can in particular have significant effects on CECONOMY's business management in its constantly increasing online trade. In online trade, permanent availability beyond store opening hours is an essential requirement. This can result in considerable losses of sales and damage to the Company's reputation. Critical network infrastructures and IT systems must therefore be checked continuously and adapted, in order to prevent disruptions to key business procedures. Systems that are essential for business operations in stores, especially checkouts, are largely self-contained and can continue to be used for some time even during events such as network failures or the failure of central systems. In addition, in the event of one or more server failures, centralised IT systems can be quickly restored. Technical and organisational measures, such as encryption mechanisms or security software solutions, are implemented as risk mitigation measures. We also underwrite cyber risks as far as possible.

Qualified employees form the basis for the success of our company. The competition for competent specialists has increased significantly, particularly in the areas relevant to digitalisation. Consequently, there is a risk that CECONOMY will not have enough suitable employees to fill key positions (risk no. 9). This primarily affects departments such as Innovation and IT and it can have a lasting negative impact on the success of CECONOMY. To ensure that CECONOMY will also have sufficient personnel resources with special technical and technological knowledge in future, we have implemented a series of measures. These measures first of all enable the effective management and further development of personnel resources and second of all help us to attract new, highly-qualified employees. These include, for example, the creation of an international succession pipeline for all key positions, the implementation of development programmes at management level or the acquisition of new talent through our trainee programmes.

In addition to the described key risks for CECONOMY, there are also risks resulting from the demerger of METRO GROUP which took place in the previous year, which are mainly tax risks, for example with regard to income and land transfer tax or the loss of loss carry-forwards. These were continuously monitored and evaluated prior to and after the demerger. For CECONOMY, however, we estimate the probability of occurrence to be unlikely and therefore do not consider the risks to be material for the Group.

The following risks are continuously analysed in the context of risk management due to their general significance, but from today's perspective they are not material for CECONOMY.

One risk that is not considered material to CECONOMY relates to the macroeconomic and political situation in the countries in which we operate. The uneven development of the global economy, with solid growth in Western and Central Europe and weaker development in the Eastern European markets, presents challenges for CECONOMY. In addition, the constantly changing framework conditions in these countries as well as unrest, changes in political leadership and attacks represent risks for CECONOMY. In the year under review, this particularly affected Turkey, which continued to be affected by a tense domestic political situation, currency devaluation and rising inflation.

We also do not consider investment process risks to be material. There are risks associated with the successful implementation of an investment due to uncertainties regarding the assumptions made prior to the investment. We have established risk-based approval processes to counter this risk. Ex post analysis of investments also enables us to achieve learning effects and monitor the success of implementation. In the case of individual financial investments, for example the acquisition of shares in M.video, contractual regulations provide for a retroactive purchase price adjustment, meaning that the investment growth should turn out to be lower than originally expected.

In addition, other non-material risks may arise from the various legal regulations and self-imposed standards of conduct to which CECONOMY is subject. For example, in CECONOMY's business relationships with suppliers, antitrust law risks may arise, for example, in areas such as the resale prices for merchandise. Appropriate risk provisions were created for pending antitrust law proceedings where liability is sufficiently substantiated. Employees in sensitive business departments receive intensive training as part of the antitrust programme.

Legal requirements in the various jurisdictions as well as the expectations of our customers and the public regarding corporate compliance have continued to increase and become more complex. In response to these requirements, CECONOMY has established a Group-wide compliance management system that it continuously refines. The aim of this system is to systematically and sustainably prevent regulatory infringements within the Company.

Presentation of opportunity situations

CECONOMY has numerous opportunities to ensure sustained positive business development. Above all, these are due to the fact that we respond in a rigorous manner and at an early stage to the needs of our customers. Our main goal is to create added value for our customers and to support them in the digital world. To this end, we are constantly developing new business models, solutions and formats and making use of the opportunities arising from digitalisation.

We also take into account demographic developments and the increasing differentiation in the mature markets of Western Europe. We analyse the relevant global and national trends and make the necessary decisions aimed at systematically exploiting opportunities in the future and gaining a competitive edge.

We have identified the following opportunities that may have a positive impact on our ability to meet our corporate goals over the next five years as material for CECONOMY.

OPPORTUNITIES FROM THE DEVELOPMENT OF BUSINESS CONDITIONS

In financial year 2018/19, we expect stable to slightly improved overall economic framework conditions. Our sales and earnings could benefit from this.

CORPORATE STRATEGY OPPORTUNITIES

CECONOMY is very well known in the countries in which it operates. We have assumed leading positions in many markets. We have to further strengthen and expand these. Weaker market participants have withdrawn, especially in countries with challenging framework conditions. We are working to fill these gaps or, where reasonable, to take over individual stores. We want to accelerate the consolidation of local, national and international markets. Market exits of competitors would create additional opportunities for market share gains. To this end, we continuously analyse competitors and other potential acquisition candidates. We also see additional potential in the repositioning of national and subsidiary companies operating in a difficult economic or competitive environment (e.g. Germany, Sweden, Switzerland). Ongoing transformation, repositioning and restructuring measures aim to improve our market position and boost our profitability and efficiency. This applies in particular to focus topics such as category management and the consolidation of procurement, supply chain, logistics and the country portfolio.

For the future success of CECONOMY, we increasingly see opportunities with respect to the development of new and more innovative business units. The requirements and behaviour of our customers change constantly with advancing digitalisation and thereby open up new business units in various departments, such as "smart home". We see potential for new business models which offer excellent added value to our customers, in line with our strategy and building on existing strengths of our operating processes. We actively drive forward the development of such new and innovative business units, by monitoring changes to customer requirements, identifying new trends and developing innovative ideas. We also continuously review new concepts, strategic partnerships and acquisitions. This allows us to enter new business units in an appropriate manner. We also maintain an intensive exchange with start-ups that are relevant to us, in some cases through direct investments in these start-ups, in order to gain insight into new business units and develop innovative ideas.

In addition, we see an opportunity for CECONOMY to reduce the tax rate of our Group in the organisational realignment of the MediaMarktSaturn Retail Group. To this end, we are assessing all relevant options from an economic, legal and tax point of view. A number of projects to improve the tax rate are already being implemented.

We see additional opportunities in the cooperation with our strategic partners and with regard to our strategic investments in Fnac Darty S.A. in the French market and in M.video in Russia. This also includes cooperation within the framework of the European Retail Alliance, which was created in financial year 2017/18 and now operates independently on the market. The European Retail Alliance is a joint venture between MediaMarktSaturn Retail Group and Fnac Darty S.A., which aims to improve the partnership with suppliers and the retail offering for end customers. The Alliance will be expanded to include additional partners in the future.

Sustainability is important to us. We believe that it will also continue to become even more important globally in the future. Expectations of customers, employees, investors, policymakers and society are becoming increasingly high, and we want to live up to them. To this end, we are developing a holistic sustainability strategy that we are systematically implementing. In addition to increasing the attractiveness of our brand, the range of products and our own brands, we see in the area of sustainability an abundance of new business models that we are currently analysing with regard to their potential. In addition, we continually review further opportunities and initiatives in sustainability. These include developing a more sustainable assortment of products and services as well as taking measures to reduce CO_2 emissions. These opportunities and our social commitment could have a positive impact on our reputation. This will help us to grow our sales over the medium term. We also believe that a stronger focus on sustainability could have a positive impact on our shares. This will make us more attractive, especially to investors with a sustainable outlook, and we will be able to gain access to better conditions.

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

The Management Board and the Supervisory Board of CECONOMY AG are regularly informed about the Company's opportunity and risk situation. The risks and opportunities were not only viewed in isolation when assessing the current situation. Instead, interdependencies were also analysed and assessed on the basis of their likelihood and impact. The assessment has shown that the overall risks can be controlled. The individual and cumulative risks identified do not represent risks that jeopardise the continuity of CECONOMY AG and the Group due to illiquidity or over-indebtedness over a period of at least one year. We are confident that CECONOMY's earnings strength provides a solid foundation for sustained positive business development and the exploitation of numerous opportunities. The Management Board of CECONOMY AG does not currently expect any fundamental change in the risk and opportunities situation.

COMBINED MANAGEMENT REPORT

REMUNERATION REPORT

This report explains the remuneration of the Management Board and Supervisory Board of CECONOMY AG. The main features of the remuneration system for the Management Board are presented as well as the structure and amount of the remuneration. In addition, the remuneration paid to the members of the Management Board is reported for the past financial year.

The information on the remuneration of the Management Board and Supervisory Board follows the German Commercial Code [HGB] and the recommendations of the German Corporate Governance Code [DCGK].

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

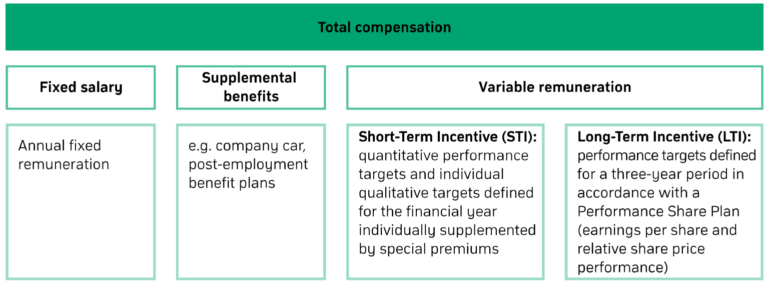
As stipulated in the provisions of the German Stock Corporation Act [AktG] and the German Corporate Governance Code [DCGK], the Supervisory Board of CECONOMY AG decides on the system for the remuneration of the Management Board. Since the beginning of the 2017/18 financial year, CECONOMY AG has implemented a new remuneration system. It was approved by the Annual General Meeting of the former METRO AG on 6 February 2017 with 79.1 per cent of the votes cast. The Supervisory Board of the former METRO AG adapted it in individual aspects by resolution in its March 2017 meeting.

The total compensation of the Management Board consists of an annual fixed salary and two variable performance-related components, a short-term and a long-term one. The performance-related components have different assessment bases and success parameters. The long-term performance-related component is intended to create incentives for sustainably increasing the company's success.

In addition to the aforementioned remuneration components, the Company grants the members of the Management Board a post-employment benefits plan and other supplemental benefits.

The total compensation of the Management Board and the individual remuneration components are geared appropriately to the responsibilities of each individual member of the Management Board, his or her personal performance and the Company's economic situation. They thus fulfil the legal requirements regarding customary remuneration. A scheduled increase in salaries with increasing seniority is not provided.

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



As a rule, with 100 per cent target achievement, the variable remuneration components should exceed the fixed salary and supplemental benefits at a ratio of two thirds to one.

FIXED SALARY

The fixed salary is agreed with the respective Management Board members as fixed remuneration and is paid out in monthly instalments.

COMBINED MANAGEMENT REPORT

PERFORMANCE-BASED COMPENSATION (SHORT-TERM INCENTIVE/ SPECIAL BONUSES)

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

Three financial performance targets have been set, which are based on key performance indicators (KPIs) and for which the Supervisory Board determines the respective target values, the threshold values and the maximum target achievement in advance on the basis of corporate planning:

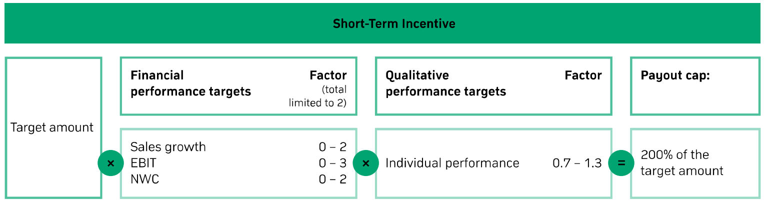
- Sales growth adjusted for currency effects and effects of portfolio changes (acquisitions and divestments)
- Earnings before net financial result deductions – EBIT (as a currency-adjusted delta from the previous year)
- Net working capital – NWC

After the end of the financial year, the degree to which targets have been met is measured for each of the performance targets and a target achievement factor is determined. The following sample calculation illustrates the range of possible target achievement levels:

- If 100 per cent of the target is met, the target achievement factor is 1.
- If the level of target achieved is less than or equal to the threshold, the target achievement factor is 0.
- If the event of target attainment between the threshold value and the target value, the level of target achievement is determined by linear interpolation. This also applies in the event of a target attainment above 100 per cent.

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

Short-term performance-related remuneration



In addition to the financial targets, short-term variable remuneration also includes qualitative individual targets that the Supervisory Board sets for the financial year. On the basis of the achievement of these targets, the Supervisory Board can reduce/increase the STI at its discretion by up to 30 per cent. The Supervisory Board determines an individual factor of between 0.7 and 1.3, depending on the achievement of the target.

The payout amount is calculated by multiplying the target amount by the overall target achievement factor and the individual factor. The payout amount is limited to twice the target amount (payout cap).

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

PERFORMANCE-BASED REMUNERATION (LONG-TERM INCENTIVE)

Performance Share Plan (PSP)

The LTI provides incentives for sustainable and long-term corporate development, taking into account internal and external performance as well as the interests of shareholders and other stakeholders associated with the Company. It has a three-year assessment basis (also known as performance period).

The members of the Management Board are conditionally assigned performance shares each year at the start of a new LTI. The number of shares corresponds to the quotient of the individual target value and the average share price of the Company's ordinary share upon allocation. This is based on the average Xetra closing price of the Company's ordinary share over a period of 40 consecutive stock exchange trading days immediately following the Company's Annual General Meeting in the year of granting.

The number of conditional performance shares is increased or decreased across the performance targets, each weighted 50 per cent

– Earnings per share – EPS

– Total shareholder return – TSR

over the term of three years.

EPS component: As a rule, at the beginning of the financial year in which the tranche of the performance share plan is granted, the Supervisory Board decides on a lower threshold (entry barrier) for target achievement and an EPS target value for 100 per cent target achievement. The respective degree of target achievement is assigned a factor: If the degree of target achievement at the end of the performance period is less than or equal to the entry barrier, the factor is 0; if the target achievement is 100 per cent, it is 1. The factor is determined on a straight-line basis for values between 0 and 1 and over 1.

TSR component: The target achievement factor of the TSR component is developed on the basis of the relative development of the return on the Company's ordinary shares in the performance period compared with a defined benchmark index or a predetermined comparison group; these comparison values are each given fifty per cent weighting. As a rule, at the beginning of the financial year in which the performance share plan is granted, the Supervisory Board decides on a lower threshold (entry barrier) and a TSR target value for 100 per cent target achievement. The respective degree of target achievement is assigned a factor: If the degree of target achievement at the end of the performance period is less than or equal to the entry barrier, the factor is 0; if the target achievement is 100 per cent, it is 1. The factor is determined on a straight-line basis for values between 0 and 1 and over 1.

The starting price of the Company's ordinary share is calculated on the basis of the average Xetra closing prices of 40 consecutive trading days immediately after the company's ordinary Annual General Meeting. Three years later, the final price is calculated from the Xetra closing prices of the Company's ordinary shares, again over the period of 40 consecutive trading days immediately after the ordinary Annual General Meeting. The TSR is calculated as a percentage of the change in the final price plus the total of the hypothetically reinvested dividend at the starting price compared with the change in the comparison values.

The Company's TSR calculated using this method is compared with the TSR of a defined benchmark and a defined peer group in the performance period.

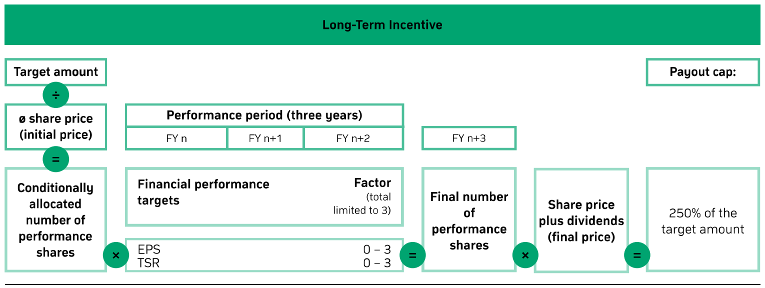
Determining the target number of performance shares and the payout amount: The arithmetic mean of the target achievement factors of EPS and TSR form the overall target achievement factor. This is multiplied by the number of assigned conditional performance shares, resulting in the target number of performance shares. In this process, the number is limited to three times the number of performance shares assigned at the start.

The payout amount is calculated by multiplying the target number of performance shares by the Company's average share price as detailed above plus the dividends paid during the term.

The payout amount is limited to a maximum of 250 per cent of the agreed individual target amount (payout cap).

The payment of the LTI is made no later than four months after the ordinary Annual General Meeting, which decides on the appropriation of the balance sheet profit from the last financial year of the performance period. However, this is not paid out until all annual and consolidated financial statements for the financial years of the performance period have been approved.

Long-term performance-based remuneration



Share Ownership Guidelines: The PSP requires the Management Board itself to invest in the company's shares. For a payout from the LTI, the members of the Management Board are obliged to establish an independently financed investment in ordinary shares of the Company by the end of February in the third year of the performance period. This shall amount to two thirds of the gross basic annual remuneration for the Chair of the Management Board and half of the gross basic annual remuneration for an ordinary member of the Management Board.

After five financial years at the latest, the Chair of the Management Board should have invested 200 per cent of their gross basic annual remuneration and an ordinary member 150 per cent of their gross basic annual remuneration in the Company's ordinary shares. The average price of the Xetra closing prices of the ordinary share on the 40 directly consecutive trading days after the statement of financial position conference, which is held before the month of February in the third year of the performance period, shall be considered as the share price for the number of ordinary shares to be purchased. If the requirement of the self-financed investment in the Company's ordinary shares has not been fulfilled or not fulfilled completely as of the respective required closing date, the determined payout amount shall only be paid out on the condition that the member of the Management Board ensures that he or she purchases shares.

Share Ownership Guidelines

Ongoing tranches of older plans in the financial year

In November 2016, the Supervisory Board of the former METRO AG decided to settle the tranches of the performance-related remuneration with long-term incentive which had not yet ended as scheduled at the time the spin-off took effect during the year. Accordingly, the parts earned at the relevant date were settled at fair value and paid out for the tranches of the Sustainable Performance Plan 2014/15 and Sustainable Performance Plan 2015/16. Meanwhile, the parts not yet earned at that time were included in a new long-term incentive plan for CECONOMY AG with their corresponding pro rata target amounts. The key figure for the part of the Sustainable Performance Plan 2014/15 tranche included in the new plans was "return on capital employed (RoCE) before special items". This rollover tranche ended in the 2017/18 financial year and was paid out as scheduled. For the part of the tranche Sustainable Performance Plan 2015/16 included in the new plans, the performance period was shortened to 40 exchange-trading days after the Annual General Meeting in 2019 and the key figure was set as "Earnings per share (EPS)".

POST-EMPLOYMENT BENEFIT PLANS

Since 2009, the members of the Management Board have been granted a post-employment benefits plan in the form of an employer's commitment with a defined contribution and a defined benefit component.

The defined contribution component is financed jointly by the Management Board and the Company. Here, the apportionment of "7 + 14" applies. If the member of the Management Board contributes 7 per cent of his or her defined assessment base, the Company's contribution is double that. When a member of the Management Board leaves the Company before retirement age, the contributions retain the level they have reached. The defined contribution component is congruently reinsured by Hamburger Pensionsrückdeckungskasse VVaG (HPR). The interest rate for the contributions is paid in accordance with the Articles of Association of the HPR with regard to profit participation, with a guarantee applying to the paid-in contributions.

There is an entitlement to pension provisions

- if the working relationship ends with or after reaching the standard retirement age as applies to the German state pension scheme.
- as early retirement benefits, if the working relationship ends at the age of 60 or after the age of 62 for pension benefits that were granted after 31 December 2011, but before reaching standard retirement age.
- in the case of disability or death insofar as the relevant conditions for entitlement have been met.

Payment can be made in the form of capital, instalments or a life-long pension, depending on the beneficiaries. A minimum benefit is paid out in the case of invalidity or death. In such instances, the total amount of contributions that would have been credited to the member of the Management Board for every calendar year up to a credit period of ten years, but limited to the point when the individual turns 60, will be added to the benefits balance. This defined benefit-based component is not reinsured, but will be provided directly by the Company when the pension is due.

Furthermore, since 2015, members of the Management Board have been offered the option of converting future remuneration components in the fixed salary as well as in the variable remuneration into post-employment benefit plans with HPR as part of a tax-privileged payment contribution in defined benefit obligations.

FURTHER SUPPLEMENTAL BENEFITS

The supplemental benefits granted to members of the Management Board, in addition to the post-employment benefits plans, include, among others, non-cash benefits and expense allowances such as company cars. A cap exists for the cash value benefits associated with the private use of company cars and for the amount of supplemental benefits overall.

PAYOUT CAP

As provided for in the DCGK and with regard to the variable remuneration components, there are overall upper limits with regard to payout amounts. Short-term variable remuneration is limited to 200 per cent of the target amount and long-term remuneration is limited to 250 per cent of the target amount. Other supplemental benefits are limited to a total of €150,000. In addition, the remuneration for each member of the Management Board is individually limited to an absolute maximum figure (total payout cap).

Regulations on the departure of a member of the Management Board

REGULAR DEPARTURE

If a member of the Management Board leaves the Company after expiry of his or her term of office, claims acquired during the term of the employment contract are not prematurely payable. Rather, the conditions of the LTI for the regular end of the tranches continue to apply in the same way as for the members of the Management Board who still work for the Company.

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

- Release of a member of the Management Board for good cause

- Immediate removal of a member of the Management Board

- Cancellation of the service agreement by the Company for good cause

- Early termination of the service agreement, removal of the appointment to the Management Board or release by the Company on request of the relevant member of the Management Board. If the Supervisory Board has indications of well-founded exceptions, such as in cases of hardship, it may deviate from the above regulations at its discretion.

In the event of amicable revocation of the appointment and/or an amicable early termination of the service agreement of a member of the Management Board and if the wish of the relevant member of the Management Board is not authoritative for this, a pro rata calculation of the claims for the period in which the member of the Management Board was active on the board function until removal is carried out. Calendar months that were started are considered in full for this purpose. In doing so, tranches not yet granted are not included. LTI benefits are granted at the regular end of the tranches in the same way as for the members of the Management Board who still work for the Company.

BENEFITS IN THE EVENT OF THE EMPLOYMENT RELATIONSHIP ENDING

In the event of the premature termination of their employment, the active members of the Management Board generally receive the contractual claims existing for the remainder of their employment contracts in the form of a one-off remuneration. This severance payment, including supplemental benefits, is limited to the maximum value of two years' remuneration (severance payment cap). Benefits in the event of an end to their activities are granted to the active members of the Management Board in connection with a change in control or in the form of a waiting allowance for the period of a non-compete clause following contract termination. Pensions for non-activity are not granted.

In the event of the death of a member of the Management Board during active service, his or her surviving dependants will be paid the fixed salary for the month in which the death occurred as well as for an additional six months.

Remuneration of the Management Board in financial year 2017/18[1]

thousand €	Financial year	Fixed salary[3]	Supplemental benefits	STI	LTI[4]	Total[5]
Pieter Haas[2]	2016/17	1,140	26	1,049	1,139	3,354
	2017/18	**1,340**	**28**	**0**	**609**	**1,977**
Mark Frese	2016/17	900	71	828	899	2,698
	2017/18	**900**	**33**	**0**	**481**	**1,414**
Dr Dieter Haag Molkenteller	2016/17	152	5	175	131	463
	2017/18	**700**	**34**	**0**	**229**	**963**
Total	2016/17	2,192	102	2,052	2,169	6,515
	2017/18	**2,940**	**95**	**0**	**1,319**	**4,354**

[1] Statements pursuant to § 285 sentence 1 no. 9a and § 314 para. 1 no. 6a of the German Commercial Code [HGB] (excluding provisions for post-employment benefit plans)
[2] Chair of the Management Board until 12 October 2018
[3] The fixed salary of Pieter Haas was increased retroactively by €200,000 with retroactive effect from 1 October 2017.
[4] Shown here is the fair value of the respective tranche at the time of granting.
[5] Total of the columns fixed salary, supplemental benefits, short-term performance-related remuneration and value of granted tranche of the long-term incentive.

Benefits granted

	Pieter Haas				Mark Frese				Dr Dieter Haag Molkenteller			
	Chairman of the Management Board and Labour Director until 12 October 2018				Member of the Management Board				Member of the Management Board			
	2016/17	2017/18	2017/18	2017/18	2016/17	2017/18	2017/18	2017/18	2016/17	2017/18	2017/18	2017/18
thousand €			Minimum value	Maximum value			Minimum value	Maximum value			Minimum value	Maximum value
Fixed remuneration	1,140	1,340	1,340	1,340	900	900	900	900	152	700	700	700
Supplemental benefits	26	28	28	28	71	33	33	33	5	34	34	34
Total	**1,166**	**1,368**	**1,368**	**1,368**	**971**	**933**	**933**	**933**	**157**	**734**	**734**	**734**
One-year variable remuneration	936	1,064	0	2,128	887	840	0	1,680	87	400	0	800
Multi-year variable remuneration												
Roll-over of the 2014/15 tranche of the Sustainable Performance Plan (version 2014) into a new LTI plan depending on RoCE; granted on 29/08/2017, end of performance period: 40 trading days after the Annual General Meeting of CECONOMY AG in 2018	310	–	–	–	310	–	–	–	43	–	–	–
Roll-over of the 2015/16 tranche of the Sustainable Performance Plan (version 2014) into a new LTI plan depending on EPS; granted on 29/08/2017, end of performance period: 40 trading days after the Annual General Meeting of CECONOMY AG in 2019	831	–	–	–	831	–	–	–	114	–	–	–
Performance Share Plan Tranche 2016/17[1]; Issued 06/09/2017, end of the performance period: 40 trading days after the Annual General Meeting of CECONOMY AG in 2020	1,139	–	–	–	899	–	–	–	131	–	–	–
Performance Share Plan Tranche 2017/18[1]; Issued 13/04/2018, end of the performance period: 40 trading days after the Annual General Meeting of CECONOMY AG in 2021.	-	609	0	3,990	-	481	0	3,150	-	229	0	1,500
Total	**4,382**	**3,041**	**1,368**	**7,486**	**3,898**	**2,254**	**933**	**5,763**	**532**	**1,363**	**734**	**3,034**
Pension expenditure	320	340	340	340	250	244	244	244	34	154	154	154
Total remuneration	**4,702**	**3,381**	**1,708**	**7,826**	**4,148**	**2,498**	**1,177**	**6,007**	**566**	**1,517**	**888**	**3,188**

[1] Shown here is the fair value at the time of granting the tranche.

Accruals

	Pieter Haas		Mark Frese		Dr Dieter Haag Molkenteller	
	Chairman of the Management Board and Labour Director until 12 October 2018		Member of the Management Board		Member of the Management Board	
thousand €	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Fixed salary[1]	1,140	1,340	900	900	152	700
Supplemental benefits	26	28	71	33	5	34
Total	**1,166**	**1,368**	**971**	**933**	**157**	**734**
One-year variable remuneration	1,142	1,049	902	828	210	175
Multi-year variable remuneration						
Payment 2013 tranche Performance Share Plan	979	–	0	–	0	–
Payment of 2013/14 tranche of the Sustainable Performance Plan	1,279	–	1,598	–	0	–
Payment of the share of the 2014/15 tranche of the Sustainable Performance Plan (version 2014) earned at the time of the spin-off	1,532	–	1,532	–	0	–
Payment of the share of the 2015/16 tranche of the Sustainable Performance Plan (version 2014) earned at the time of the spin-off	618	–	618	–	0	–
Payout of the new roll-over of the LTI plan of the share of 2014/15 tranche of the Sustainable Performance Plan (2014 version) that had not yet been earned at the time of the spin-off.	–	428	–	428	–	59
Other	0	0	0	0	0	0
Total	**6,716**	**2,845**	**5,621**	**2,189**	**367**	**968**
Pension expenditure	320	340	250	244	34	154
Total remuneration	**7,036**	**3,185**	**5,871**	**2,433**	**401**	**1,122**

[1] The fixed salary of Mr Haas was increased by €200,000 with retroactive effect from 1 October 2017.

VERTICAL REMUNERATION COMPARISON

According to Subsection 4.2.2 (5) DCGK, the Supervisory Board, when reviewing the appropriateness of the remuneration of the Management Board, should also take into account the ratio of the remuneration of the Management Board to the remuneration of senior management and the workforce as a whole over time. In order to make this comparison, the Supervisory Board shall determine how senior management and the relevant workforce are to be demarcated. By resolution of 30 October 2018, the Supervisory Board defined senior management of CECONOMY and the relevant workforce as follows:

– The senior management consists of the leadership team of the MediaMarktSaturn Retail Group and the vice presidents of CECONOMY AG.

– The relevant workforce comprises all employees of CECONOMY and the MediaMarktSaturn Retail Group in Germany.

On the basis of this definition, the ratio of the total remuneration of the average of all members of the Management Board to the total remuneration of the senior management in the 2016/17 financial year was seven and to the total remuneration of the relevant workforce 72.

Services after the end of employment in financial year 2017/18 (including provisions for post-employment benefit plans)

thousand €	Pieter Haas[1]	Mark Frese	Dr Dieter Haag Molkenteller	Total
Expenses – post-employment benefit plan (according to IFRS)	340	244	154	**738**
Expenses – post-employment benefit plan (according to HGB)	310	236	148	**694**
Provision amount[2] (according to IFRS)	61	4	0	**65**
Provision amount[2] (according to HGB)	59	4	0	**63**
Net present value of the provisions (in accordance with IFRS)	1,973	2,192	799	**4,964**
Net present value of the provisions (in accordance with HGB)	1,972	2,192	799	**4,963**

[1] Chair of the Management Board until 12 October 2018
[2] Provision amount as at 30 September 2018

Total compensation of former members of the Management Board in financial year 2017/18

Former members of the Management Board of CECONOMY AG and the companies that were merged into CECONOMY AG as well as their surviving dependants received €3.3 million in financial year 2017/18 (2016/17: €3.4 million). The net present value of the provisions for current pensions and pension entitlements according to IFRS amounts to €45.3 million (30/09/2017: €47.6 million). The net present value of the provisions for current pensions and future pension entitlements under the German Commercial Code (HGB) amounts to €38.4 million (30/09/2017: €38.8 million).

Remuneration of members of the Supervisory Board

In accordance with § 13 of the Articles of Association of CECONOMY AG, the members of the Supervisory Board receive fixed annual remuneration payable at the end of the respective financial year.

The individual amount of Supervisory Board remuneration takes into account the duties and responsibilities of the individual members of the Supervisory Board based on their oversight remit. An individual member's remuneration is generally €80,000. Due to their special responsibilities, the Chair of the Supervisory Board receives three times, his Vice Chair and the committee chairs double, and the members of the Supervisory Board committees one and a half times the remuneration of an ordinary member of the Supervisory Board, but not the Chair and members of the Mediation Committee pursuant to § 27 para. 3 of the German Co-determination Act [MitbestG]. In addition, the increased remuneration for a committee member or Chair only applies if during the financial year in question the said committee has held at least two meetings or adopted other resolutions on at least two occasions.

A member of the Supervisory Board who holds several offices at the same time receives remuneration for only one office; if levels of remuneration are different, the member is compensated for office with the highest remuneration.

The remuneration factors that potentially apply to the fixed annual remuneration for individual members of the Supervisory Board are shown in the summary below:

Remuneration factors

Chair of the Supervisory Board	●●●
Vice Chair	●●
Committee chairs[1]	●●
Committee members[1]	●◖
Members of the Supervisory Board	●

[1] For at least two meetings/resolutions of the committee in the relevant financial year

Supervisory Board members who have been members of the Supervisory Board for only part of the financial year receive a twelfth of the remuneration for each new month of their activity. This correspondingly applies to members of a committee, the Chair or Vice Chair of the Supervisory Board, or the Chair of a committee.

The figures given in the summary below apply to financial year 2017/18. The circumstances that led to an increase the remuneration for an individual member of the Supervisory Board and the underlying periods for the members of the Supervisory Board or members of the committees are noted for the individuals concerned.

Remuneration of members of the Supervisory Board for financial year 2017/18 pursuant to § 13 of the Articles of Association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Jürgen Fitschen		
(01/10/2017–14/02/2018 and 14/02/2018-30/09/2018, including as Chairman of the Supervisory Board, Chairman of the Presidential Committee, Chairman of the Nomination Committee and Chairman of the Mediation Committee: 01/10/2017–14/02/2018 and 14/02/2018–30/09/2018)	2016/17	150,000
	2017/18	**240,000**
Jürgen Schulz		
(01/10/2017-14/02/2018 and 21/03/2018-30/09/2018, including as Vice Chair of the Supervisory Board, Member of the Presidential Committee and Member of the Nomination Committee: 01/10/2018-14/02/2018 and 01/06/2018-30/09/2018 and Vice Chair of the Audit Committee: 01/10/2018–14/02/2018)	2016/17	100,000
	2017/18	**140,000**
Wolfgang Baur		
(21/03/2018–30/09/2018)	2016/17	–
	2017/18	**46,666**
Kirsten Joachim Breuer		
(21/03/2018–30/09/2018)	2016/17	–
	2017/18	**46,666**

Remuneration of members of the Supervisory Board for financial year 2017/18 pursuant to § 13 of the Articles of Association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Ulrich Dalibor		
(01/10/2017–14/02/2018, including as member of the Audit Committee: 01/10/2017–14/02/2018)	2016/17	80,000
	2017/18	**50,000**
Karin Dohm		
(01/10/2017–30/09/2018, including as member of the Audit Committee: 01/10/2017–14/02/2018 and as Chair of the Audit Committee: 14/02/2018–30/09/2018)	2016/17	90,000
	2017/18	**143,333**
Dr Bernhard Düttmann		
(01/10/2017–30/09/2018, including as member of the Nomination Committee and Mediation Committee: 01/10/2017–30/09/2018)	2016/17	20,000
	2017/18	**80,000**
Daniela Eckardt		
(01/10/2017–21/03/2018 and 21/03/2018–30/09/2018)	2016/17	20,000
	2017/18	**80,000**
Stefanie Friedrich		
(01/10/2017–21/03/2018)	2016/17	20,000
	2017/18	**40,000**
Dr Florian Funck		
(01/10/2017–30/09/2018, including as member of the Audit Committee: 01/10/2017–28/02/2018 and 01/03/2018 –30/09/2018)	2016/17	120,000
	2017/18	**120,000**
Ludwig Glosser		
(01/10/2017–21/03/2018 and 21/02/2018–30/09/2018, including as member of the Mediation Committee: 01/10/2017–14/02/2018 and 01/06/2018–30/09/2018 and as a member of the Audit Committee: 01/06/2018–30/09/2018)	2016/17	20,000
	2017/18	**93,333**
Julia Goldin		
(01/10/2017–30/09/2018)	2016/17	20,000
	2017/18	**80,000**
Jo Harlow		
(01/10/2017–30/09/2018)	2016/17	20,000
	2017/18	**80,000**

Remuneration of members of the Supervisory Board for financial year 2017/18 pursuant to § 13 of the Articles of Association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Peter Küpfer		
(01/10/2017–30/09/2018, including as member of the Audit Committee: 01/10/2017–28/02/2018 and 01/03/2018 –30/09/2018)	2016/17	90,000
	2017/18	**120,000**
Rainer Kuschewski		
01/10/2017–14/02/2018 and 21/03/2018–30/09/2018 and as member of the Audit Committee: 01/10/2017–14/02/2018 and 01/06/2018-30/09/2018)	2016/17	120,000
	2017/18	**110,000**
Claudia Plath		
(14/02/2018–30/09/2018)	2016/17	–
	2017/18	**53,333**
Jens Ploog		
(21/03/2018–30/09/2018, including as member of the Presidential Committee: 01/06/2018–30/09/2018)	2016/17	–
	2017/18	**60,000**
Birgit Popp		
(01/10/2017–21/03/2018 and 21/03/2018–30/09/2018)	2016/17	20,000
	2017/18	**80,000**
Dr Fredy Raas		
(01/10/2017–30/09/2018)	2016/17	113,333
	2017/18	**80,000**
Dr jur. Hans-Jürgen Schinzler		
(30/09/2017–14/02/2018, including as Chair of the Audit Committee: 30/09/2017–14/02/2018)	2016/17	160,000
	2017/18	**66,666**
Regine Stachelhaus		
(01/10/2017–30/09/2018, including as member of the Presidential Committee and the Nomination Committee: 01/10/2017–30/09/2018)	2016/17	63,333
	2017/18	**120,000**
Vinko Vrabec		
(01/10/2017–21/03/2018, including as member of the Presidential Committee: 01/10/2017–21/03/2018)	2016/17	30,000
	2017/18	**60,000**

Remuneration of members of the Supervisory Board for financial year 2017/18 pursuant to § 13 of the Articles of Association of CECONOMY AG[1]

€	Financial year	Fixed remuneration
Lena Widmann (21/03/2018–30/09/2018)	2016/17	80,000
	2017/18	**46,666**
Angelika Will (01/10/2017–14/02/2018)	2016/17	80,000
	2017/18	**33,333**
Sylvia Woelke (01/10/2017–21/03/2018 and 21/02/2018–30/09/2018, including as member of the Audit Committee: 01/10/2017–14/02/2018 and 01/03/2018–21/03/2018, Vice Chair of the Audit Committee: 01/06/2018–30/09/2018)	2016/17	30,000
	2017/18	**113,333**
Total[2]	2016/17	1,386,666
	2017/18	**2,043,329**

[1] Plus any applicable value added tax in accordance with §13 para. 5 of the Articles of Association
[2] Reported figures for 2016/17 relate to active members of the Supervisory Board in financial year 2017/18.

In accordance with the provisions of the Articles of Association, the Company also reimburses members of the Supervisory Board for expenses they incur in the exercise of their office. Any value added tax payable on the remuneration and reimbursement of expenses will also be reimbursed to the members of the Supervisory Board.

In financial year 2017/18, the members of the Supervisory Board were not granted benefits by other companies of the CECONOMY Group.

NOTES PURSUANT TO § 315A PARA. 1 AND § 289A PARA. 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT OF THE MANAGEMENT BOARD

Composition of share capital (§ 315a para. 1 no. 1 and § 289a para. 1 no. 1 of the German Commercial Code [HGB])

As at 30 September 2018, the share capital of CECONOMY AG totalled €918,845,410.90. It is divided into 356,743,118 ordinary bearer shares (proportional value of the share capital: around €911,999,299 or about 99.25 per cent) and 2,677,966 preference bearer shares (proportional value of the share capital: around €6,846,111 or about 0.75 per cent). The proportional value per share amounts to about €2.56.

Each ordinary share grants one voting right. In addition, ordinary shares entitle the holder to dividends. In contrast to ordinary shares, preference shares principally do not carry voting rights and give a preferential entitlement to profits in line with § 21 of the Articles of Association of CECONOMY AG. It states:

"(1) Holders of non-voting preference shares will receive from the annual balance sheet profits as advance dividend of €0.17 per preference share which is to be paid in arrears.

(2) Should the balance sheet profits available for distribution not suffice in any one financial year to pay the advance dividend, the arrears (excluding any interest) shall be paid from the balance sheet profits of future financial years in an order based on age, i.e. in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid.

(3) After the advance dividend has been distributed, the holders of ordinary shares will receive a dividend of €0.17 per ordinary share. Thereafter, an extra dividend of €0.06 per share, which does not have to be paid in arrears, will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10 per cent of such dividend as, in accordance with para. 4 below, will be paid to the holders of ordinary shares, to the extent such dividend equals or exceeds €1.02 per ordinary share.

(4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution in the proportion of their shares in the capital stock."

Other rights associated with ordinary and preference shares include in particular the right to attend the Annual General Meeting (§ 118 para. 1 German Stock Corporation Act [AktG]), the right to information (§ 131 AktG) and the right to file actions for annulment and avoidance (§§ 245 no. 1–3, 246, 249 AktG). As well as the said right to receive a dividend, shareholders have in principle a right to subscribe to capital increases (§ 186 para. 1 AktG). They are also entitled to the liquidation proceeds following dissolution of the Company (§ 271 AktG) and to compensation and a severance payment in certain structural measures, in particular those under §§ 304 ff., 320b, 327b AktG.

Voting related restrictions (§ 315a para. 1 no. 2 and § 289a para. 1 no. 2 of the German Commercial Code [HGB])

To the knowledge of the Management Board, the following agreements which can be regarded as restrictions under § 315a para. 1 no. 2 and § 289a para. 1 no. 2 of the German Commercial Code [HGB] exist or existed during the financial year 2017/18:

A pooling agreement exists between Beisheim Capital GmbH, Düsseldorf, Germany, and Beisheim Holding GmbH, Baar, Switzerland, which includes the CECONOMY AG shares held by Beisheim Capital GmbH and Beisheim Holding GmbH.

In preparation for the spin-off of CECONOMY AG (which was then still operating under the name of METRO AG), each of the former three major shareholders of CECONOMY AG – the Haniel shareholder group, the Schmidt-Ruthenbeck (now Meridian Foundation) shareholder group and the Beisheim shareholder group – has entered into temporary lock-up agreements at arm's length conditions with CECONOMY AG for their CECONOMY shares, which were still in place at the start of the financial year. The holding obligations of the shareholder groups Schmidt-Ruthenbeck (now Meridian Foundation) and Beisheim are on 13 October 2017 and the holding obligation of the shareholder group Haniel expired on 13 April 2018. In addition, the three main shareholders have each been subject to certain other restrictions on title of these shares.

There may also be statutory restrictions of the voting rights, for example pursuant to § 136 AktG or, where the Company was to hold own shares, pursuant to § 71 b AktG.

Capital holdings (§ 315a para. 1 no. 3 and § 289a para. 1 no. 3 of the German Commercial Code [HGB])

The following direct and indirect capital holdings (pursuant to § 34 WpHG) exist which exceed ten per cent of the voting rights:

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

The above disclosures are based, in particular, on the notifications under § 33 German Securities Trading Act [WpHG], which CECONOMY AG has received and published.

↗ Notifications of voting rights published by CECONOMY AG can be found on the website www.ceconomy.de/en/ in section Investor Relations – Legal Announcements.

Owners of shares with special rights and type of voting rights control where capital holdings are held by employees (§ 315a para. 1 no. 4 and 5 and § 289a para. 1 no. 4 and 5 of the German Commercial Code [HGB])

The company has not issued any shares with special rights pursuant to § 315a para. 1 no. 4 and § 289a para. 1 no. 4 of the German Commercial Code [HGB]. No capital holdings are held by employees within the meaning of § 315a para. 1 no. 5 and § 289a para. 1 no. 5 of the German Commercial Code [HGB].

Regulations governing the appointment and removal of members of the Management Board, and amendments to the Articles of Association (§ 315a para. 1 no. 6 and § 289a para. 1 no. 6 of the German Commercial Code [HGB])

The appointment and removal of members of the Management Board of CECONOMY AG are governed by §§ 84, 85 AktG and §§ 30, 31, 33 of the German Codetermination Act [MitbestG]. § 5 of the Articles of Association of CECONOMY AG additionally stipulates that the Management Board shall consist of at least two members, and also that the Supervisory Board shall determine the number of members of the Management Board.

Amendments to the Articles of Association of CECONOMY AG shall in principle be determined in accordance with §§ 179, 181, 133 AktG. In addition, there are numerous other provisions of the German Stock Corporation Act [AktG] which may apply in the case of an amendment to the Articles of Association and modify or replace the aforementioned provisions, for example §§ 182 et seqq. AktG in the case of capital increases, §§ 222 et seqq. AktG in the case of capital reductions or § 262 AktG for the dissolution of the public limited company. Amendments which only affect the version of the Articles of Association may be decided on by the Supervisory Board pursuant to § 14 of the Articles of Association of CECONOMY AG without a resolution by the Annual General Meeting.

Powers of the Management Board (§ 315a para. 1 no. 7 and § 289a para. 1 no. 7 of the German Commercial Code [HGB])

AUTHORITIES TO ISSUE NEW SHARES

The Annual General Meeting on 6 February 2017 authorised the Management Board to increase the share capital, with the consent of the Supervisory Board, by issuing new ordinary bearer shares in exchange for cash or non-cash contributions in one or more tranches for a total maximum of €417,000,000 by 5 February 2022 (authorised capital).

In the process, a subscription right is granted to existing shareholders. The new shares may also be acquired by banks chosen by the Management Board or equivalent entities as defined in § 186 para. 5 sentence 1 AktG if they agree to tender them to the shareholders. However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in the following cases:

- For the settlement of fractional amounts,
- Where the shares are issued in exchange for contributions in kind for the purpose of business combinations or the acquisition of companies, parts of companies, businesses, parts of businesses, or shares in companies,
- In the case of capital increases in exchange for cash contributions, to the extent necessary in order to grant the owners of the warrant or convertible bearer bonds issued by the Company, or by Group companies in which the Company directly or indirectly has at least a 90 per cent share, a right to subscribe to new ordinary shares to the extent to which they would be entitled as shareholders after exercise of the right or fulfilment of the obligation under the warrant or convertible bearer bonds or after exercise of a substitution right of the Company,
- In the event of a capital increase in exchange for cash contributions, if the aggregate par value of such capital increases does not exceed ten per cent of the Company's share capital and the issue price of the new ordinary shares is not substantially lower than the stock exchange price of the ordinary shares of the Company with the same features that are already listed. The limit of ten per cent of the share capital is diminished by the portion of the share capital attributable to the Company's own shares which during the term of the authorised capital (i) are used or disposed of as own shares with an exclusion of the shareholders' subscription rights in application, mutatis mutandis, of § 186 para. 3 sentence 4 AktG, or (ii) are issued from contingent capital to satisfy warrant or convertible bearer bonds which themselves were or are issued without subscription rights in application, mutatis mutandis, of § 186 para. 3 sentence 4 AktG. The portion of the share capital attributable to shares that are being issued in exchange for contributions

in cash and/or in kind during the term of this authorisation with an exclusion of the shareholders' subscription rights may not exceed 20 per cent of the Company's share capital existing at the point in time of the adoption of the resolution by the Annual General Meeting.

The Management Board is authorised, with the consent of the Supervisory Board, to define further details of the capital increases. On 28 June 2018, the Management Board, with the approval of the Supervisory Board, resolved to partially utilize the authorised capital created by the Annual General Meeting in 2017, excluding subscription rights, in exchange for cash contributions from €835,419,052.27 by €83,426,358.63 to €918,845,410.90 by issuing 32,633,555 ordinary bearer shares in the form of no par value shares with a pro rata amount of share capital of around €2.56 per share and with dividend entitlement from 1 October 2017 onwards. The entry of the capital increase in the commercial register at the District Court of Düsseldorf took place on 12 July 2018. The authorised capital amounts to €333,573,641.37 after partial utilisation. The issue price totalled €277,385,217.50. €193,958,858.87 was transferred to the capital reserve. The costs associated with the capital increase of €339,112.15 were recognised outside of profit or loss in equity.

AUTHORISATION TO ISSUE WARRANT AND/OR CONVERTIBLE BEARER BONDS

The Annual General Meeting on 20 February 2015 authorised the Management Board to issue, in each case with the consent of the Supervisory Board, warrant or convertible bearer bonds (in aggregate, “bonds”) with an aggregate nominal value of up to €1,500,000,000 prior to 19 February 2020, on one or more occasions, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or impose warrant or conversion obligations upon them for ordinary bearer shares in CECONOMY AG, representing up to €127,825,000 of the share capital in accordance with the terms of the warrant or convertible bearer bonds. Contingent capital of up to €127,825,000 was created in connection with this authorisation (contingent capital I).

The bonds may also be issued by a Group company of CECONOMY AG as defined in § 18 AktG in which CECONOMY AG directly or indirectly holds at least 90 per cent of the shares. In that case, the Management Board is authorised to assume, in each case with the consent of the Supervisory Board, a guarantee for those bonds on behalf of CECONOMY AG and grant their holders warrant or conversion rights to ordinary shares in CECONOMY AG or impose warrant or conversion obligations upon them.

Shareholders will be granted statutory subscription rights in a way that the bonds will be acquired by a bank or syndicate of banks contingent upon agreement to offer the bonds to the shareholders. If bonds are issued by a Group company of CECONOMY AG as defined in §18 AktG in which CECONOMY AG directly or indirectly holds at least 90 per cent of shares, CECONOMY AG must ensure that statutory subscription rights are granted to the shareholders of CECONOMY AG in accordance with the above sentence.

However, the Management Board is authorised to exclude, in each case with the consent of the Supervisory Board, shareholder subscription rights for fractional amounts arising from proportional subscriptions to the extent necessary to grant or impose warrant or conversion rights or obligations with respect to the holders of existing warrant or conversion rights or obligations in the amount to which they would be entitled to as shareholders after exercise of the warrant or conversion rights or fulfilment of the warrant or conversion obligation.

The Management Board is also authorised to entirely exclude, in each case with the consent of the Supervisory Board, shareholder subscription rights to bonds issued in exchange for cash payment carrying warrant or conversion rights or obligations insofar as the Management Board concludes, after careful review, that the issue price of the bonds is not substantially lower than the hypothetical market value ascertained using recognised financial mathematical methods. This authorisation to exclude subscription rights applies to bonds which are issued with warrant or conversion rights or obligations to ordinary shares comprising no more than 10 per cent of the share capital at the time the authorisation takes effect or – if this value is lower – at the time the authorisation is exercised. The limit of ten per cent of the share capital is reduced by the pro rata amount of share capital represented by any shares issued (i) during the effective period of this authorisation under exclusion of subscription rights in direct or analogous application of §186 para. 3

sentence 4 AktG, or (ii) to service warrant or convertible bearer bonds providing for warrant or conversion rights or obligations, insofar as such bonds were issued during the effective period of this authorisation (on the basis of other authorizations) under exclusion of subscription rights by application of § 186 para. 3 sentence 4 AktG mutatis mutandis.

Where bonds are issued which grant a warrant or conversion right or create a warrant or conversion obligation, the warrant or conversion price will be determined in accordance with the provisions in § 4 para. 8 of the Articles of Association of CECONOMY AG.

In the case of bonds carrying warrant or conversion rights or warrant or conversion obligations, the warrant or conversion price may be adjusted after closer determination in order to preserve the value of such warrant or conversion rights or warrant or conversion obligations in the event their economic value is diluted, to the extent that such an adjustment is not already provided for by law. The terms of the bonds may also provide for an adjustment of warrant or conversion rights or warrant or conversion obligations in case of a capital reduction or other extraordinary measures or events (for example, unusually high dividends, acquisition of control by third parties). In case of the acquisition of control by third parties, the terms of the bonds may provide for adjustment of the warrant or conversion price in accordance with typical market terms. Furthermore, the terms of the bonds may provide for a variable conversion ratio and/or variable warrant and conversion price, with the warrant or conversion price being determined within a range to be set based on the development of the share price during the term. Nor must the minimum issue amount according to the stipulations in § 4 para. 8 of the Articles of Association of CECONOMY AG be undercut.

The terms of the bonds may grant CECONOMY AG the right, in lieu of providing ordinary shares upon the exercise of warrant or conversion rights, to make a cash payment corresponding to the volume-weighted average price of CECONOMY AG ordinary shares on the Xetra trading system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during a period of several days before or after the exercise of warrant or conversion rights is announced for the number of ordinary shares which would otherwise be delivered. This period will be determined by the Management Board. The terms of the bonds may also state that the warrant or convertible bearer bonds may, at CECONOMY AG's option, be converted into existing ordinary shares in CECONOMY AG or shares in another exchange-listed company, in lieu of conversion into new ordinary shares from contingent capital, and that warrant rights or obligations can be fulfilled through the delivery of such shares.

The terms of the bonds may also call for a warrant or conversion obligation at the end of the term (or at any other time), or authorise CECONOMY AG to grant bond holders ordinary shares in CECONOMY AG or shares in another exchange-listed company upon maturity of bonds carrying warrant or conversion rights (including bonds which mature due to termination), in whole or in part, in lieu of a maturity payment in cash. The percentage of share capital represented by the ordinary shares in CECONOMY AG issued upon the exercise of warrant or conversion rights must not exceed the par value of the bonds. §§ 9 para. 1 and 199 para. 2 AktG apply.

The Management Board is authorised to determine, in each case with the consent of the Supervisory Board, the further details pertaining to the issuance and terms of the bonds, particularly the interest rate, issue price, term, division into shares, rules for the protection against dilution and the warrant or conversion period, or to define such details in consultation with the corporate bodies of the Group company of CECONOMY AG which issues the warrant or convertible bearer bonds in accordance with § 18 AktG.

To date, the authorisation to issue warrant and/or convertible bearer bonds has not been used and no concrete plans exist as to the utilisation of this authorisation.

AUTHORISATION TO BUY BACK THE COMPANY'S OWN SHARES

The Company is authorised to buy back its own shares in accordance with § 71 AktG. Pursuant to § 71 para. 1 no. 8 AktG, the Company was authorised by resolution of the Annual General Meeting of 20 February 2015 to purchase own shares of any class up until 19 February 2020. The authorization is restricted to the purchase of own shares comprising no more than 10 per cent of the share capital at the time the authorisation takes effect or – if this value is lower – at the time the authorisation is exercised. The shares acquired on the basis of this authorisation, together with any own shares acquired for other reasons held by the Company or assigned to it in accordance with § 71 a et seqq. AktG, shall collectively not exceed a pro rata amount of ten per cent of the share capital at any time.

The shares may be acquired on the stock exchange or by a public tender offer. The authorisation contains specifications in each case concerning the purchase price and the procedure when a public tender offer is oversubscribed.

The Management Board is authorised to use the shares in the Company acquired based on the above authorisation or based on a previously issued authorisation for the following purposes:

- Sale of shares of the Company on the stock exchange or by an offer to all shareholders,

- Listing of shares of the Company on foreign stock exchanges on which they have previously not been admitted for trading, in which case the authorisation will contain requirements concerning the initial listing price,

- Transfer of shares of the Company to third parties for a non-cash consideration as part of company mergers or in the acquisition of companies, parts of companies, businesses, holdings in companies or other assets,

- Sale of shares of the Company by means other than via the stock exchange or via an offer to all shareholders, provided that the sale is for cash payment and at a price not substantially lower than the stock exchange price in effect for listed shares of the Company with the same terms on the date of the sale. The foregoing authorisation is limited to the sale of shares collectively representing no more than 10 per cent of the share capital at the time the authorisation takes effect or – if this value is lower – at the time the authorisation is exercised. The proportion of share capital which is (i) attributable to shares of the Company which are issued during the term of said authorisation excluding the subscription right in direct or analogous application of § 186 para. 3 sentence 4 AktG, and (ii) attributable to shares of the Company which are issued or are to be issued to service warrant or convertible bearer bonds, which in turn have been issued during the term of said authorisation excluding the subscription right by analogous application of § 186 para. 3 sentence 4 AktG, shall count towards this cap of 10 per cent of the share capital.

- Delivery of shares to holders of warrant or convertible bearer bonds of the Company or its affiliates, in accordance with § 18 AktG under the terms and conditions applicable to such warrant or convertible bearer bonds. This also applies to the delivery of shares based upon the exercise of subscription rights, which in the event of a disposal of Company shares through an offer to all shareholders or in the event of a capital increase with subscription rights may be granted to holders of warrant or convertible bearer bonds of the Company or any of its Group companies in accordance with § 18 AktG to the same extent that holders of such warrant or convertible bearer bonds would have subscription rights for shares of the Company after exercising the warrant or conversion rights or performing the warrant or conversion obligations. The shares transferred based upon this authorisation shall collectively not exceed a pro rata amount of ten per cent of the share capital at the time the authorisation takes effect or – if this value is lower – at the time the authorisation is exercised, insofar as such shares were issued to service warrant or conversion rights or obligations granted or imposed in application of § 186 para. 3 sentence 4 AktG mutatis mutandis. The pro rata amount of share capital attributable to shares of the Company issued or sold in direct or analogous application of §186 para. 3 sentence 4 AktG during the term of this authorisation shall be offset against this limit of ten per cent of the share capital,

- Dividend payment in the form of shares (scrip dividend), whereby Company shares are used (also partially and optionally) to service dividend rights of shareholders,

– Redemption of shares of the Company, without the need for any further resolution of the Annual General Meeting. Such redemption may also be accomplished without an increase in capital by adjusting the proportional value of the remaining no-par value shares to the share capital of the Company. In this case, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

The above authorisations to acquire and use the Company's own shares based on the above or previous authorisations may be exercised in whole or in part, on one or more occasions, individually or collectively by the Company or its Group companies in accordance with § 18 AktG or by third parties acting for their account or for the account of the Company. The above authorisations may be exercised for ordinary shares as well as preference shares or for ordinary shares or preference shares only.

Using own shares in accordance with above authorisations other than selling acquired Company shares on the stock exchange or by offer to all shareholders requires consent of the Supervisory Board.

The subscription rights of shareholders are excluded if Company shares are used for any of the purposes authorised above except for the authorisation to sell own shares by offer to all shareholders, authorisation for dividend payments in form of a scrip dividend, and authorisation for the redemption of shares without the need for any further resolution by the Annual General Meeting.

The Management Board is authorised to exclude shareholder subscription rights for residual amounts if Company shares are used according to the authorisation to sell own shares by offer to all shareholders in compliance with the principle of equal treatment ("Gleichbehandlungsgrundsatz", § 53a AktG). In addition, the Management Board is authorised to exclude shareholder subscription rights if Company shares are used for dividend payments in form of a scrip dividend.

On 20 February 2015, the Management Board was also authorised by the Annual General Meeting to acquire shares under this authorisation by use of put or call options or future purchase agreements ("future purchases") or combinations thereof (call options, put options, future purchases and combinations thereof, hereinafter: derivatives). The acquisition of shares using derivatives is limited to shares collectively representing a maximum of 5 per cent of the share capital issued as of the date the Annual General Meeting resolution is passed or – if this value is lower – at the time the authorisation is exercised. The derivative's term of maturity must be chosen such that the acquisition of shares using derivatives does not take place after 19 February 2020. The derivatives contracts must be concluded with one or more credit institution(s) that are independent of CECONOMY AG and/or one or more companies meeting the requirements of § 53 para. 1 sentence 1 or § 53 b para. 1 sentence 1 or para. 7 of the German Banking Act [Kreditwesengesetz, KWG]. The characteristics of the derivatives must ensure that they are serviced only with shares purchased in compliance with the equal treatment principle (§ 53a AktG). This requirement is met by shares purchased on a stock exchange.

The option premium received by the Company for put options/paid for call options must not fall significantly below the theoretical market value determined using recognised financial mathematical models for the options concerned. The purchase price per Company share to be paid when exercising a put or call option or upon due date of the futures may not be more than ten per cent higher or lower than the average closing price (arithmetic mean) of the Company's shares of the same class in the Xetra trading system (or a comparable successor system) at the Frankfurt Stock Exchange over the three days of trading before concluding the corresponding derivative transaction (excluding incidental costs but taking the received or paid option premium into consideration).

If the Company's own shares are acquired using derivatives in compliance with the above regulations, the rights of shareholders to enter into derivative transactions with the Company as well as any put options for shareholders are excluded.

The regulations listed above also cover the use of the Company's own shares acquired using derivatives.

To date, the authorisation granted by resolution adopted by the Annual General Meeting on 20 February 2015 to buy back the Company's own shares in accordance with § 71 para. 1 no. 8 AktG, also by using derivatives, has not been used, nor are there any specific plans to use this authorisation.

In financial year 2016/17, the Management Board decided in principle to grant ordinary shares of CECONOMY AG to the employees of CECONOMY AG in three tranches as an incentive. The transfer of the individual tranches to the employees should take place in three consecutive calendar years with regard to the applicable tax-free allowance. In order to transfer the required shares to employees, three individual share buyback programmes with a total volume of up to approx. €90,000 are to be implemented using the statutory authorisation of § 71 para. 1 no. 2 AktG and the shares will be acquired immediately before the respective transfer. As per statutory regulations, shareholders' subscription rights will be excluded in the share buyback programme. On 27 September 2018, the Management Board of CECONOMY AG announced that the first share buyback programme will be implemented to the extent required to transfer the first tranche in a period from 1 October 2018 (first possible date of acquisition) to 31 October 2018 (last possible date of acquisition). The repurchase under the first share buyback programme has been limited to a maximum of 2,736 ordinary shares of the Company and the maximum amount of money to be paid to € 35,000. The Management Board has also announced that the shares will be acquired exclusively in Xetra trading on the Frankfurt Stock Exchange. On 2 October 2018, CECONOMY AG acquired a total of 2,448 of its ordinary shares as part of its first share buyback programme and completed its first share buyback programme. At the end of October 2018, the second share buyback programme was announced and implemented.

Fundamental agreements subject to change of control (§ 315a para. 1 no. 8 and § 289a para. 1 no. 8 of the German Commercial Code [HGB])

As a borrower, CECONOMY AG is currently party to a syndicated credit agreement and to multi-year, confirmed bilateral credit agreements that the lender may cancel in the event of a change of control. The requirements of a change of control are, first, that the shareholders who controlled CECONOMY AG at the time at which each contract was signed lose control over CECONOMY AG. The second requirement is the assumption of control of CECONOMY AG by one or more parties. In this case, the banks may cancel the contracts and demand repayment of the loans governed by the agreements. The regulations as described here are common market practice and serve to protect creditors. These credit facilities were not drawn as of 30 September 2018.

Compensation agreements in the event of a change of control (§ 315a para. 1 no. 9 and § 289a para. 1 no. 9 of the German Commercial Code [HGB])

The decision in financial year 2016/17 to reappoint/appoint Mark Frese and Dr Dieter Haag Molkenteller to the Management Board of CECONOMY AG was accompanied by the inclusion in their contracts of clauses governing compensation agreements in the event of a takeover bid that became effective on the day after the hive-down and spin-off of METRO Wholesale & Food Specialist AG became effective. In accordance with these agreements, these members of the Management Board are granted an exceptional right of termination in the event of a change of control accompanied by significant limitations imposed on their Management Board roles, which they must exercise within six months of the change in control. If the appointment of one of these members of the Management Board ends, either as a result of their exercising their exceptional right of termination or by mutual agreement, within six months of the change in control, that member of the Management Board will be paid the contractual claims to which they are entitled for the residual term of their contract in one lump sum. Such severance payment including supplemental benefits is, however, capped at the equivalent of three years' remuneration. A change of control is deemed to have occurred when one shareholder, or several shareholders acting together, acquired control as defined in § 29 of the German Securities Acquisition and Takeover Act [Wertpapierübernahmegesetz, WpÜG] by virtue of holding at least 30 per cent of the voting rights in CECONOMY AG.

In the event of a change of control at CECONOMY AG prior to 1 January 2021, most of the employees are conditionally entitled to higher severance payments. A higher severance payment equivalent to two years' fixed salary plus simple base bonus amount is payable if CECONOMY AG terminates an employee's contract (notwithstanding dismissal for cause) within one year of the change of control or if the job description or responsibilities of an employee change(s) by at least 50 per cent within two years of the change of control (notwithstanding voluntary resignation by the employee), and that employee is not offered alternative employment in another company within the CECONOMY Group or has not received a binding offer of employment from or through another company within CECONOMY Group.

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

Overview of financial year 2017/18 and outlook of CECONOMY AG

As the management holding company of CECONOMY, CECONOMY AG is highly dependent on the development of the Group in terms of its own business development, position and potential development with its key opportunities and risks.

In light of the holding structure, the most important key performance indicator for CECONOMY AG in terms of GAS 20 – unlike for the Group as a whole – is commercial net profit or loss.

For the 2017/18 financial year, CECONOMY AG expected a net profit for the year at the previous year's level without the hive-down result (€992 million), which corresponds to a net profit for the year of €108 million. Due to lower income from investments (2017/18: €7 million; 2016/17: €158 million) resulting from a different dividend payout pattern of the direct and indirect subsidiaries compared to the previous year, higher expenses from loss transfers (2017/18: €30 million; 2016/17: €6 million) and one-off income in the previous year from pension plan curtailments of €18 million, the net loss for the 2017/18 financial year of €82 million (2016/17: net income for the year excluding the hive-down result of €108 million) is significantly lower than forecast.

Business development of CECONOMY AG

The business development of CECONOMY AG is primarily characterised by the development and dividend distributions of its investments. CECONOMY AG's annual financial statements prepared under German commercial law serve as the basis for dividend distribution. The income statement and statement of financial position of CECONOMY AG prepared in accordance with the German Commercial Code (HGB) are outlined below.

Earnings position of CECONOMY AG and profit appropriation

Income statement for the financial year from 1 October 2017 to 30 September 2018 in accordance with HGB

€ million	2016/17	2017/18
Revenues	0	1
Investment result	157	−22
Net financial result	−5	−11
Other operating income	1,006	4
Personnel expenses	−21	−23
Depreciation/amortisation/impairment losses on intangible assets and property, plant and equipment	0	0
Other operating expenses	−37	−31
Income taxes	0	0
Earnings after tax	**1,100**	**−82**
Other taxes	0	0
Net loss (net profit in previous year)	**1,100**	**−82**
Retained earnings from the previous year	13	23
Withdrawals from the capital reserves	2,431	0
Withdrawals from the reserves retained from earnings	2,388	0
Reduction in assets due to the spin-off	−5,824	0
Balance sheet loss (balance sheet profit in previous year)	**108**	**−59**

CECONOMY AG reports an investment result of €–22 million in the 2017/18 financial year (2016/17: €157 million).

Investment income relates to the profit shares from the limited partnership share of €4 million in METRO PROPERTIES GmbH & Co. KG (2016/17: €8 million), as well as dividend distributions from investments in METRO AG of €3 million (2016/17: €0 million).

The investment income from the previous year also includes a distribution from capital reserves of CECONOMY Retail GmbH of €150 million.

Income from profit and loss transfer agreements of €1 million essentially concerns CECONOMY Data GmbH (2016/17: loss transfer of €4 million).

Expenses from loss transfers of €30 million mainly relate to CECONOMY Retail GmbH (2016/17: profit transfer of €5 million), which holds 78.38 per cent in Media-Saturn-Holding GmbH.

A fiscal unit for income taxes exists for certain subsidiaries. There is no VAT group between CECONOMY AG and subsidiaries of CECONOMY AG.

The net financial result of CECONOMY AG is mainly characterised by interest expenses from the unwinding of discount on provisions for post-employment benefits plans and similar obligations and interest expenses from the liabilities accepted under the Multi-Currency Commercial Paper Programme and the promissory note loan.

In the previous year, assets and liabilities with a negative carrying amount of €992 million were transferred to the current METRO AG as part of the demerger. The resulting positive hive-down result was recognised through profit or loss and reported under other operating income. Other income includes €3 million of allocated expenses for outsourced third-party costs. €2 million of this amount is attributable to METRO AG.

Personnel expenses totalled €23 million in the financial year 2017/18. Costs for wages and salaries came to €16 million. In financial year 2017/18, the average number of employees by headcount employed at CECONOMY AG was 91 (2016/17: 63 employees, average over twelve months). Of these, 17 were executive employees (2016/17: 12) and 74 were non-executive employees (2016/17: 51).

Other operating expenses of CECONOMY AG in the financial year 2017/18 mainly include consulting expenses of €16 million (2016/17: €18 million) and other expenses in connection with the holding function.

Net loss for the year amounted to €–82 million (2016/17: net profit for the year including the hive-down result €1,100 million).

As resolved by the Annual General Meeting of CECONOMY AG on 14 February 2018, a dividend of €0.26 per ordinary share and €0.32 per preference share – that is, a total of €85 million – was paid in financial year 2017/18 from the reported balance sheet profit of €108 million for financial year 2016/17. The balance was carried forward to new account as profit.

No dividend distribution is planned for financial year 2017/18. The balance sheet loss of €59 million will be carried forward to new account as a loss carry-forward.

Financial position of CECONOMY AG

CASH FLOWS

Cash inflows in the 2017/18 financial year are mainly from the capital increase and indirectly via a financial investment by MWFS Zwischenholding GmbH & Co. KG in CECONOMY AG from the disposal of the 3.6 per cent METRO AG share. The resulting cash and cash equivalents were used to repay financial debt by reducing the volume of bonds issued under our multi-currency commercial paper programme. Cash and cash equivalents in excess of this were invested on the money market to optimise earnings.

COMBINED MANAGEMENT REPORT

CAPITAL STRUCTURE

Equity and liabilities

€ million	30/09/2017	30/09/2018
Equity		
Share capital	835	919
Ordinary shares	828	912
Preference shares	7	7
(Contingent capital)	(128)	(128)
Capital reserve	128	321
Balance sheet loss (balance sheet profit in previous year)	108	–59
	1,071	**1,181**
Provisions	**134**	**132**
Liabilities	**578**	**637**
Deferred income	**0**	**0**
	1,783	**1,950**

Liabilities consisted of €1,181 million (30/09/2017: €1,071 million) from equity and €769 million (30/09/2017: €712 million) from provisions, liabilities and deferred income. As of closing date, the equity ratio amounted to 60.6 per cent compared with 60.1 per cent in the previous year. The change in equity is mainly attributable to the cash capital increase carried out in the 2017/18 financial year. The balance sheet loss of €59 million had a counteracting effect.

Provisions for post-employment benefits plans and similar obligations of €82 million (30/09/2017: €84 million) were created for direct pension commitments and of €39 million (30/09/2017: €35 million) were created for shortfalls in the underfunded support facilities. The actuarial interest rate for the financial year 2017/18 in accordance with § 253 para. 2 HGB was 3.34 per cent (2016/17: 3.78 per cent), which is forecast as the average market interest rate of the past ten years. This interest rate is based on an assumed residual maturity of 15 years. The difference between the recognition of provisions for post-employment benefit plans at the average market interest rate over the past ten years and the recognition of provisions at the average market interest rate over the past seven years is €12 million (30/09/2017: €11 million). This amount must be taken into account when determining the amount to be paid as a dividend.

Within the item “Provisions for post-employment benefits plans and similar obligations”, asset values of pension reinsurance amounting to €25 million (30/09/2017: €19 million) were offset. The assets of the pension reinsurance are pledged and insolvency-secured. The cost of purchase essentially corresponds to the fair value of the pension reinsurance and the settlement amount of the obligations. There were no significant offsetting expenses and income in this regard.

The item tax provisions includes a liability for a corporate income tax and trade tax back payment of €13 million for assessment period 2006 of the former METRO AG, which is borne by the current METRO AG in accordance with the agreements in the spin-off agreement of 13 December 2016. The liability is therefore offset by an enforceable and recoverable refund claim against, which was taken into account to reduce the provision in the measurement of the tax provision; the provision was therefore measured at €0 million.

Other provisions include liabilities to employees of €5 million, of which €4 million relate to share-based payment liabilities and €1 million to provisions for bonuses. Interest on tax back payments fundamentally includes a provision of €8 million, which is borne by the current METRO AG in accordance with the agreements in the demerger agreement of 13 December 2016. The liability is therefore offset by an enforceable and recoverable refund claim, which was taken into account to reduce the provision in the measurement of the provision; the provision was therefore measured at €0 million.

The liabilities from concluded commercial paper programmes are recognised under bonds. The so-called multi-currency commercial paper programme is used to service short-term financing needs. It is an ongoing capital market programme with a maximum volume of €500 million. As at 30 September 2018, the programme has a volume of €145 million.

CECONOMY AG has liquidity reserves, which consist in addition to the retained liquidity of a syndicated credit facility in the amount of €550 million and credit facilities existing for several years in the amount of €465 million. These comprehensive, multiple-year credit facilities were not used as at 30 September 2018.

Liabilities to banks include a promissory note arranged in the 2016/17 financial year amounting to €250 million with a remaining term of between three and eight years.

Cost and investment accounts are recognised under trade liabilities.

Liabilities to affiliated companies in the current 2017/18 financial year result from short-term financial investments of Group companies at CECONOMY AG and primarily from a liability to CECONOMY Retail GmbH in the amount of €30 million from the assumption of losses on the basis of the existing profit and loss transfer agreement.

Other liabilities of €3 million include €1 million in payroll and church tax liabilities, €1 million in pre-tax refund claims of METRO AG companies, which are transferred to METRO AG upon receipt of payment, and €1 million in interest payable on promissory note.

Net assets of CECONOMY AG

Assets

€ million	30/09/2017	30/09/2018
Fixed assets		
Intangible assets	1	1
Property, plant and equipment	0	0
Financial assets	1,561	1,555
	1,562	**1,556**
Current assets		
Receivables and other assets	215	219
Cash on hand, bank deposits and cheques	4	173
	219	**392**
Deferred income	**2**	**2**
	1,783	**1,950**

Assets totalled €1,950 million as of closing date (30/09/2017: €1,783 million) and are predominantly characterised by financial assets of €1,555 million (30/09/2017: €1,561 million). The financial assets constitute 79.74 per cent (30/09/2017: 87.6 per cent) of total assets.

Shares in affiliated companies amounted to €1,542 million as of 30 September 2018 (30/09/2017: €1,548 million) and comprise essentially 100 per cent of the shares in CECONOMY Retail GmbH with a carrying amount of €651 million, which in turn holds the majority of the shares in Media-Saturn-Holding GmbH. In addition, 100 per cent of the shares with a carrying amount of €428 million are held in MWFS Zwischenholding GmbH & Co. KG, through which as at the closing date CECONOMY AG indirectly holds a stake of approximately 5.4 per cent (previous year: approximately 9 per cent) in METRO AG and 100 per cent of the shares in CECONOMY Retail International GmbH, which in turn holds a 24.08 per cent investment in Fnac Darty S.A. in Ivry-sur-Seine, France, with a carrying amount of €453 million.

The disposal of the item shares in affiliated companies in the amount of €6 million results from withheld capital gains taxes in connection with the dividend distribution by METRO AG to MWFS Zwischenholding GmbH & Co. KG as a direct subsidiary of CECONOMY AG. Since CECONOMY AG, as shareholder of MWFS Zwischenholding GmbH & Co. KG, asserts the tax claim from the withheld capital gains tax vis-à-vis the local tax authorities, this represents a withdrawal from MWFS Zwischenholding GmbH & Co. KG, which in CECONOMY AG led to a corresponding reduction in the carrying amount of the investment in MWFS Zwischenholding GmbH & Co. KG.

The investments comprise 6.61 per cent of the shares in METRO PROPERTIES GmbH & Co. KG in the amount of €13 million and the approximately one per cent share directly held by CECONOMY AG in the METRO AG. The share directly held by CECONOMY AG of approximately one per cent in the METRO AG is marked by a vesting period of seven years with regard to taxes i.e. it cannot be disposed of without accepting negative tax consequences.

Receivables from affiliated companies mainly comprise €205 million of receivables from the financing function of CECONOMY AG as a holding company towards Group companies (30/09/2017: €8 million), €199 million of which relates to CECONOMY Retail GmbH, €5 million to Retail Media Group GmbH and €1 million to CECONOMY Invest GmbH. In addition, receivables from affiliated companies include €1 million in receivables from profit and loss transfer agreements (30/09/2017: €5 million) and €1 million in service allocations to subsidiaries (30/09/2017: €0 million). Other assets primarily include tax refund claims of €10 million (30/09/2017: €50 million).

Risk situation of CECONOMY AG

As CECONOMY AG is closely engaged with the Group companies through financing and guarantee commitments as well as direct and indirect investments, among other things, the risk situation of CECONOMY AG is highly dependent on the risk situation of CECONOMY Group. As a result, the summary of the risk situation issued by the Company's management also reflects the risk situation of CECONOMY AG.

Outlook of CECONOMY AG

The business development of CECONOMY AG as the management holding company essentially depends on the development and dividend distributions of its investments. CECONOMY AG anticipates that the annual result for the coming 2018/19 financial year, without taking account of distributions from subsidiaries, will be slightly below the level of the past 2017/18 financial year.

Investments planned by CECONOMY AG

In the context of CECONOMY's investment activities, CECONOMY AG will support Group companies with increases in shareholdings or capital or loans, where necessary. In addition, investments in shareholdings in affiliated companies may result from intra-group share transfers.

Declaration on corporate governance

The declaration on corporate management is available on the Company's website (www.ceconomy.de/en/) in the section Company – Corporate Governance.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement
for the financial year from 1 October 2017 to 30 September 2018

€ million	Note no.	2016/17	2017/18
Revenues	**1**	**21,605**	**21,418**
Cost of sales		−17,135	−17,104
Gross profit on sales		**4,470**	**4,314**
Other operating income	2	164	194
Selling expenses	3	−3,686	−3,580
General administrative expenses	4	−542	−511
Other operating expenses	5	−10	−17
Earnings share of operating companies recognised at equity	6	0	21
Earnings before interest and taxes EBIT		**395**	**419**
Other investment result	6	−5	−182
Interest income	7	17	28
Interest expenses	7	−30	−41
Other financial result	8	−10	−3
Net financial result		**−28**	**−198**
Earnings before taxes EBT		**367**	**221**
Income taxes	10	−186	−134
Profit or loss for the period from continuing operations		**181**	**87**
Profit or loss for the period from discontinued operations after tax	11	972	−296
Profit or loss for the period		**1,153**	**−210**
Profit or loss for the period attributable to non-controlling interests	12	51	2
from continuing operations		(47)	(64)
from discontinued operations		(4)	(−62)
Profit or loss for the period attributable to shareholders of CECONOMY AG		1,102	−212
from continuing operations		(134)	(23)
from discontinued operations		(968)	(−234)
Earnings per share in € (basic = diluted)	**13**	**3.37**	**−0.64**
from continuing operations		(0.41)	(0.07)
from discontinued operations		(2.96)	(−0.70)

Reconciliation from profit or loss for the period to total comprehensive income for the financial year from 1 October 2017 to 30 September 2018

€ million	Note no.	2016/17	2017/18
Profit or loss for the period	**11, 12**	**1,153**	**−210**
Other comprehensive income			
Items of "other comprehensive income" that will not be reclassified subsequently to profit or loss	**31**	**−2**	**3**
Remeasurement of defined benefit pension plans	32	113	−4
Subsequent measurement of associates/joint ventures, which are accounted for according to the equity method		0	8
Income tax attributable to items of "other comprehensive income" that will not be reclassified subsequently to profit or loss		−115	0
Items of "other comprehensive income" that may be reclassified subsequently to profit or loss	**31**	**465**	**92**
Currency translation differences from translating the financial statements of foreign business areas		533	20
Effective portion of gains/losses from cash flow hedges		−71	0
Gains/losses on remeasuring financial instruments in the category "available for sale"		−5	69
Subsequent measurement of associates/joint ventures, which are accounted for according to the equity method		0	1
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		9	2
Other comprehensive income	**31**	**463**	**95**
Total comprehensive income	**31**	**1,617**	**−114**
Total comprehensive income attributable to non-controlling interests	31	51	2
Total comprehensive income attributable to shareholders of CECONOMY AG	31	1,566	−116

Statement of financial position as at 30 September 2018
Assets

€ million	Note no.	30/09/2017	30/09/2018
Non-current assets		**2,144**	**2,282**
Goodwill	18	531	525
Other intangible assets	19	100	124
Property, plant and equipment	20	858	809
Financial assets	22	135	262
Investments accounted for using the equity method	22	458	488
Other financial assets[1]	23	8	3
Other assets[1]	23	15	11
Deferred tax assets	24	39	59
Current assets		**6,136**	**6,193**
Inventories	25	2,553	2,480
Trade receivables	26	498	613
Receivables due from suppliers[1]	23	1,246	1,239
Other financial assets[1]	23	735	495
Other assets[1]	23	155	147
Entitlements to income tax refunds		87	103
Cash and cash equivalents	29	861	1,115
Assets held for sale	30	0	0
		8,280	**8,475**

[1] Adjustment due to revised disclosure Details can be found in the chapter Notes to the Group accounting principles and methods.

Equity and liabilities

€ million	Note no.	30/09/2017	30/09/2018
Equity	**31**	**666**	**665**
Share capital		835	919
Capital reserve		128	321
Reserves retained from earnings		−294	−554
Non-controlling interests		−2	−21
Non-current liabilities		**1,062**	**1,025**
Provisions for pensions and similar obligations	32	640	547
Other provisions	33	51	44
Financial liabilities	34, 36	278	287
Other financial liabilities[1]	34, 37	15	52
Other liabilities[1]	37	70	64
Deferred tax liabilities	24	8	31
Current liabilities		**6,551**	**6,784**
Trade payables	34, 35	4,929	5,277
Provisions	33	199	190
Financial liabilities	34, 36	266	153
Other financial liabilities[1]	34, 37	517	400
Other liabilities[1]	37	596	671
Income tax liabilities	34	44	94
Liabilities related to assets held for sale	30	0	0
		8,280	**8,475**

[1] Adjustment due to revised disclosure Details can be found in the chapter Notes to the Group accounting principles and methods.

Statement of changes in equity[1]
for the financial year from 1 October 2017 to 30 September 2018

€ million	Share capital	Capital reserve	Effective portion of profit/losses from cash flow hedges	Gains/losses on remeasuring financial assets in the category "available for sale"	Currency translation differences from translating the financial statements of foreign operations	Remeasurement of defined benefit pension plans
As at 30/09 / 01/10/2016	**835**	**2,551**	**72**	**0**	**−576**	**−851**
Earnings after tax	0	0	0	0	0	0
Other comprehensive income	0	0	−71	−5	536	110
Total comprehensive income	0	0	−71	−5	536	110
Capital increases	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Capital transaction with a change in the ownership interest without loss of control	0	0	0	0	0	0
Other changes	0	−2,423	0	0	0	482
As at 30/09 / 01/10/2017	**835**	**128**	**0**	**−5**	**−40**	**−259**
Earnings after tax	0	0	0	0	0	0
Other comprehensive income	0	0	0	70	20	−4
Total comprehensive income	0	0	0	70	20	−4
Capital increases	83	194	0	0	0	0
Dividends	0	0	0	0	0	0
Capital transaction with a change in the ownership interest without loss of control	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
30/09/2018	**919**	**321**	**0**	**65**	**−20**	**−263**

Statement of changes in equity[1]
for the financial year from 1 October 2017 to 30 September 2018

€ million	Subsequent measurement of associates/joint ventures, which are accounted for using the equity method	Income tax attributable to components 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
As at 30/09 / 01/10/2016	**0**	**193**	**3,096**	**1,934**	**5,320**	**12**	**5,332**
Earnings after tax	0	0	1,102	1,102	1,102	51	1,153
Other comprehensive income	0	−105	0	464	464	0	463
Total comprehensive income	0	−105	1,102	1,566	1,566	51	1,617
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	−349[2]	−349	−349	−35[3]	−384
Capital transactions with a change in the ownership interest without loss of control	0	0	−1	−1	−1	1	−0
Other changes	0	−89	−3,837	−3,444	−5,867	−32	−5,899
As at 30/09 / 01/10/2017	**0**	**−2**	**11**	**−294**	**668**	**−2**	**666**
Earnings after tax	0	0	−212	−212	−212	2	−210
Other comprehensive income	9	1	0	96	96	−1	95
Total comprehensive income	9	1	−212	−116	−116	2	−114
Capital increases	0	0	0	0	277	0	277
Dividends	0	0	−107[2]	−107	−107	−13[3]	−120
Capital transactions with a change in the ownership interest without loss of control	0	0	−3	−3	−3	3	0
Other changes	0	0	−33	−33	−33	−11	−44
30/09/2018	**9**	**0**	**−344**	**−554**	**686**	**−21**	**665**

[1] Equity is explained in No. 31 Equity.
[2] The recognised dividend includes dividends to minority shareholders in the amount of €−22 million (2016/17: €−21 million), whose shares are recognised in full as liabilities due to put options.
[3] The recognised dividend includes dividends to minority shareholders in the amount of €−6 million (2016/17: €−6 million), whose shares are reported in full as liabilities due to put options.

Cash flow statement[1,2]
for the financial year from 1 October 2017 to 30 September 2018

€ million	2016/17	2017/18
EBIT	395	419
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	241	231
Change in provisions for pensions and similar obligations	−34	−51
Change in net working capital	75	302
Income taxes paid	−160	−119
Reclassification of gains (−) / losses (+) from the disposal of fixed assets	4	6
Other	63	−45
Cash flow from operating activities of continuing operations	**584**	**743**
Cash flow from operating activities of discontinued operations	174	−60
Cash flow from operating activities	**758**	**684**
Acquisition of subsidiaries	−18	−1
Investments in property, plant and equipment (excl. finance leases)	−227	−203
Other investments	−522	−60
Financial investments and securities	0	−195
Disposals of financial investments and securities	0	226
Disposal of subsidiaries	−1	0
Disposal of long-term assets and other disposals	33	−45
Cash flow from investing activities of continuing operations	**−735**	**−278**
Cash flow from investing activities of discontinued operations	−1,552	−164
Cash flow from investing activities	**−2,287**	**−442**
Dividends paid	−364	−120
of which dividends paid to shareholders of CECONOMY AG	−327	−85
Incoming payment from capital increase	0	277
Redemption of liabilities from put options of non-controlling interests	−2	−3
Proceeds from long-term borrowings	512	168
Redemption of borrowings	−1	−289
Interest paid	−22	−22
Interest received	17	17
Profit and loss transfers and other financing activities	−1	28
Cash flow from financing activities of continuing operations	**138**	**56**
Cash flow from financing activities of discontinued operations	−89	1
Cash flow from financing activities	**49**	**57**

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Cash flow statement[1,2]
for the financial year from 1 October 2017 to 30 September 2018

€ million	2016/17	2017/18
Total cash flows	**−1,480**	**299**
Currency effects on cash and cash equivalents	−27	−46
Total change in cash and cash equivalents	**−1.507**	**253**
Cash and cash equivalents as at 1 October	**2,368**	**861**
Cash and cash equivalents as at 30 September	**861**	**1,115**

[1] The cash flow statement is explained in the notes under No. 41 Notes to the cash flow statement
[2] Deviations from the statement of financial position values result from translation effects and changes in the consolidation group

NOTES

Segment reporting[1]

Operating segments

	Continuing operations												Discontinued operations	
	DACH		Western/ Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]			
€ million	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
External sales (net)	12,662	12,410	6,691[3]	6,777	1,699	1,689	553	542	0	0	21,605[3]	21,418	526	515
Internal sales (net)	21	19	2	2	1	0	20	12	−45	−33	0	0	0	0
Sales (net)	12,683	12,430	6,693[3]	6,779	1,701	1,689	573	554	−45	−33	21,605[3]	21,418	526	515
EBITDA	507	428	148	200	36	63	−55	−41[4]	0	0	636	650	−39	−116
EBITDA before special items	530	–	169	–	56	–	−42	–	0	–	714	–	−10	–
Scheduled depreciation and impairment losses	133	128	83	77	22	21	6	5	0	0	244	231	22	29
Reversals of impairment losses	0	0	1	0	3	0	0	0	0	0	3	0	0	0
EBIT	374	300	65	123	17	43	−62	−47[4]	0	0	395	419	−61	−144
EBIT before special items	412	–	91	–	37	–	−47	–	0	–	494	–	−22	–
Investments	168	177	112	60	24	29	5	12	0	0	308	278	11	7
Long-term segment assets	843	869	520	496	87	81	22	26	0	0	1,473	1,472	38	0

[1] Segment reporting is explained in the notes under No. 42 Segment reporting.
[2] Includes external sales in 2017/18 for Germany in the amount of €10,361 million (2016/17: €10,579 million) and for Italy in the amount of €2,097 million (2016/17: €2,065 million) as well as long-term segment assets as at 30 September 2018 for Germany of €762 million (30/09/2017: €721 million), for Italy amounting to €148 million (30/09/2017: €152 million) and for Spain amounting to €152 million (30/09/2017: €157 million).
[3] Previous year's figures were adjusted. Details can be found in the chapter "Notes to the Group accounting principles and methods".
[4] Includes income of €21 million from operating companies accounted for using the equity method in the Other segment.

Notes to the Group accounting principles and methods

Accounting principles

CECONOMY AG, the parent company of the CECONOMY Group (hereinafter: CECONOMY), has its head office at Benrather Strasse 18–20, 40213 Düsseldorf, Germany, and is registered at the District Court of Düsseldorf under the registration number HRB 39473. The consolidated financial statements and the Group management report are submitted to the operator of the Federal Gazette and published in the Federal Gazette. The entire annual report is also available on line at www.ceconomy.de/en/.

These consolidated financial statements as at 30 September 2018 were prepared in accordance with International Financial Reporting Standards (IFRS). They comply with all mandatorily applicable accounting standards and interpretations adopted by the European Union as at this date. Compliance with these standards and interpretations ensures a true and fair view of the net assets, financial position and results of operations of CECONOMY.

The consolidated financial statements in their present form comply with the stipulations of § 315e of the German Commercial Code (HGB). Together with Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 concerning the application of international accounting standards, this forms the legal basis for Group accounting in accordance with international standards in Germany.

The date at which the Management Board of CECONOMY AG signed the consolidated financial statements (30 November 2018) also represents the date at which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

The present consolidated financial statements are based on the historical cost method. The main exceptions are financial instruments recognised at fair value, and financial assets and liabilities that are recognised as underlying transactions at fair value within a fair value hedge. Furthermore, non-current assets held for sale and disposal groups as well as discontinued operations are recognised at fair value less costs to sell as long as this value is lower than the carrying amount. Liabilities from cash-settled share-based payments are also recognised at fair value. In addition, provisions are valued at the anticipated settlement amount.

The income statement has been prepared using the cost of sales method.

Certain items in the income statement and the statement of financial position have been combined to increase transparency and informative value. These items are recognised separately and are described in detail in the note.

The consolidated financial statements have been prepared in euros. Unless otherwise indicated, all figures are stated in million euros (€ million). Decimal places have been omitted in some cases in tables to enhance clarity. Figures in tables may include rounding differences.

The following accounting and measurement methods were used in the preparation of the consolidated financial statements.

Discontinued operations

On 20 June 2018 CECONOMY AG announced that CECONOMY will acquire a 15 per cent stake in Russia's leading consumer electronics retailer M.video from its majority owner, Safmar. In addition to a purchase price, the entire Russian MediaMarkt business was to be transferred to Safmar, which at that time was recognised as part of the Eastern Europe segment. The closing of the transaction was also subject to the authorisation of the Russian antitrust authorities.

In accordance with IFRS 5 ("Non-current assets held for sale and discontinued operations"), the Russian MediaMarkt business was classified as discontinued operations from the date of notification of the sale. The assets and liabilities were recognised under the item "Assets held for sale" and the item "Liabilities related to assets held for sale" taking into account the consolidation of all matters in the statement of financial

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position as at 30 June 2018. The asset and liability items to be consolidated were recognised in the relevant statement of financial position items of continued and discontinued operations.

The deconsolidation took place as at 31 August 2018. 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. The income statement 2017/18 states the result of the Russian MediaMarkt business separately as the result from discontinued operations.

Application of new accounting methods

ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME IN FINANCIAL YEAR 2017/18

The following accounting standards and interpretations revised, amended and newly adopted by the International Accounting Standards Board (IASB) that were binding for CECONOMY AG in financial year 2017/18 were applied for the first time in these consolidated financial statements, unless the Company opted for voluntary early adoption:

IAS 7 (Cash flow statements)
In accordance with the amendment of IAS 7 within the framework of the "initiative to improve disclosure requirements", information is to be provided on changes to financial liabilities whose payments are shown in cash flow from financing activities. The following is to be disclosed: changes to cash from cash flow from financing activities, changes arising from obtaining or losing control of subsidiaries or other companies, the effects of changes in foreign exchange rates, changes in fair values and other changes.

In addition, changes in financial liabilities must be disclosed separately from changes in other assets and liabilities.

Financial liabilities are defined as liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flow from financing activities.

The amendments to IAS 7 described above have come into force for reporting periods beginning on or after 1 January 2017. CECONOMY AG will therefore apply these regulations for the first time on 1 October 2017 due to the different financial year.

IAS 12 (Income taxes)
Amendments to IAS 12, income taxes (recognition of deferred tax assets for unrealised losses), address the recognition of deferred tax assets on unrealised losses on available for sale financial assets in the form of debt instruments. The amendments clarify that debt instruments that are measured at fair value but whose tax base is cost of purchase may experience unrealised losses leading to deductible differences. This applies regardless of whether it is expected that debt instruments will be held to maturity or sold. In addition, the amendment clarifies the determination of future taxable income for the recognition of deferred tax assets. Furthermore, it explains that the assessment of whether future taxable income is likely to be achieved in principle is common to all deductible temporary differences.

The changes to IAS 12 at CECONOMY are to be regarded as immaterial and therefore have no material impact on the consolidated financial statements.

Additional IFRS amendments
The annual improvements to IFRS 2014 to 2016 include, among other things, clarification in IFRS 12 (Disclosure of Interests in Other Entities), IFRS 1 (First-time Adoption of International Financial Reporting Standards) and IAS 28 (Investments in Associates and Joint Ventures). Regarding IFRS 12, it is presented in detail that, with the exception of the aggregated financial information, all other disclosure requirements of IFRS 12 apply to shares classified as non-current assets held for sale or as discontinued operations under IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations). In the clarification on IFRS 1, the short-term exemptions in paragraphs E3-E7 are deleted because they have fulfilled their intended purposes. IAS 28 clarifies that an entity may measure investments in associates and joint ventures at fair value through profit or loss on the basis of each individual investment.

CECONOMY takes into account the clarification in IFRS 12, IAS 28 as at 1 October 2017; IFRS 1 does not apply to CECONOMY.

ACCOUNTING STANDARDS THAT WERE PUBLISHED BUT NOT YET APPLIED IN FINANCIAL YEAR 2017/18

A number of other accounting standards and interpretations newly adopted or revised by the IASB were not yet applied by CECONOMY in financial year 2017/18 because they were either not yet mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at CECONOMY AG from[2]	Endorsed by EU[3]
IFRS 2	Share-based Payments (Amendment: Classification and Measurement of Share-based Payment Transactions)	01/01/2018	01/10/2018	Yes
IFRS 3	Business combinations (Amendment: Definition of business operations)	01/01/2020	01/10/2020	No
IFRS 4	Insurance Contracts (Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	01/01/2018	01/10/2018	Yes
IFRS 9	Financial instruments	01/01/2018	01/10/2018	Yes
IFRS 9	Financial instruments (Amendment: Prepayment Features with Negative Compensation)	01/01/2019	01/10/2019	Yes
IFRS 10/IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (Amendment: Sales or Contribution of Assets between an Investor and an Associate or Joint Venture)	Unknown[4]	Unknown[4]	No
IFRS 15	Revenue from Contracts with Customers	01/01/2018	01/10/2018	Yes
IFRS 15	Revenue from Contracts with Customers (Clarifications)	01/01/2018	01/10/2018	Yes
IFRS 16	Leases	01/01/2019	01/10/2019	Yes
IFRS 17	Insurance Contracts	01/01/2021	01/10/2021	No
IAS 1/IAS 8	Presentation of financial statements/accounting and measurement methods, changes in evaluations and errors (amendment: definition of material)	01/01/2020	01/10/2020	No
IAS 19	Employee benefits (Amendment: Plan changes, curtailments or settlement)	01/01/2019	01/10/2019	No
IAS 28	Investments in Associates and Joint Ventures (amendment: long-term investments in associates and joint ventures)	01/01/2019	01/10/2019	No
IAS 40	Investment Properties (Amendment: Transfers of Investment Properties)	01/01/2018	01/10/2018	Yes
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018	01/10/2018	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	01/10/2019	Yes
Various	Improvements to IFRS (2014-2016)	01/01/2018[5]	01/10/2018[5]	Yes
Various	Improvements to IFRS (2015-2017)	01/01/2019	01/10/2019	No

[1] Without earlier application
[2] Application as at 1 October due to deviation of financial year from calendar year; precondition: EU has endorsed the application
[3] As at 30 November 2018 (Date of signature by the Management Board of CECONOMY AG)
[4] Indefinite deferral of effective date by IASB
[5] Application of amendments to IFRS 12 already from financial year 2017/18

IFRS 2 (Share-based Payment)
The amendment "Classification and Measurement of Share-based Payment Transactions" relates to three aspects of IFRS 2.

Until now, IFRS 2 has contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. As a result, market performance conditions and non-service conditions must be considered in fair value, while service conditions and other performance conditions must be considered in the quantity of instruments.

An exception has now been introduced for share-based payments under which an entity settles a share-based payment agreement net. In future, this share-based payment is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Clarification has also been provided in that the original liability recognised in respect of a cash-settled share-based payment that changes to an equity-settled share-based payment because of modifications of the terms and conditions must be derecognised. The equity-settled share-based payment must then be recognised at the modification date to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability and the amount recognised in equity will be recognised in profit or loss immediately.

These amendments to IFRS 2 apply to reporting periods beginning on or after 1 January 2018. CECONOMY AG will apply these regulations for the first time on 1 October 2018. These amendments will be applied prospectively to appropriate transactions of CECONOMY AG.

IFRS 9 (Financial Instruments)
The new IFRS 9 (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement) covering the classification and measurement of financial instruments.

Financial instruments are recognised when the company preparing the financial statements becomes a contractual partner and thus has acquired the rights of the financial instrument or assumed comparable obligations. As a rule, the initial measurement of financial assets and liabilities is at fair value adjusted for transaction costs, if applicable. Only trade receivables without a significant financing component are recognised at the transaction price.

Rules for classification must be taken into account at the time of recognition. As with IAS 39, the subsequent measurement of a financial asset and a financial liability is linked to its classification. Financial assets are classified on the basis of the characteristics of contractual cash flow of the financial asset and the business model which the entity uses to manage the financial asset. IFRS includes three key classification categories for financial assets: measured at amortised cost, measured at fair value through profit or loss (FVTPL) and measured at fair value through other comprehensive income (FVOCI).

If the financial asset (debt instrument) is held within a business model whose objective is collecting payments such as redemption and interest, and if the contract terms stipulate certain payments are exclusively for redemption and interest, this financial instrument will in principle be recognised at amortised cost. If the objective of the business model is collecting payments and selling financial assets, and if the payment dates are fixed, the changes in its fair value are recognised in other comprehensive income outside of profit or loss (fair value through other comprehensive income – FVOCI). If these criteria are not cumulatively met, the financial asset is measured at fair value through profit or loss (FVTPL). Amortised cost is determined using the effective interest method, while IFRS 13 (Fair Value Measurement) is applied to determine fair value measurement.

As a rule, equity instruments are classified as category FVTPL based on the classification criteria stated above. However, for equity instruments, an irrevocable option can be exercised upon initial recognition to classify them in category FVOCI. Furthermore, all debt instruments not measured at fair value through profit or loss may be classified in category FVTPL when doing so eliminates or significantly reduces accounting mismatches (fair value option). As a rule, CECONOMY's investments that have not been classified as held-for-trading are classed as FVOCI.

In general, financial liabilities are measured at amortised cost. In some cases, however, such as with financial liabilities held for trading, fair value measurement through profit or loss is required (FVTPL). Here, too, an entity may elect to apply the fair value option, i.e. measurement at fair value through profit or loss. In contrast to financial assets, financial liabilities can include embedded derivatives that are required to be separated. In the event of a separation obligation, the basic agreement is usually measured at amortised cost and the derivative at FVTPL.

Unlike IAS 39 (which uses the "Incurred Loss Model"), IFRS 9 focuses on expected losses. This Expected Loss Model uses the General Approach, which has a fundamental three-phase recording of impairments. At the first stage, impairment losses are recognised in the amount of the losses resulting from default on the financial instrument expected in the next twelve months. At stage two, the expected-credit losses that result from all possible default events over the expected life of the financial instrument must be recognised. Calculation at this stage is based on a portfolio of similar instruments. Financial instruments are reclassified from the first to the second stage if the default risk since initial recognition has increased significantly and exceeds a minimum default risk. At the third and final stage, impairment losses are recognised for additional objective indications with respect to the individual financial instrument. CECONOMY will monitor the changes in credit risk by observing published external credit ratings.

A simplified approach based on the expected loss throughout the lifetime (similar to stage 2) is to be applied to trade receivables, certain leasing receivables and contract assets. The expected loan defaults are as a rule calculated on the basis of the actual defaults over a period of three years. The credit risks within a group (cluster) are segmented according to, among others, regional or geographical criteria. The earnings of the actual loan defaults are adjusted to the so-called forward-looking element by means of scaling factors. The factors used are based on insolvency forecasts for the individual regions and sectors.

In reduce the complexity and make hedge accounting more comprehensible on the statement of financial position, the following key changes were made by IFRS 9. The scope of possible underlying transactions was expanded. For example, several risk positions can now be more easily combined into a single underlying transaction and hedged. CECONOMY AG applies the option of continuing to account for hedge accounting in accordance with IAS 39.

IFRS 9 requires extensive new disclosures, particularly on credit risk, expected credit losses and hedge accounting. CECONOMY will publish the corresponding information as of the 2018/19 financial year.

IFRS 9 will come into effect in the reporting periods beginning on or after 1 January 2018. CECONOMY AG will therefore apply these regulations for the first time on 1 October 2018 using the modified retrospective method.

The IFRS 9 conversion project was implemented in advance at CECONOMY. An impact analysis was carried out to provide information on which financial instruments existed in the Group as at 30 September 2016. The financial instruments are then classified as liabilities, equity instruments or derivatives based on their properties and in terms of the business model and the presence of solely interest and repayment cash flows in order to identify the relevant measurement categories. In addition, the qualitative impacts from the change to the Expected Credit Loss Model for each financial instrument and the new IFRS 9 regulations regarding financial liabilities were determined. The conversion leads to a reduction in the impairment requirement of the existing receivables portfolio at CECONOMY. The change will primarily affect the financial instruments for which the new impairment rules apply in the form of the General Approach.

In addition, a simulation on the quantitative implications of IFRS 9 regulations for relevant key figures was performed. At the same time, the future notes and necessary adjustments in accounting systems were analysed and implemented for the "Go-Live" on 1 October 2018.

On the basis of the impact analysis as at closing date 31 December 2017, CECONOMY currently assumes a positive conversion effect thanks to the reduction of the impairment requirement on financial instruments in equity in the mid-single-digit million euro range. No further conversion effects are expected.

An amendment to the standards was published retroactively to the adoption of the new IFRS 9. It amended the regulations of IFRS 9 in that the cash flow condition is also met if compensation payments are negative. Measurement is therefore possible at amortised cost or at fair value recognised in equity. It also clarifies that, following restructuring of a financial liability, the carrying amount must be immediately adjusted through profit or loss.

The change to IFRS 9 will come into force in the reporting periods starting on or after 1 January 2019. Subject to the respective EU endorsement, CECONOMY AG will apply these regulations for the first time on 1 October 2019. The project dealing with the introduction of IFRS 9 at CECONOMY AG also considers the impact of the amendment.

IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures)
A conflict exists between the current requirements of IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) regarding the disposal or contribution of assets between an investor and an associate or joint venture. IAS 28 requires a partial gain or loss recognition, limited to the unrelated investors' interests in the investee, for all transactions between an investor and its associate or joint venture. IFRS 10, in contrast, requires that the gain or loss that arises on the loss of control of a subsidiary be recognised in full.

The amendment clarifies how to account for the gain or loss from transactions with associates or joint ventures, whether with the partial or full recognition requirement, depending on whether or not the assets being disposed of or contributed are a business as defined in IFRS 3 (Business Combinations). IFRS 3 defines a business as an integrated set of activities that is required to have inputs and processes which together are used to create outputs.

If the sold or contributed asset classifies as a business, the gain or loss from the transaction must be recognised in full. In contrast, the gain or loss from the sale of assets that do not classify as a business to associates or joint ventures or their contribution to associates or joint ventures must be recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

If a group of assets is to be disposed of or contributed in separate transactions, the investor must assess whether this group of assets constitutes a single business and should be accounted for as a single transaction.

The IASB has indefinitely deferred the original effective date of this amendment for reporting periods starting on or after 1 January 2016. As a result, the date of first-time application of this amendment at CECONOMY AG is unknown. As CECONOMY AG currently follows the rules of IFRS 10, future transactions will be impacted accordingly.

IFRS 15 (Revenue from Contracts with Customers)
The new IFRS 15 will replace IAS 18 (Revenues) and IAS 11 (Construction Contracts) and related interpretations and stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a five-step model to determine the amount of sales and the date of realisation. In the first step, contracts with the customers are identified. A contract is within the scope of IFRS 15 if it has been approved by the contractual parties, the customer's rights to goods and services and the company's payment terms can be identified, and if the agreement has commercial substance. In addition, it must be likely that the Company will collect the consideration. If a company has more than one contract with a single customer at (virtually) the same time and if the contracts are financially linked the contracts can be combined and treated as a single contract.

As a rule, a contract as defined in IFRS 15 can include several performance obligations. Possible separate performance obligations are therefore identified within a single contract in the second step. A separate performance obligation is identified when a good or service is distinct. This is the case when the customer can use a good or service on its own or together with other readily available resources and it is separately identifiable from other commitments in the contract.

In the third step, the transaction price corresponding to the expected consideration is determined. The consideration may include fixed and variable components. For variable remuneration, the expected amount is estimated, carefully based on either the expected value or the most likely amount, depending on which amount best reflects the amount of consideration. In addition, the consideration includes the interest rate effect if the contract includes a financing component significant to the contract, the fair value of non-cash considerations and the effects of payments made to the customer such as rebates and coupons.

The allocation of the transaction price to separate performance obligations is carried out in the fourth step. In principle, the transaction price is allocated to the separately identified, definable performance obligations in relation to the relative standalone selling price. Observable data must be used to determine the standalone selling price. If this is not possible, estimates are to be made. For this purpose, IFRS 15 suggests various methods for estimating according to which the estimates are based on market prices for similar services or expected costs plus a surcharge. In exceptional cases, the estimate can also be based on the residual value method.

In the fifth and final step, sales are recognised at the point in time when the performance obligation is satisfied. The performance obligation is satisfied when the control of the good or service is transferred to the customer. The performance obligation can be satisfied at a point in time or over a period of time. If the performance obligation is satisfied over time, the revenue is recognised over the period the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

In addition to the five-step model, IFRS 15 addresses various special topics such as the treatment of costs for obtaining and fulfilling a contract, presentation of contract assets and liabilities, rights of return, commission business, customer retention and customer loyalty programmes. In addition, the disclosures in the notes are significantly expanded.

A clarification was released following the adoption of the new IFRS 15. It supplements the IFRS 15 regulations with respect to the identification of performance obligations, principal versus agent considerations and the separation of licences. It also includes provisions for a simplified transition to IFRS 15.

As part of a project dealing with the introduction of IFRS 15 at CECONOMY AG, the impact of the new standard was already analysed over the course of the past financial year.

The IFRS 15 and clarifications on IFRS 15 apply to reporting periods beginning on or after 1 January 2018. CECONOMY AG will thus apply the regulations for the first time on 1 October 2018 using the modified retrospective method. CECONOMY makes use of the option according to IFRS 15.94, according to which the additional costs of initiating the contract are to be recorded directly as expenses provided that the depreciation period is not more than one year.

Due to the standard changes in the context of IFRS 15, the future change in revenue allocation based on the relative individual selling prices will result in a change in revenue realisation compared to IAS 18, which stipulated that revenue allocation was based on residual values.

Due to this change, CECONOMY expects overall a shift in revenues from Services & Solutions sales to revenues from the sale of goods in the lower three-digit million euro range. This shift is made up as follows: Based on the results of the analysis so far, CECONOMY assumes that the business models “brokerage of a mobile phone contract with the sale of a discounted mobile phone” in the low three-digit million euro range, “sale of merchandise in connection with a free service” in the lower double-digit million euro range as well as “paid transport in the online business” in the lower double-digit million euro range will be responsible for the shift in sales.

CECONOMY also assumes that there will be no additional effects.

IFRS 16 (Leases)
The new standard IFRS 16 will replace the currently applicable standard IAS 17 (Leases) and IFRIC 4 (Determining whether an Arrangement contains a Lease). IFRS 16 generally applies to contracts that convey the right to use an asset, rental contracts and leases, subleases and sale-and-lease-back transactions. A lessee can elect to apply IFRS 16 to leases of certain intangible assets, whereas agreements on service concessions or leasing of natural resources are outside the scope of IFRS 16.

In contrast to IAS 17, the definition of a lease in IFRS 16 focuses on the concept of control. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The key change in IFRS 16 compared to IAS 17 concerns the lessee accounting model. Lessees no longer have to classify leases as operating or finance. Instead, the lessee recognises a right-of-use asset and a lease liability upon commencement of the lease when the lessor makes an underlying asset available for use by the lessee.

The lessee measures the lease liability at the present value of the lease payments payable over the lease term. The lease payments include all fixed payments less any lease incentives for the conclusion of the contract. All index and interest-based variable lease payments are added. Variable payments representing fixed payments in an economic sense are shown as well as expected payments arising from residual value guarantees. Purchase price options or lease extension options must be included if the lessee is reasonably certain to exercise those options. In addition, the lease payments must include payments of penalties for terminating the lease if the lease is expected to be terminated early.

Measurement must be based on the interest rate implicit in the lease. If the lessee is unable to determine this interest rate, the lessee's incremental borrowing rate may be applied. Over the term of the lease, the lease liability is accounted for under the effective interest method in consideration of lease payments made. Changes in the calculation parameters, such as changes in the lease term, a reassessment of the likelihood that a purchase option will be exercised or expected lease payments, require remeasurement of the liability.

The right-of-use asset that must also be recognised is always recognised in the amount of the liability. Lease payments that have already been made must be included, together with all directly attributable costs. Any payments received from the lessor that are related to the lease are deducted. Measurement also considers any restoration obligations from leases.

After initial recognition, the right-of-use asset can be measured at amortised cost or using the revaluation model, respectively, under IAS 16 (Property, Plant and Equipment) or IAS 40 (Investment Property). When applying the amortised cost model, the right-of-use asset is depreciated over the shorter period of the expected useful life or the lease term. On the other hand, if enough assurance is available at the start of the lease that the property will be transferred to the lessee, the scheduled depreciation is made over the expected useful life of the underlying asset. IAS 36 (Impairment of Assets) must be considered.

Correspondingly, remeasurement of the lease liability to reflect changes in lease payments leads to an adjustment of the right-of-use asset outside of profit or loss. Negative adjustments exceeding the carrying amount are recognised as profit or loss.

Lessees can elect to make use of several policy options. Lessees can elect to apply IFRS 16 accounting to a portfolio of leases with similar characteristics. In addition, they may elect not to apply the right-of-use approach to short-term leases (with a maximum term of twelve months) and low-value assets. Low-value assets are a component of leases that, individually, are not material to the business. If a lessee elects to make use of this policy option, the lease is recognised in line with the previously applicable IAS 17 regulations on operating leases.

In the future, comprehensive qualitative and quantitative information must be provided in the notes to the financial statements.

The revised definition of leases also applies to the lessor and can lead to assessments deviating from IAS 17. However, the lessor continues to classify a lease as either an operating lease or a finance lease. Except for sale-and-lease-back transactions, IFRS 16 does not result in any material changes for lessors.

In the case of sale-and-lease-back transactions, the sold entity must first apply the requirements of IFRS 15 to determine whether a sale has actually occurred. If the transfer is classified as a sale, the transferring company measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. In this case, the gain (or loss) is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer/lessor. If the transfer is not a sale, the transaction is treated like a financing transaction without disposing of the asset.

IFRS 16 will come into effect in the reporting periods beginning on or after 1 January 2019. CECONOMY AG will apply the rules only on 1 October 2019 and thus not apply them voluntarily at an earlier date. As part of a project dealing with the introduction of IFRS 16 at CECONOMY AG, the impact of the new standard was further analysed over the course of the past financial year.

CECONOMY is currently in the impact analysis phase. For this purpose, an inventory of all the lease agreements in the Group was carried out on 30 June 2016 in a first step, and the quantitative effects in the change from IAS 17 to IFRS 16 determined by means of a simulation. It was assumed that the changeover method was the modified retrospective approach, in which the right-of-use asset is recognised in the amount of the lease liability. As CECONOMY currently primarily takes the position of the lessee in operating lease agreements, the results from the analyses carried out to date, allow one to assume that, taking into account the historical lease portfolio, there will be a positive effect on the forecast-relevant key performance indicators of EBIT and EBITDA in the year of transition. According to the initial preliminary estimates, we assume a lower non-cash double-digit million euro amount for the EBIT and an average non-cash triple-digit million euro figure for the EBITDA for the first year after the switch, taking into account the historical leasing portfolio. According to current analyses, the modified retroactive approach will be elected in the year of the transition from IAS 17 to IFRS 16 and there will be no asset recognition of short-term lease agreements and low-value assets. In addition to the effects listed above, the transition year will likely see a statement of financial position extension in the low single-digit billion-euro range. In parallel with the Impact Analysis, the implementation of the IT solution is currently being implemented which will be used to collect data, assess and prepare lease disclosures.

In the currently ongoing second phase, the simulation is being repeated based on the data from 30 June 2017. The determination of key figures uses previous decisions pertaining to the exercise of optional rights. Then an examination of the exercised option rights and determination of the future notes will be made.

In the next step, the focus will move to the implementation of the IT solutions for the CECONOMY IFRS accounting guideline, while in the final phase – Go Live – the lease agreements will be presented from 1 October 2019 according to IFRS 16.

IAS 19 (Employee Benefits)
The amendments to IAS 19 (plan changes, curtailments, settlement) clarify the accounting for plan changes, curtailments and settlements. In the event of a plan change, curtailment or settlement, the net liability (asset) arising from defined benefit plans must be remeasured on the basis of actuarial calculations in order to determine the past service costs or gains or losses from the settlement. In such cases, the amendments stipulate that current service costs and net interest expenses for the period after a plan change, curtailment and settlement are also to be determined on the basis of the updated actuarial calculations. The net interest expenses for the period after a plan change, curtailment or settlement is to be determined on the basis of the revalued net liability (asset). The amendments are mandatory for financial years beginning on or after 1 January 2019. It is not expected that the amendments will materially affect the future consolidated financial statements of CECONOMY.

IAS 28 (Investments in Associates and Joint Ventures)
The amendment to Investments in Associates and Joint Ventures relates to long-term investments in associates and joint ventures. To classify this amendment, there is a clarification of the circumstances: Investors may own long-term shares that are attributable to the economic substance of a net investment in an associate or joint venture accounted for using the equity method. The IASB was asked to clarify whether these interests are within the scope of IFRS 9 and whether the impairment rules of IFRS 9 should be applied accordingly. The amendment issued by the IASB clarifies that such investments that are not accounted for using the equity method themselves are to be accounted for and measured in accordance with IFRS 9. Any impairments of these shares are thus determined in accordance with the rules of IFRS 9. However, the provisions of IAS 28.38 continue to require such shares to be included in the allocation of losses when applying the equity method to the value of investments. Losses are first allocated to the equity carrying amount and only subordinated to the other long-term share. If different long-term shares are attributable to the net investment in the company, losses are allocated in reverse order, i.e. there is an initial devaluation of those shares which have a subordinated position in the event of liquidation. The amendments are effective for financial years beginning on or after 1 January 2019. CECONOMY does not currently expect the amendment to IAS 28 to have any material effect. If in future CECONOMY were to make net investments in a company in which CECONOMY holds an investment assessed according to IAS 28, the changes will be considered accordingly.

Additional IFRS amendments
At the current point in time, initial application of the other standards and interpretations listed in the table as well as at other standards revised as part of the annual improvements is not expected to have a material impact on the Group’s net assets, financial position and earnings position.

Disclosure and valuation changes
The classification of items on the statement of financial position has been further detailed to enhance transparency. The short-term item “Receivable due from suppliers”, which was formerly included under the statement of financial position item “Other financial and non-financial assets”, is now stated separately under current assets. In addition, the aggregate items “Other financial and non-financial assets” and “Other financial and non-financial liabilities” have been split into “Other financial assets” and “Non-financial assets”, and into “Other financial liabilities” and “Non-financial liabilities” respectively. The previous year's figures have been adjusted accordingly.

In financial year 2017/18, the presentation of liabilities from gift vouchers was changed. Due to a change in the legal situation, these items were reclassified from other current financial liabilities to other liabilities. In this context, the measurement of liabilities was adjusted, which resulted in a positive effect of €18 million on income.

Correction of previous year's figures
In Italy, revenues from the disposal of extended warranties (plus warranties) were presented in the net amount of the margin to reflect the economic content of the underlying transactions with customers. To enhance comparability, the previous year's figures have been adjusted. There were no effects on earnings in favour of cost of sales either in the financial year 2017/18 or in the previous year. Sales in the previous year were reduced by a lower double-digit million euro amount.

In the notes to the consolidated financial statements 2016/17, the value of receivables with a remaining term of more than one year which were reported under the item “Trade receivables” in current assets was shown as €0 million. In financial year 2016/17, trade receivables with a remaining term of more than one year actually amounted to €63 million.

Change in estimates
When determining the discount rate for pension provisions, a change in the extrapolation of the yield curve was necessary in financial year 2017/18. This results in slightly lower interest rates for shorter durations (three to five basis points for durations of ten to fifteen years) and no changes for durations of 20 years. For higher durations, on the other hand, interest rates rise (three basis points for a duration of 25 years). The effect from this change for the Germany-based CECONOMY AG and CECONOMY Retail GmbH amounts to €2 million. For the companies of the MediaMarktSaturn Retail Group in the Eurozone the change amounts to €0 million.

A more exact consideration of reductions in the cost of purchase and their allocation within the context of the valuation of goods in connection with sale conditions led to a positive earnings effect of approximately €20 million.

Consolidation group

In addition to CECONOMY AG, all companies indirectly or directly controlled by CECONOMY AG are included in the consolidated financial statements if these companies individually or as a Group are not immaterial to the consolidated financial statements. Control exists if there is a possibility to control a Company's financial and business policy through a majority of voting rights or according to the Articles of Association, Company contract or contractual agreement in order to benefit from this Company's business activities.

Non-controlling interests exist essentially in Media-Saturn-Holding GmbH. For an overview of significant non-controlling interests, see note No. 31.

With CECONOMY AG 462, German (30/09/2017: 462) and 437 international (30/09/2017: 437) companies are included in the consolidated financial statements.

The consolidation group changed as follows in financial year 2017/18:

As at 01/10/2017	**899**
Sales	6
Other disposals	11
Newly founded companies	16
Acquisitions	1
As at 30/09/2018	**899**

Where legally permissible, the financial year of the vast majority of Group companies included in the consolidated financial statements shall end on 30 September. Companies whose financial year ends on a different date shall be included based on the interim financial statements.

Deconsolidated companies are included as Group companies up to the date of their disposal.

Sales relate in particular to the disposal of the Russian MediaMarkt business and the disposal of a company whose assets and liabilities consist of pension obligations and associated cash assets.

Other disposals relate to nine mergers and two liquidations.

The newly founded companies relate to ten companies in Germany, two in the Netherlands and one company each in Austria, Spain, Hungary and Russia.

An affiliated subsidiary (30/09/2017: an affiliated subsidiary) is not fully consolidated for reasons of materiality, but carried at cost of purchase and recognised under financial assets.

STRUCTURED ENTITIES

CECONOMY did not hold any shares in structured companies either on the closing date or on the previous year's closing date.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Four associates/joint ventures (30/09/2017: three associates/joint ventures) are included in the consolidated financial statements using the equity method.

In the previous year, a company was recognised at the cost of purchase, as materiality considerations allowed for the equity method application to be waived.

NON-CONTROLLING INTERESTS

Significant minorities exist, in particular, at the level of the subgroup holding company, Media-Saturn-Holding GmbH, with registered offices in Ingolstadt; its share is 21.62 per cent. In addition, other minor non-controlling interests are held in the subgroup, and are included in the following notes. The following information is for the subgroup level in a year-on-year comparison.

On 30 September 2018, the non-controlling interests of 21.62 per cent remained unchanged relative to the previous year. The non-controlling equity interest totalled a consolidated €–21 million after €–2 million in the previous year. An outflow of dividends to non-controlling interests of €13 million was made, compared to €15 million in the previous year. The non-controlling interests in the profit or loss for the period from continuing operations in the financial year 2017/18 are €64 million (2016/17 €47 million). The sales generated at the level of the subgroup amount to €21,415 million (2016/17: €21,605 million).

The following notes to assets and liabilities include the consolidation at the subgroup level but not the consolidation at the Group level. Non-current assets as at 30 September 2018 amounted to €1,683 million (30/09/2017: €1,559 million), current assets €5,693 million (30/09/2017: €5,492 million), non-current liabilities €263 million (30/09/2017: €210 million) and current liabilities €6,604 million (30/09/2017: €6,268 million).

At the Media-Saturn-Holding GmbH (MSH) Shareholder Meeting, resolutions need to pass with 80 per cent approval of the votes; however, the competency of the shareholder meeting is limited to primarily shareholder matters. Such matters include the release of the annual financial report, the utilisation of net profit, the discharging of Company management, the appointment of an auditor of the financial statements, and the appointment and dismissal of managing directors. The appropriation of the balance sheet profit is regulated in the MSH Articles of Association, which dictate the full disposal of net income as dividends. According to this, the net profit or loss of the Company plus accumulated profits and minus accumulated losses is distributed in the full amount to the shareholders. Any deviation from this principle requires the unanimous approval of the Shareholder Meeting. It must be noted that the appointment and dismissal of the managing directors is also limited, as CECONOMY has reserved the sole right to appoint and dismiss the managing director. Significantly relevant Company activities, such as the approval of the budget for MediaMarktSaturn Retail Group, do not fall under the remit of the Shareholder Meeting but represent an approval competency granted to MSH's existing advisory commission, where CECONOMY has the majority of the seats, and where a majority requires a simple majority of the votes cast. The legal provisions limiting conflicts of interests also apply.

↗ A complete list of material Group companies is given in No. 54 Overview of the major fully consolidated Group companies. A complete listing of all Group companies as well as associated companies is given under No. 56 Shareholdings of CECONOMY AG as at 30 September 2018 as per § 313 HGB.

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared using uniform accounting and valuation methods as required by IFRS 10 (Consolidated Financial Statements).

Consolidated companies that, unlike CECONOMY AG, do not close their financial year on 30 September prepared interim financial statements for IFRS consolidation purposes. In principle, subsidiaries are fully consolidated insofar as their consolidation is of material importance to the presentation of a true and fair view of the net assets, financial position and results of operations.

In accordance with IFRS 3 (Business Combinations), capital consolidation is effected using the purchase method. In the case of business combinations, the carrying amounts of the investments are offset against the revalued pro rata equity of the subsidiaries as at their acquisition dates. Any positive differences remaining after the allocation of hidden reserves and hidden charges are capitalised as goodwill. Goodwill is tested for impairment once a year, or more frequently if changes in circumstances indicate a possible impairment. If the carrying amount of a unit that was assigned goodwill exceeds the recoverable amount, an impairment loss of the goodwill is recognised in the amount of the difference between both values.

In addition, in the case of company acquisitions, hidden reserves and charges attributable to non-controlling interests must be disclosed and reported in equity as "non-controlling interests". CECONOMY does not use the option to recognise the goodwill attributable to non-controlling interests. In accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and hidden burdens, as well as after another review during the period in which the business combination took place, are recognised through profit or loss.

Purchases of additional shares in companies where a controlling interest has already been acquired are recognised as equity transactions. As a result, the assets and liabilities are not remeasured at fair value, nor are any gains or losses recognised. Any differences between the cost of the additional shareholding and the carrying amount of the net assets on the date of acquisition are directly offset against the capital attributable to the buyer.

Any impairment losses and reversals of impairment losses on shares in consolidated subsidiaries carried in the individual financial statements are reversed.

Investments in associates and joint ventures are accounted for using the equity method and treated in accordance with the principles applying to full consolidation, with existing goodwill being included in the amount recognised for investments. The recognition of earnings from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee carries out operating or non-operating activities. Operating activities include the retail and wholesale businesses as well as related support activities (for example, renting/leasing of retail properties, procurement, logistics). Income from operating associates, joint ventures and joint operations is recognised in earnings before interest and taxes (EBIT); earnings from non-operating entities is recognised in the net financial result. Any deviating accounting and measurement methods used in the financial statements of entities valued using the equity method are retained as long as they do not substantially contradict CECONOMY's uniform accounting and valuation methods.

In accordance with IFRS 11, the individual partners in joint arrangements recognise their portion of jointly held assets and jointly incurred liabilities in their own statement of financial position.

Intra-Group profits and losses are eliminated; revenues, expenses and income as well as receivables and liabilities and/or provisions are consolidated. Interim results in fixed assets or inventories resulting from intra-group transactions are eliminated unless they are of minor significance. In accordance with IAS 12 (Income Taxes), deferred taxes are recognised for consolidation procedures.

Unrealised gains from transactions with companies accounted for using the equity method are derecognised against the investment in the amount of the Group's share in the investee.

In joint arrangements, each of the partner companies recognises its own portion of revenues, income and expenses resulting from the joint arrangement in its income statement.

A reduction in the share in a subsidiary must be recognised in reserves retained from earnings as an equity transaction outside of profit or loss as long as the parent company can continue to exercise control. If a reduction in the holding or its complete disposal entails a loss of control, full consolidation of the subsidiary is ended when the parent company has lost its control opportunity over the subsidiary. All assets, liabilities and equity items that were previously fully consolidated will then be derecognised at amortised group carrying amounts. Deconsolidation of the derecognised holdings is carried out in line with the general rules on deconsolidation. Any remaining residual shares are recognised at fair value as a financial instrument according to IAS 39 or as a holding valued using the equity method pursuant to IAS 28.

Currency translation

FOREIGN CURRENCY TRANSACTIONS

In the subsidiaries' separate financial statements, transactions in foreign currency are valued at the rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are valued at the exchange rate at closing date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition or production costs in foreign currency are translated at the rate valid at the transaction date.

In principle, gains and losses from exchange rate fluctuations incurred until the closing date are recognised through profit or loss. Currency translation differences from receivables and liabilities in foreign currency, which must be regarded as a net investment in a foreign operation, equity instruments held for sale, and qualified cash flow hedges are reported as reserves retained from earnings outside of profit or loss.

FOREIGN OPERATIONS

The annual financial statements of foreign subsidiaries are translated into euros according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is defined as the currency of the primary economic environment of the subsidiary. Since all consolidated companies operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. The translation of the assets and liabilities is thus performed using the exchange rate at the closing date. The items in the income statement are generally translated using the average exchange rate during the financial year. Differences from the translation of the financial statements of foreign subsidiaries are treated outside of profit or loss and recognised separately as reserves retained from earnings. To the extent that foreign subsidiaries are not under the full control of the parent company, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign subsidiary are deconsolidated or terminated. In a partial disposal in which a control opportunity in the foreign subsidiary is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should foreign associates or jointly controlled entities be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised in the income statement.

In financial year 2017/18, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

The following currency translation was applied with regard to the currencies outside the European Monetary Union that are of major significance for CECONOMY:

		Average exchange rate per €		Exchange rate at closing date per €	
		2016/17	2017/18	30/09/2017	30/09/2018
Pound sterling	GBP	0.87177	0.88479	0.88178	0.88730
Chinese renminbi	CNY	7.52183	7.78072	7.85340	7.96620
Danish krone	DKK	7.43772	7.44841	7.44230	7.45640
Hong Kong dollar	HKD	8.59544	9.32227	9.22140	9.05790
Norwegian krone	NOK	9.18636	9.59644	9.41250	9.46650
Polish złoty	PLN	4.29356	4.24399	4.30420	4.27740
Russian rouble	RUB	65.71585	72.23349	68.25190	76.14221
Swedish krona	SEK	9.62646	10.13006	9.64900	10.30900
Swiss franc	CHF	1.09089	1.16162	1.14570	1.13160
Turkish lira	TRY	3.88674	5.24182	4.20130	6.96500
Hungarian forint	HUF	308.69863	315.96660	310.67000	324.37000
US dollar	USD	1.10467	1.19026	1.18060	1.15760

Income statement

RECOGNITION OF INCOME AND EXPENSES

In accordance with IAS 18 (Revenues), **revenues and other operating income** are reported as soon as the service is rendered or the goods are delivered. In the latter, the timing is determined by the transfer of risk to the customer. Where customers are granted the right to return goods and cancel services, sales are recognised only if the likelihood of return can be reliably estimated. To this end, return rates are calculated on the basis of historical data and projected to future take-back obligations. No sales are recognised for the portion allocated to the expected returns; instead, a provision is recognised. Revenues are recognised after deduction of value added tax, rebates and discounts. Gross amounts are shown – that is, at the level of the customer payment (less value added tax and revenue reduction) – where the Company assumes the essential opportunities and risks associated with the sale of the goods or services. Net sales are shown for commission business as defined by the Company.

Revenues from contracts with several contractual components (for example, sale of goods plus additional services) are realised when the respective contractual components have been fulfilled. Sales realisation is based on the estimated relative fair values of the individual contractual components.

Performance-based **government grants** attributable to future periods are recognised on an accrual basis according to the corresponding expenses. Performance-based grants for subsequent periods which have already been received are shown as deferred income, and the corresponding income is recognised in subsequent periods.

Operating expenses are recognised as expenses upon use of the service or on the date of their causation.

The **net financial result** primarily includes the other investment result, currency effects and interest. Interest is recognised as income or expenses on an accrual basis and, where applicable, using the effective interest method. Interest expense on borrowing that is directly attributable to the acquisition or production of a so-called qualifying asset represents an exception as it must be capitalised as part of the acquisition or production costs of the asset pursuant to IAS 23 (Borrowing Costs). As a rule, dividends are recognised through profit or loss when the legal claim to payment arises.

INCOME TAXES

Income taxes concern direct taxes on income and deferred taxes. As a rule, they are recognised through profit or loss unless they are related to business combinations or an item that is directly recognised in equity or other comprehensive income.

Statement of financial position

GOODWILL

In accordance with IFRS 3 (Business Combinations), **goodwill** is capitalised. Goodwill resulting from business combinations is attributed to the group of so-called cash-generating units (CGUs) that benefits from the synergies of this business combination. In accordance with IAS 36 (Impairment of Assets), a cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows largely independently from the cash inflows of other assets or groups of assets.

Based on IFRS 3 rules in connection with IAS 36, an annual impairment test is carried out on goodwill. This is carried out at the level of a group of cash-generating units. This group is generally the organisation unit per country. The annual impairment test of goodwill is performed as at June 30. As a result of the unexpectedly negative business development in the last quarter of 2017/18, a revision of the planning calculations proved necessary, so that the impairment test was carried out in the past financial year as at 30 September 2018.

Goodwill is regularly tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment. If an impairment exists, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a CGU is compared to the respective carrying amount of the CGU. The recoverable amount is the higher of value in use and fair value less costs to sell. An impairment of the goodwill allocated to a CGU applies only if the recoverable amount is lower than the total of carrying amounts. No reversal of impairment losses is performed if the reasons for the impairment in previous years have ceased to exist.

OTHER INTANGIBLE ASSETS

Purchased other intangible assets are recognised at cost of purchase. In accordance with IAS 38 (Intangible Assets), **internally generated intangible assets** are capitalised at their production cost. Research costs, in contrast, are not capitalised, but immediately recognised as expenses. The production costs include all expenditure directly attributable to the development process. This may include the following costs:

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overheads	Material overheads
(directly attributable)	Production overheads
	Depreciation/amortisation/impairment losses
	Development-related administrative costs

Borrowing costs are factored into the determination of production costs only in the case of qualifying assets pursuant to IAS 23 (Borrowing Costs). Qualifying assets are defined as non-financial assets that take a substantial period of time to prepare for their intended use or sale.

The subsequent measurement of other intangible assets with a finite useful life takes place based on the cost model. No use is made of the revaluation option. All other intangible assets of CECONOMY with a finite useful life are subject to straight-line amortisation. Capitalised proprietary and acquired software as well as comparable intangible assets are amortised over a period of ten years, and licences primarily over the course of their life. These intangible assets are examined for indications of impairment at each closing date. If the recoverable amount is below the amortised acquisition or production cost, an impairment loss is recognised. A reversal of impairment loss takes place if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets with an infinite expected useful life are not subject to amortisation, but undergo an impairment test at least once a year. Impairments and value gains are recognised through profit or loss based on the historical cost principle.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at amortised acquisition or production costs pursuant to IAS 16 (Property, Plant and Equipment). The production costs of internally generated assets include both direct costs and directly attributable overheads. Borrowing costs are only capitalised in relation to qualifying assets as a component of acquisition or production costs. Any **investment grants** will be presented in compliance with IAS 20 (Accounting for Government Grants and Disclosure), by reducing the acquisition or production costs for the relevant asset by the amount of the grant. No accruals on liabilities are made for the grants. **Asset retirement obligations** are included in the acquisition or production costs at the discounted settlement amount. Subsequent acquisition or production costs of property, plant and equipment are only capitalised if they result in a higher future economic benefit for CECONOMY.

The scheduled depreciation of property, plant and equipment is carried out using the straight-line method in accordance with the cost model in IAS 16. No use is made of the revaluation model. Throughout the Group, the planned depreciation is based on the following useful lives:

Buildings	33 to 50 years
Leasehold improvements	15 years or shorter lease period
Business and office equipment	3 to 15 years

Capitalised asset retirement costs are depreciated on a pro rata basis over the expected useful life of the asset.

Pursuant to IAS 36, an impairment test will be carried out if there are any indications of impairment of property, plant and equipment. Impairment losses on property, plant and equipment will be recognised if the recoverable amount is below the amortised acquisition or production costs. Impairment losses are reversed up to the amount of amortised acquisition or production costs if the reasons for the impairment have ceased to exist.

In accordance with IAS 17 (Leases), economic ownership of leased assets is attributable to the lessee if all the material risks and opportunities incidental to economic ownership of the asset are transferred to the lessee **(finance lease).** If economic ownership is attributable to a CECONOMY Company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. The scheduled depreciation will be carried out – in keeping with comparable property, plant and equipment assets – over the life or over the term of the lease, should this be shorter. However, should sufficient certainty be found for the transfer of the leased asset to the lessee at the end of the lease, the scheduled depreciation will extend to the end of that asset’s life. Payment obligations resulting from future lease payments are carried as liabilities. Conversely, they are recognised as receivables when CECONOMY is acting as the lessor.

An operating lease applies when economic ownership of the leased object is not transferred to the lessee. The lessee does not recognise assets or liabilities for operating leases, but merely recognises rental expenses in its income statement over the term of the lease using the straight-line method, while CECONOMY as the lessor recognises an asset as well as a receivable.

In the case of leasing agreements relating to buildings and related land, these two elements are generally treated separately and classified as finance or operating leases.

FINANCIAL ASSETS

Financial assets that do not represent **associates** under IAS 28 (Investments in Associates and Joint Ventures) or **joint ventures** under IFRS 11 (Joint Arrangements) are recognised in accordance with IAS 39 (Financial Instruments. Recognition and Measurement) and assigned to one of the following categories:

- "Loans and receivables"
- "Held to maturity"
- "At fair value through profit or loss"
- "Available for sale"

The first-time recognition of financial assets is effected at fair value. Incurred transaction costs are considered for all categories with the exception of the category "at fair value through profit or loss". Measurement is always effected at the trade date.

Depending on the classification to the categories listed above, the subsequent measurement of financial assets is capitalised either at amortised cost or at fair value:

- **"Loans and receivables"** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at amortised cost using the effective interest method.
- The measurement category **"held to maturity"** includes non-derivative financial assets with fixed or determinable payments and fixed maturity, with the Company having both the positive intention and the ability to hold them to maturity. They are also recognised at amortised cost using the effective interest method.
- The category **"at fair value through profit or loss"** comprises all financial assets "held for trading", as the fair value option of IAS 39 is not applied within CECONOMY. For clarification purposes, the entire category is referred to as "held for trading" in the notes to the consolidated financial statements. Financial instruments "held for trading" are financial assets that are either acquired or incurred principally for the purpose of selling or repurchasing in the near term or that are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Furthermore, this category includes derivative financial instruments that are not part of an effective hedge. Financial instruments "held for trading" are measured at fair value through profit or loss.
- The category **"available for sale"** represents a residual category for primary financial assets that cannot be assigned to any of the other three categories. CECONOMY does not make use of the optional designation of financial assets as "available for sale". "Available for sale" financial assets are recognised at fair value in equity. The amounts recognised are not reclassified to profit or loss for the respective period until the financial asset is derecognised or lasting impairment of the assets has occurred.

Investments are assets to be classified as "available for sale". **Securities** are classified as "held to maturity", "available for sale" or "held for trading". **Loans** are classified as "loans and receivables".

Financial assets designated as **secured underlying transactions** as part of a fair value hedge are recognised at fair value through profit or loss.

Equity instruments for which no quoted price on an active market exists and the fair value cannot be reliably measured, as well as derivatives on such equity instruments, are recognised at cost.

At each closing date, financial assets that are not measured at fair value through profit or loss are examined for objective, substantial indications of impairment. Such indications include delayed interest or redemption payments, defaults and changes in the borrower's creditworthiness. If there are any such indications, the respective financial asset is tested for impairment by comparing the carrying amount to the present value. The present value of financial assets measured at amortised cost corresponds to the present value of expected future cash flows, discounted at the original effective interest rate. However, the net present value of equity instruments measured at cost of purchase in the category "available for sale" corresponds to expected future cash flows discounted at the current market interest rate. If the net present value is lower than the carrying amount, an impairment loss is recognised for the difference. Where decreases in the fair value of "available for sale" financial assets were previously recognised in other comprehensive income outside of profit or loss, these are now recognised as an impairment loss up to the amount determined.

If, at a later date, the net present value increases again, the reversal of impairment losses is recorded accordingly. In the case of financial assets recognised at amortised cost, the impairment loss reversal is limited to the amount of amortised cost which would have occurred without the impairment. In the category "available for sale", the reversal of previously recognised impairment losses for equity instruments is shown outside of profit or loss in other comprehensive income, while for debt instruments it is shown in profit or loss up to the amount of the impairment loss previously recognised. Increases in value for debt instruments beyond this are recognised outside of profit or loss in other comprehensive income.

Financial assets are derecognised when the contractual rights to cash flows from the item in question are extinguished or have expired or the financial asset is transferred.

OTHER FINANCIAL ASSETS

The financial assets recognised in **other financial and non-financial assets** that are classified as "loans and receivables" under IAS 39 are measured at amortised cost.

Miscellaneous financial assets include, among others, derivative financial instruments to be classified as "held for trading" in accordance with IAS 39.

NON-FINANCIAL ASSETS

All other receivables and assets are recognised at amortised cost.

Deferred income comprises transitory accruals.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the consolidated financial statements and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards.

Deferred tax assets are recognised only to the extent that it is likely that sufficient taxable profit will be available in the future to allow the corresponding benefit of that deferred tax asset to be realised.

Deferred tax assets and deferred tax liabilities are offset if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes. Deferred tax assets are remeasured at each closing date and adjusted if necessary.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, these are based on the valid laws or legislation that has been passed at the time of the closing date.

The assessment of deferred taxes reflects the tax consequences arising from how CECONOMY expects to recover the carrying amounts of its assets and settle its obligations as at the closing date.

INVENTORIES

In accordance with IAS 2 (Inventories), merchandise carried as inventories is reported at cost of purchase. The cost of purchase is recognised, either based on a separate measurement of the income from the perspective of the procurement market or through application of the weighted average cost method. Supplier compensation to be classified as a reduction in the cost of purchase lowers the carrying amount of inventories. Ancillary purchase costs include both internal and external costs as long as they are directly attributable to the purchase process.

Merchandise is valued as at the closing date at the lower of cost of purchase or net realisable value. Merchandise is written down on a case-by-case basis if the net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the directly attributable direct costs necessary to make the sale.

If the reasons for writing down the merchandise have ceased to exist, the previously recognised write-down is reversed.

CECONOMY's inventories never meet the definition of qualifying assets. As a result, interest expenses on borrowings relating to inventories are not capitalised pursuant to IAS 23 (Borrowing Costs).

TRADE RECEIVABLES

In accordance with IAS 39, trade receivables are classified as "loans and receivables" and recognised at amortised cost. Where their recoverability appears doubtful, the trade receivables are recognised at the lower net present value of the estimated future cash flows. Aside from the required specific bad debt allowances, lump-sum specific bad debt allowances account for the general credit risk.

RECEIVABLES DUE FROM SUPPLIERS

Depending on the underlying circumstances, receivables due from suppliers are recognised as a reduction in the cost of purchase, reimbursement or payment for services rendered. Valuation is at amortised cost. Supplier compensation is accrued at the closing date insofar as it has been contractually agreed upon and is likely to be realised. Accruals relating to supplier compensation tied to certain calendar year targets are based on projections.

INCOME TAX ASSETS AND LIABILITIES

The disclosed income tax assets and liabilities concern domestic and foreign income taxes for the year 2017/18 as well as previous years. They are determined in compliance with the tax laws of the respective country.

In addition, the effects of tax risks are considered in the determination of income tax liabilities. The premises and assessments underlying these risks are regularly reviewed and taken into consideration in the determination of income tax.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cheques, cash on hand, bank deposits and other short-term liquid financial assets such as the available balance on attorney escrow accounts or funds currently in transit, with an original maturity of no more than three months. They are valued at the respective nominal values.

NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), an asset is classified as a **non-current asset held for sale** if the respective carrying amount will be recovered principally through a sale transaction rather than through continuing use. It must be highly likely that a sale is planned and realisable within the subsequent twelve months. The valuation of the asset's carrying amount pursuant to the relevant IFRS must directly precede a first-time classification as held for sale. In case of reclassification, the asset is measured at the lower of carrying amount and fair value less costs to sell and presented separately in the statement of financial position. Liabilities related to assets held for sale are also presented separately in the statement of financial position.

In accordance with IFRS 5, a **discontinued operation** is recognised as such if it is held for sale or has already been disposed of. A business segment is a component of a company representing a separate material business operation or geographical business operation which forms part of an individual, approved plan for disposal of a separate material business operation or geographical business operation or represents a subsidiary that was acquired solely for resale. The valuation of the component of an entity's carrying amount pursuant to the relevant IFRS must directly precede the first-time classification as being held for sale. In case of reclassification, the discontinued operation is measured at the lower of carrying amount and fair value less costs to sell. Discontinued operations are presented separately in the income statement, the statement of financial position, the cash flow statement, and the segment reporting, and explained in the notes. With the exception of the statement of financial position, the previous year's amounts are restated accordingly. Internal Group relationships with discontinued operations are not recognised in the statement of financial position up to the point of deconsolidation. The income statement will then recognise performance relationships between continuing and discontinued operations income/expenses within the continuing operations should the performance relationships also remain in place after deconsolidation.

EMPLOYEE BENEFITS

Employee benefits include:

- Short-term employee benefits

- Post-employment benefits

- Obligations similar to pensions

- Termination benefits

- Share-based compensation

Short-term employee benefits include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognised as liabilities at the repayment amount as soon as the associated job performance has been rendered.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of **defined contribution plans**, period-relevant contribution obligations to the external pension provider are recognised as expenses for post-employment benefits at the same time as the beneficiary's job performance is rendered. Missed payments or prepayments to the pension provider are accrued as liabilities or receivables. Liabilities with a term of more than twelve months are discounted.

The actuarial calculation of pension provisions for post-employment benefits plans as part of a **defined benefit plan** is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the closing date as well as expected increases in future wages and pensions. Where the employee benefit obligations, as determined, or the fair value of plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a higher fluctuation rate) or changes in underlying actuarial assumptions (for example, the discount rate), this will result in actuarial gains or losses. These are recognised in other comprehensive income with no effect on profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is shown as interest paid under the net financial result. Insofar as plan assets exist, the amount of the provision is generally the result of the difference between the present value of defined benefit obligations and the fair value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are comprised of the net present value of future payment obligations to the employee or their surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in profit or loss in the period in which they are incurred.

Termination benefits comprise severance payments to employees. These are recognised as liabilities through profit or loss when contractual or factual payment obligations towards the employee are to be made in relation to the termination of the employment relationship. Such an obligation exists when there is a formal plan for the early termination of the employment relationship to which the Company is bound. Benefits with maturities of more than twelve months after the closing date must be recognised at their net present cash value.

The share bonuses granted under the share-based payment system are classified as **"cash-settled share-based payments"** pursuant to IFRS 2 (Share-based Payment). Proportionate provisions measured at the fair value of the obligations entered into are formed for these payments. The proportionate formation of the provisions is prorated over the underlying vesting period and recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period until exercised based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

Where granted share-based payments are hedged through corresponding hedging transactions, the hedging transactions are measured at fair value and shown under other financial and non-financial assets. The portion of the hedges' value fluctuation that corresponds to the value of fluctuation of the share-based payments is recognised in personnel expenses. The surplus amount of value fluctuations is recognised in other comprehensive income outside of profit or loss.

(OTHER) PROVISIONS

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), **(other) provisions** are formed if legal or constructive obligations to third parties exist that are based on past transactions or events and will likely result in an outflow of financial resources that can be reliably determined. The provisions are stated at the anticipated settlement amount, taking into account all identifiable risks. With individual obligations, the settlement amount with the highest possible probability of occurrence is used. If the determination of the provision for an individual situation results in a range of equally probable settlement amounts, the provision will be set at the average of these settlement amounts. For a multitude of uniform situations, the provision is set at the expected value resulting from the weighting of all possible earnings with the related likelihoods.

Long-term provisions with a term of more than one year are discounted to the closing date using an interest rate for matching maturities which reflects current market expectations regarding interest rate effects. Provisions with a term of less than one year are discounted accordingly if the interest rate effect is material. Claims for recourse are not netted with provisions, but recognised separately as an asset if their realisation is considered virtually certain.

Provisions for onerous contracts are formed if the unavoidable costs of meeting the obligations under a contract exceed the expected economic benefits resulting from the contract. Provisions for deficient rental cover related to leased property are based on a consideration of individual leased properties. Provisions in the amount of the present value of the funding gap are formed for all closed properties or properties with deficient rental cover. In addition, a provision is created for store-related risks related to leased, operational or not yet closed stores insofar as a deficient cover of operational costs or a deficient rental cover despite consideration of a possible subleasing for the respective location arises from current corporate planning over the basic rental term.

Provisions for restructuring measures are recognised if a constructive obligation to restructure was formalised by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as at the closing date. Restructuring provisions comprise only obligatory restructuring expenses that are not related to the ongoing activities of the Company.

Warranty provisions are formed based on past warranty claims and the sales of the current financial year.

FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES

According to IAS 39, **financial liabilities** that do not represent liabilities from finance leases are assigned to one of the following categories:

– "At fair value through profit or loss" ("held for trading")

– "Other financial liabilities"

The first-time recognition of financial liabilities and subsequent measurement of financial liabilities "held for trading" is effected based on the same stipulations as for financial assets.

The **"other financial liabilities"** category comprises all financial liabilities that are not "held for trading". They are carried at amortised cost using the effective interest method, as the fair value option is not applied within CECONOMY.

Financial liabilities designated as the underlying transaction in a fair value hedge are carried at their fair value. The fair values indicated for the financial liabilities in the notes have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

In principle, financial liabilities from finance leases are carried at the net present value of future minimum lease payments.

A financial liability is derecognised only when it has expired, i.e. when the contractual obligations have been redeemed or annulled, or have expired.

NON-FINANCIAL LIABILITIES

Non-financial liabilities are generally recognised at the repayment amount.

Deferred income comprises transitory accruals.

TRADE PAYABLES

Trade payables are recognised at amortised cost.

Other

CONTINGENT LIABILITIES

Contingent liabilities are, on the one hand, possible obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of uncertain future events that are not entirely under the Company's control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability. In accordance with IAS 37, such liabilities are not recognised in the statement of financial position but disclosed in the notes. Contingent liabilities are determined on the basis of the principles applying to the measurement of provisions.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are used solely for hedging purposes. They are used in accordance with the respective Group guideline.

All derivative financial instruments are carried at fair value in accordance with IAS 39 and reported under other financial assets or other financial liabilities under "Financial liabilities and other financial liabilities".

The derivative financial instruments are valued using the interbank conditions possibly including the credit margins or stock market values for CECONOMY. The current exchange rate for the closing date is applied. Where no stock exchange prices can be used, the fair value is determined by means of recognised financial models.

In the case of an effective hedge accounting transaction (hedge accounting) pursuant to IAS 39, changes in the fair values of the derivatives designated as fair value hedges and of the risk hedged in the underlying transaction are reported in profit or loss. In the case of cash flow hedges, the effective portion of the fair value change of the derivative is recognised in other comprehensive income outside of profit or loss. Reclassification through profit or loss occurs only when the underlying transaction generates a profit or loss. The ineffective portion of the change in value of the hedging instrument is immediately reported through profit or loss.

Summary of selected measurement methods

Item	Measurement method
Assets	
Goodwill	Cost of purchase (subsequent measurement: impairment test)
Other intangible assets	
Purchased other intangible assets	(Amortised) cost
Internally generated intangible assets	Development costs (direct costs and directly attributable overhead)
Property, plant and equipment	(Amortised) cost
Financial assets	
“Loans and receivables”	(Amortised) cost
“Held to maturity”	(Amortised) cost
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Available for sale”	At fair value recognised in equity
Inventories	Lower of cost and net realisable value
Trade receivables	(Amortised) cost
Receivables due from suppliers	(Amortised) cost
Other assets	(Amortised) cost
Cash and cash equivalents	At nominal value
Assets held for sale	Lower of carrying amount and fair value less costs to sell
Equity and liabilities	
Provisions	
Pension provisions	Projected unit credit method (benefit/years of service method)
Other provisions	Discounted settlement amount (with highest probability of occurrence)
Financial liabilities	
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Other financial liabilities”	(Amortised) cost
Financial liabilities and other financial liabilities	At settlement amount or fair value
Non-financial liabilities	At settlement amount or fair value
Trade payables	(Amortised) cost

Judgements, estimates and assumptions

The preparation of the consolidated financial statements was based on a number of **judgements, estimates and assumptions** that had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities.

JUDGEMENTS

Information on the key judgements that materially affected the amounts reported in these consolidated financial statements can be found in the following notes:

- Determination of the consolidation group by assessing control opportunities (chapter: "Consolidation group"). This particularly concerns investments where the control opportunity is not necessarily tied in with a simple majority of voting rights due to special regulations in the articles of association.
- Determination whether CECONOMY is the principal or agent in sales transactions (No. 1 Revenues)

ESTIMATES AND ASSUMPTIONS

Information on estimates and underlying assumptions with significant effects on these consolidated financial statements is included in the following notes:

- Uniform group determination of life for depreciable assets (No. 14 Scheduled depreciation and impairment, No. 19 Other intangible assets, and No. 20 Property, plant and equipment)
- Occasion-related audit of the recoverability of depreciable assets (No. 14 Scheduled depreciation and impairment, No. 19 Other intangible assets and No. 20 Property, plant and equipment)
- Annual audit of the recoverability of business or company valuations (No. 18 Goodwill – including sensitivity analysis)
- Recoverability and accrual of receivables – particularly receivables due from suppliers and provisions (No. 23 Receivables due from suppliers, other financial and non-financial assets)
- Recognition of supplier compensation on an accrual basis (No. 25 Inventories, and No. 23 Receivables due from suppliers, other financial and non-financial assets)
- Measurement of inventories (No. 25 Inventories)
- Determination of provisions for post-employment benefit plans (No. 32 Provisions for pensions and similar obligations)
- Determination of other provisions – for example, for deficient rental cover and onerous contracts, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation (No. 33 Other provisions (non-current)/provisions (current))
- Determination of fair value less costs to sell for "Non-current assets held for sale, liabilities associated with assets held for sale and discontinued operations" (No. 11 Profit or loss for the period from discontinued operations and No. 30 Assets held for sale / liabilities associated with assets held for sale)

Although great care has been taken in making these estimates and assumptions, actual values may deviate from them in individual cases. The estimates and assumptions used in the consolidated financial statements are regularly reviewed. Changes are taken into account at the time new information becomes available.

Capital management

The goals of the CECONOMY capital management strategy include the securing of business operations, increasing the value of the Company, the creation of a solid capital base for financing future growth as well as the securing of attractive dividend payments and capital service.

The CECONOMY capital management strategy has not changed from the previous year.

EQUITY AND LIABILITIES AS WELL AS NET LIQUIDITY/NET DEBT IN THE CONSOLIDATED FINANCIAL STATEMENTS

Equity amounts to €665 million (30/09/2017: €666 million), while liabilities are €7,810 million (30/09/2017: €7,614 million).

Net liquidity amounts as at 30 September 2018 to €675 million (30/09/2017: Net liquidity €317 million). The increase in net liquidity is mainly due to the increase in cash and cash equivalents.

€ million	30/09/2017	30/09/2018
Equity	**666**	**665**
Liabilities	**7,614**	**7,810**
Net liquidity (+)/net debt (–)	**317**	**675**
Borrowings (incl. finance leases)	544	439
Cash and cash equivalents according to the statement of financial position	861	1,115

LOCAL CAPITAL REQUIREMENTS

The CECONOMY capital management strategy is consistently focused on making sure the consolidated companies are supplied with capital sufficient for local conditions. During the financial year 2017/18, all external capital requirements were fulfilled. This includes, for example, adherence to a defined level of indebtedness or a fixed equity ratio.

Notes to the income statement

1. REVENUES

Revenues (net) primarily resulted from the sale of goods and were composed of the following:

€ million	2016/17[1]	2017/18
Sale of goods	20,261	19,940
Services & Solutions sales	1,344	1,478
	21,605	**21,418**

[1] Previous year's figures were adjusted. Details can be found in the chapter Notes to the Group accounting principles and methods.

Revenue decreased by 0.9 per cent over the previous year. The sales trend was significantly marked by declining brick-and-mortar sales that could not be fully compensated for by strong growth rates in the online business. In addition, the unusually hot weather in July and August, particularly in Germany, led to a decline in sales. Solid growth in the Services & Solutions business and momentum from the World Cup had a positive effect.

In financial year 2017/18, 34 stores were newly opened, 18 of which in Turkey. A total of eight stores were closed. Three of them were in Poland, two in both Germany and Italy and one in Switzerland. The store network had increased to 1,022 locations as at the closing date.

Revenue performance by business segment is presented in the segment reporting.

↗ Additional explanations can be found in No. 42 Segment reporting.

2. OTHER OPERATING INCOME

€ million	2016/17	2017/18
Rent including claiming of ancillary rental costs	8	9
Reimbursements	57	54
Services rendered to suppliers	16	53
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	6	2
Income from deconsolidation	2	14
Miscellaneous	75	61
	164	**194**

The income from cost reimbursements primarily concern third party services.

Services rendered to suppliers essentially relate to the Eastern Europe segments at €31 million (2016/17: €0 million) and Western/Southern Europe at €18 million (2016/17: €14 million). The increase compared with the previous year results from higher identified service fees in Poland.

Income from deconsolidation is essentially due to the disposal of a company whose assets and liabilities consisted of pension obligations and associated cash assets.

The miscellaneous other operating income includes income from damage compensation totalling €11 million (2016/17: €6 million). In addition, income from the booking out of outdated liabilities in the amount of €5 million (2016/17: €3 million) and injections from public bodies in the amount of €3 million (2016/17: €3 million) are included.

3. SELLING EXPENSES

€ million	2016/17	2017/18
Personnel expenses	1,848	1,789
Cost of material	1,838	1,791
	3,686	**3,580**

In addition, the cost of materials fell due to reduced hiring costs, low depreciation/amortisation/impairment losses and leasing costs.

4. GENERAL ADMINISTRATIVE EXPENSES

€ million	2016/17	2017/18
Personnel expenses	249	251
Cost of material	294	261
	542	**511**

The general administrative expenses increased slightly on the previous year in terms of personnel expenses and dropped significantly in terms of the cost of materials.

The decrease in cost of materials was mainly due to expenses of €22 million from the increase in the provision for value added tax risks, which did not occur in the financial year 2017/18.

5. OTHER OPERATING EXPENSES

€ million	2016/17	2017/18
Impairment losses on goodwill	0	7
Losses from the disposal of property classified as non-current assets	8	7
Miscellaneous	2	3
	10	**17**

Impairment losses on goodwill refer entirely to Media-Saturn Switzerland.

The losses from the disposal of fixed assets primarily include expenses from the disposal of operating and business and office equipment totalling €7 million (2016/17: €8 million).

6. EARNINGS SHARE FROM COMPANIES RECOGNISED AT EQUITY/OTHER INVESTMENT RESULT

The earnings share of operating companies recognised at equity recognised in the operating result relates to the investment in Fnac Darty S.A. recorded in the previous year. From this, earnings of €21 million were recorded in the financial year 2017/18 (2016/17: €0 million). This figure also includes effects from the adjustment of differences arising from purchase price allocation and from the dilution in the amount capitalised for investments.

The other investment result reported in the net financial result amounts to €−182 million (2016/17: €−5 million). The decline can mainly be attributed to the impairment of our investment in METRO AG of €268 million, which took place as a result of the significant decline of the share price of METRO AG in the second and third quarter of the past financial year. In contrast, the dividend payment by METRO AG in the amount of €25 million and the capital gain from the sale of 3.6 per cent of the shares in METRO AG had a counteracting effect.

↗ Supplementary notes to the investments can be found under No. 22 Financial investments and investments accounted for using the equity method.

NOTES

7. NET INTEREST INCOME/INTEREST EXPENSES

The net interest result was composed of the following:

€ million	2016/17	2017/18
Interest income	17	28
thereof finance leases	(0)	(0)
thereof from post-employment benefit plans	(1)	(3)
thereof from financial instruments of the measurement categories according to IAS 39:		
Loans and receivables incl. cash and cash equivalents	(13)	(13)
held to maturity	(0)	(0)
held for trading incl. derivatives in a hedging relationship according to IAS 39	(0)	(0)
available for sale	(0)	(0)
Interest expenses	−30	−41
thereof finance leases	(−1)	(−1)
thereof from post-employment benefit plans	(−10)	(−13)
thereof from financial instruments of the measurement categories according to IAS 39:		
held for trading incl. derivatives in a hedging relationship according to IAS 39	(0)	(0)
Other financial liabilities	(−2)	(−14)
	−13	**−13**

Interest income and interest expenses from financial instruments are assigned to the measurement categories according to IAS 39 on the basis of the underlying transactions.

The increase in interest income resulted primarily from higher interest income for tax refunds.

For interest expenses, expenses from the measurement category of other financial liabilities in particular lead to an increase compared to the previous year's period. This category includes interest expenses to banks of €9 million (2016/17: €1 million).

8. OTHER FINANCIAL RESULT

The other financial income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions. Besides income and expenses from the measurement of financial instruments according to IAS 39, this also includes the measurement of foreign currency positions according to IAS 21.

€ million	2016/17	2017/18
Other financial income	6	14
thereof currency effects	(4)	(9)
thereof currency hedging transactions	(2)	(4)
Other financial expenses	(−16)	(−17)
thereof currency effects	(−17)	(−5)
thereof currency hedging transactions	(3)	(−5)
Other financial result	**−10**	**−3**
thereof from financial instruments of the measurement categories according to IAS 39:		
Loans and receivables incl. cash and cash equivalents	(−14)	(5)
held to maturity	(0)	(0)
held for trading	(5)	(−1)
available for sale	(0)	(0)
Other financial liabilities	(−1)	(−7)

The total comprehensive income from currency effects as well as from valuation results of currency hedging transactions and currency hedging correlations is €−1 million (2016/17: €−8 million).

↗ For more information about possible effects from currency risks, see No. 43 Management of financial risks.

9. NET RESULTS ACCORDING TO MEASUREMENT CATEGORIES

The key effects of income from financial instruments are as follows:

2016/17

€ million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	13	0	−13	0	−12	0	−13
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	0	5	0	0	0	0	5
Available for sale	−5	0	0	0	0	0	0	−5
Other financial liabilities	0	−2	−2	0	3	0	1	0
	−5	**10**	**3**	**−13**	**3**	**−12**	**1**	**−13**

2017/18

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

Income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions.

Investment income and income effects from the disposal of investments as well as impairments/reversals of impairment losses are included in other investment income. Interest income and expenses are part of the net interest result. Fair value measurements and effects from other financial expenses and currency translation are included in the other financial result. Income effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). Income effects from the disposal of assets classified as available for sale are included in the other financial result to the extent that these do not concern investments. Expenses from impairments are essentially included in earnings before interest and taxes.

↗ For more information about impairments, see No. 27 Impairments of capitalised financial instruments.

Remaining financial income and expenses included in the other financial result primarily concern bank commissions and similar expenses that are incurred within the context of financial assets and liabilities.

10. INCOME TAXES

Income taxes include the expected taxes on income paid or owed in the individual countries as well as deferred taxes.

€ million	2016/17	2017/18
Actual taxes	167	132
thereof Germany	(118)	(75)
thereof international	(49)	(57)
thereof tax expenses/income of current period	(160)	(127)
thereof tax expenses/income of previous periods	(7)	(5)
Deferred taxes	19	2
thereof Germany	(19)	(14)
thereof international	(0)	(–12)
	186	**134**

The income tax rate of the domestic companies of CECONOMY AG consists of a corporate income tax of 15 per cent plus a 5.5 per cent solidarity surcharge as well as the trade tax of 14.7 per cent given an average assessment rate of 420 per cent. Overall this gives a total tax rate of 30.53 per cent, which is equivalent to the rate for the previous year. The income tax rates applied to foreign companies are based on the respective laws and regulations of the individual countries and vary within a range of 9 per cent and 34 per cent (2016/17: 9 and 34 per cent).

Deferred tax liabilities for financial year 2017/18 comprise expenses of €1 million from changes in tax rates (2016/17: €1 million in expenses).

€ million	2016/17	2017/18
Deferred taxes in the income statement	19	2
thereof from temporary differences	(22)	(0)
thereof from loss and interest carry-forwards	(–3)	(2)

The income tax expenses of €134 million (2016/17: €186 million), which are entirely attributable to the result from ordinary activities, is €67 million (2016/17: €74 million) higher than the expected income tax expenses of €67 million (2016/17: €112 million) that would have resulted if the German corporate income tax rate (30.53 per cent) had been applied to the Group's income taxes for the year.

Reconciliation of estimated recognised income tax expenses is as follows:

€ million	2016/17	2017/18
Earnings before taxes	**367**	**221**
Expected income tax expenses (30.53%)	112	67
Effects of differing national tax rates	–5	–11
Tax expenses and income relating to other periods	7	3
Non-deductible business expenses for tax purposes	28	32
Effects of not recognised or impaired deferred taxes	34	7
Additions and reductions for local taxes	5	7
Tax holidays	–9	–7
Other deviations	14	36
Income tax expenses according to the statement	**186**	**134**
Group tax rate (in %)	**50.7**	**60.7**

The other deviations generally concern changes to permanent differences in investment book value.

Actual income tax expenses were reduced by €22 million based on the use of previously unconsidered tax losses. In addition, there is deferred income of €16 million due to the reversal of impairment losses of deferred taxes on loss carry-forwards and temporary differences.

11. PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAX

The current earnings for the spun off Russian MediaMarkt business (see chapter "Assets held for sale/liabilities related to the sale") were transferred along with all relevant consolidation components in the income statement under "Profit or loss for the period from discontinued operations after taxes". The previous year's figures were adjusted accordingly. As a result, profit or loss for the period from discontinued operations after tax is made up as follows:

€ million	2016/17[1]	2017/18
Sales revenue	29,203	544
Expenses	–28,410	–709
Current earnings from discontinued operations before tax	**793**	**–165**
Income taxes on current earnings	–397	–13
Current earnings from discontinued operations after tax	**396**	**–178**
Gains/losses from the remeasurement or disposal of discontinued operations before tax	576	–118
Income taxes on gains/losses from remeasurement or disposal	0	0
Gains/losses from the remeasurement or disposal of discontinued operations after tax	**576**	**–118**
Profit or loss for the period from discontinued operations after tax	**972**	**–296**

[1] The figures include the MediaMarkt Russia business and the food wholesale and retail activities already deconsolidated in 2016/17.

The profit or loss for the period from discontinued operations after taxes was €–296 million, the share thereof held by a non-controlling shareholder is €–62 million. The amount includes non-cash valuation/disposal earnings after taxes equal to €–118 million. Current earnings from discontinued operations covers eleven months of this business activity (2016/17: twelve months). In addition, in accordance with IFRS 5, scheduled depreciation/amortisation/impairment losses in the amount of €1 million have been suspended since August 2018. The earning per share for discontinued operations totalled €–0.70.

Reconciliation from profit or loss for the period to total comprehensive income (other comprehensive income) includes currency differences in the amount of €23 million from the foreign subsidiaries of the disposed of Russian MediaMarkt business previously shown in equity outside of profit or loss. The resulting income tax effect amounted to €1 million.

Current earnings from discontinued operations before tax also include expenses from the obligation for a corporate income tax and trade tax payment in arrears for the 2006 assessment period of the former METRO AG in the amount of €13 million plus interest of €8 million.

According to the demerger agreement of 13 December 2016, the resulting expenses are to be borne by the METRO AG. The obligation is therefore offset by an enforceable and recoverable refund claim which was recorded in the reporting period as other operating income in the amount of €20 million. Both expenses and income from the event were attributed to the discontinued operations, as they are directly associated with the discontinued activities of the former METRO GROUP in the previous financial year.

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

Of profit or loss for the period attributable to non-controlling interests, profit shares accounted for €102 million (2016/17: €109 million) and loss shares for €99 million (2016/17: €58 million). Discontinued operations accounted for profit shares of €0 million (2016/17: €17 million) and loss shares of €62 million (2016/17: €13 million). This mainly concerns profit/loss shares of non-controlling interests in the Media-Saturn Retail Group.

13. EARNINGS PER SHARE

Earnings per share is determined by dividing profit or loss for the period attributable to shareholders of CECONOMY AG by the weighted number of issued shares. In the calculation of earnings per share, an additional dividend is generally deducted from profit or loss for the period attributable to CECONOMY AG shareholders. There was no dilution in the reporting period or the year before from potential shares.

	2016/17	2017/18
Weighted number of no-par value shares outstanding	326,787,529	333,586,186
Profit or loss for the period attributable to the shareholders of CECONOMY AG (€ million)	1,102	−212
Earnings per share in € (basic = diluted)	**3.37**	**−0.64**
from continuing operations	0.41	0.07
from discontinued operations	2.96	−0.70

Earnings per share from continuing operations were €0.07 (2016/17: €0.41).

Earnings per share including discontinued operations amounted to €−0.64 (2016/17: € 3.37). Earnings per share including discontinued operations include a non-cash valuation/disposal amount after tax of €−118 million.

14. SCHEDULED DEPRECIATION AND IMPAIRMENT

The scheduled depreciation/amortisation/impairment losses and impairments in the amount of €259 million (2016/17: €250 million) include impairments in the amount of €40 million (2016/17: €34 million), of which €5 million (2016/17: €12 million) relate to property, plant and equipment as well as €1 million (2016/17: €17 million) to other intangible assets. Financial assets saw impairments in the amount of €28 million (2016/17: €6 million). Goodwill was impaired by €7 million (2016/17: €0 million). The impairments for property, plant and equipment relate largely to the Western/Southern Europe segment. Impairments on financial assets relate predominantly to the Others segment at €27 million. Goodwill was impaired in the DACH segment. The breakdown of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

2016/17

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Financial assets	Total
Cost of sales	0	6	2	0	8
thereof depreciation/amortisation	(0)	(5)	(2)	(0)	(6)
thereof impairment losses	(0)	(2)	(0)	(0)	(2)
Selling expenses	0	22	187	0	209
thereof depreciation/amortisation	(0)	(7)	(176)	(0)	(183)
thereof impairment losses	(0)	(15)	(11)	(0)	(26)
General administrative expenses	0	11	17	0	28
thereof depreciation/amortisation	(0)	(11)	(16)	(0)	(27)
thereof impairment losses	(0)	(0)	(1)	(0)	(1)
Other operating expenses	0	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)	(0)
Amortisation/impairments of financial assets	**0**	**39**	**205**	**0**	**244**
Net financial result	0	0	0	6	6
thereof impairment losses	(0)	(0)	(0)	(6)	(6)
Total	**0**	**39**	**205**	**6**	**250**
thereof depreciation/amortisation	(0)	(22)	(194)	(0)	(216)
thereof impairment losses	(0)	(17)	(12)	(6)	(34)

NOTES

2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Financial assets	Total
Cost of sales	0	3	2	0	5
thereof depreciation/amortisation	(0)	(3)	(2)	(0)	(5)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	10	180	0	190
thereof depreciation/amortisation	(0)	(10)	(176)	(0)	(185)
thereof impairment losses	(0)	(0)	(4)	(0)	(4)
General administrative expenses	0	14	16	0	30
thereof depreciation/amortisation	(0)	(13)	(15)	(0)	(29)
thereof impairment losses	(0)	(1)	(0)	(0)	(1)
Other operating expenses	7	0	0	0	7
thereof impairment losses	(7)	(0)	(0)	(0)	(7)
Amortisation/impairments of financial assets	**7**	**27**	**197**	**0**	**231**
Net financial result	0	0	0	28	28
thereof impairment losses	(0)	(0)	(0)	(28)	(28)
Total	**7**	**27**	**198**	**28**	**259**
thereof depreciation/amortisation	(0)	(26)	(193)	(0)	(219)
thereof impairment losses	(7)	(1)	(5)	(28)	(40)

From impairments in the amount of €40 million (2016/17: €34 million), €9 million is attributed to DACH (2016/17: €18 million), €1 million is attributed to Eastern Europe (2016/17: €2 million), €3 million is attributed to Western/Southern Europe (2016/17: €8 million) and €27 million to the Others segment (2016/17: €7 million).

15. COST OF MATERIALS

Cost of sales include cost of materials for procured goods in the amount of €16,707 million (2016/17: €16,704 million).

16. PERSONNEL EXPENSES

Personnel expenses are composed as follows:

€ million	2016/17	2017/18
Wages and salaries	1,902	1,874
Social security expenses, expenses for post-employment benefits and related employee benefits	393	411
thereof post-employment benefits	(11)	(29)
	2,294	**2,285**

The wages and salaries listed under personnel expenses include expenses for severance payments of €17 million (2016/17: €31 million). In addition, wages and salaries include restructuring expenses in the amount of €1 million (2016/17: €4 million), which also include severance payments. The variable remuneration declined slightly from €93 million in the previous year to €79 million in the 2017/18 financial year. This includes expenses for share-based payments of €4 million (2016/17: €4 million). In the previous year, pension expenses included income from plan pension reductions of €18 million. There is no corresponding effect in the financial year 2017/18.

Annual average number of Group employees:

Number of employees by headcount	2016/17	2017/18
Blue collar/white collar	60,046	59,022
Apprentices/trainees	2,723	2,940
	62,769	**61,962**

This figure includes 12,998 part-time employees on a person-to-person basis (2016/17: 12,733) Of the workers/employees, 5,631 are executive employees (2016/17: 6,017) and 53,391 are non-executive employees (2016/17: 54,029) The number of employees working outside of Germany stood at 34,666 (2016/17: 35,377)

17. OTHER TAXES

Other taxes (for example, tax on land and buildings, motor vehicle tax, excise tax and transaction tax) can be broken down as follows:

€ million	2016/17	2017/18
Other taxes	**7**	**11**
thereof from cost of sales	(0)	(0)
thereof from selling expenses	(4)	(9)
thereof from general administrative expenses	(3)	(2)

Notes to the statement of financial position

18. GOODWILL

Goodwill amounts to €525 million (30/09/2017: €531 million).

The decrease results from an impairment of goodwill of the Switzerland cash-generating unit.

At the closing date, significant shares of goodwill exist in the following cash-generating units:

	30/09/2017		30/09/2018	
		WACC		WACC
	€ million	%	€ million	%
Germany	314	6.4	314	5.9
Italy	72	6.9	72	7.3
Netherlands/ZES	51	6.4	51	6.0
Spain	49	6.8	49	6.8
Other countries	45		39	
	531		**525**	

Based on IFRS 3 regulations in connection with IAS 36, an annual impairment test is carried out on goodwill. This is carried out at the level of a group of cash-generating units. This group is generally the organisation unit per country.

The impairment test compares the cumulative carrying amount of the group of cash-generating units with the recoverable amount. The fair value less sales costs was used as the recoverable amount, calculated from the discounted future cash flow and by means of fair value hierarchy level 3 input parameters.

↗ A description of the fair values hierarchy is given under No. 40 Carrying amounts, and fair values according to measurement categories.

Expected future cash flows are based on a qualified planning process under consideration of intra-Group experience as well as macroeconomic data collected by third-party sources. The detail planning period generally covers three years. Following on from the detail planning period, a growth rate of one per cent is generally assumed, as in the previous year. The capitalisation rate as the weighted average cost of capital (WACC) is determined using the capital asset pricing model. In the process, an individual peer group is assumed for all groups of cash-generating units operating in the same business unit. In addition, the capitalisation rates are determined on the basis of an assumed basic interest rate of 1.00 per cent (30/09/2017: 1.24 per cent) and a market risk premium of 6.85 per cent (30/09/2017: 6.75 per cent) in Germany as well as a beta factor of 0.95 (30/09/2017: 0.99). Country-specific risk premiums are applied to the equity cost of capital and to the debt cost of capital. The capitalisation interest rates individually determined for each group of cash-generating units after taxes were between 5.9 and 7.3 per cent (30/09/2017: 6.4 to 6.9 per cent).

In deviation from the previous year process, the mandatory annual impairment test of goodwill was performed as at 30 September 2018 (prior year: 30 June 2017). This is due to the unexpectedly negative business development in the last quarter of the past financial year, whereby it was necessary to update the budget calculations.

The mandatory annual impairment test as at 30 September 2018 resulted in the following assumptions regarding the development of sales, EBIT and the EBIT margin targeted for valuation purposes during the detailed planning period, with the EBIT margin reflecting the ratio of EBIT to net sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
Germany	Slight growth	Slight growth	Slight growth	3
Italy	Solid growth	Substantial growth	Solid growth	3
Netherlands	Solid growth	Substantial growth	Solid growth	3
Spain	Substantial growth	Slight growth	No growth	3

As at 30 September 2018, the prescribed annual impairment test confirmed the recoverability of all recognised goodwill with the exception of Switzerland. Consequently, impairment losses of €7 million on goodwill in Switzerland were recognised in financial year 2017/18. The recoverable amount of the Switzerland cash-generating unit determined in this context was determined on the basis of a WACC of 6.0 per cent and amounts to €93 million.

In addition to the impairment test, three sensitivity analyses were conducted for each group of cash-generating units. A growth rate decreased by one percentage point was assumed for the first sensitivity analysis. The capitalisation interest rate was raised by ten per cent for each group of cash-generating units during the second sensitivity analysis. In the third sensitivity analysis, a lump sum discount of ten per cent was applied to assumed perpetual EBIT. An impairment loss would not result from the assumptions underlying these changes for any group of cash-generating units.

€ million	Goodwill
Cost of purchase	
As at 01/10/2016	3,988
Currency translation	1
Additions to consolidation group	17
Disposals	0
Reclassifications under IFRS 5	−3,474
Transfers	0
As at 30/09 / 01/10/2017	531
Currency translation	0
Additions to consolidation group	1
Disposals	0
Reclassifications under IFRS 5	0
Transfers	0
As at 30/09/2018	532
Impairments	
As at 01/10/2016	627
Currency translation	1
Additions	0
Additions to impairment losses	0
Disposals	0
Reclassifications under IFRS 5	−627
Reversals of impairment losses	0
Transfers	0
As at 30/09 / 01/10/2017	0
Currency translation	0
Additions	0
Additions to impairment losses	7
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As at 30/09/2018	7
Carrying amount at 01/10/2016	3,361
Carrying amount at 30/09/2017	531
Carrying amount at 30/09/2018	**525**

19. OTHER INTANGIBLE ASSETS

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs		
As at 01/10/2016	1,986	(954)
Currency translation	7	(0)
Additions to consolidation group	5	(0)
Additions	84	(25)
Disposals	−15	(−7)
Reclassifications under IFRS 5	−1,683	(−904)
Transfers	1	(2)
As at 30/09 / 01/10/2017	386	(70)
Currency translation	−3	(0)
Additions to consolidation group	0	(0)
Additions	63	(13)
Disposals	−9	(0)
Reclassifications under IFRS 5	−23	(−1)
Transfers	0	(4)
As at 30/09/2018	414	(85)
Scheduled depreciation and impairment losses		
As at 01/10/2016	1,489	(797)
Currency translation	1	(0)
Additions	56	(21)
Additions to impairment losses	19	(0)
Disposals	−12	(−7)
Reclassifications under IFRS 5	−1,267	(−761)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As at 30/09 / 01/10/2017	285	(50)
Currency translation	−2	(0)
Additions	29	(6)
Additions to impairment losses	1	(0)
Disposals	−7	(0)
Reclassifications under IFRS 5	−16	(−1)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As at 30/09/2018	289	(55)
Carrying amount at 01/10/2016	497	(157)
Carrying amount at 30/09/2017	100	(20)
Carrying amount at 30/09/2018	**124**	**(30)**

Other intangible assets consist exclusively of intangible assets with a finite useful life. These are therefore subject to scheduled depreciation, and an impairment test only when necessary.

From the additions in the amount of €63 million (2016/17: €84 million), €12 million (2016/17: €11 million) concern self-created software, €21 million (2016/17: €35 million) to concessions, rights and licences, and €30 million (2016/17: €43 million) of software under development.

Additions to scheduled amortisation to other intangible assets included €29 million scheduled amortisation from discontinued operations provided it was allocated to the period until the reclassification of these operations in accordance with IFRS 5.

Scheduled amortisation of €26 million was attributable to the continuing operations (2016/17: €22 million). This is recognised at €13 million (2016/17: €11 million) for general administrative expenses, at €10 million (2016/17: €7 million) for selling expenses and at €3 million (2016/17: €5 million) for the cost of sales.

Impairments in the amount of €1 million (2016/17: €19 million) concern €1 million (2016/17: €17 million) for purchased concessions, rights and licences. In addition, impairment losses of €2 million were recognised on rental and rights of use in the previousyear.

As in the previous year, no restrictions on property or title exist for intangible assets. Acquisition obligations for intangible assets amounting to €3 million (30/09/2017: €3 million) were entered into.

20. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2018, property, plant and equipment in the amount of €809 million (30/09/2017: €858 million) was accounted for. The development of property, plant and equipment is reflected in the table below:

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Acquisition or production costs				
As at 01/10/2016	9,832	7,783	215	17,830
Currency translation	154	16	1	171
Additions to consolidation group	0	2	0	2
Additions	26	217	71	314
Disposals	−42	−206	−7	−256
Reclassifications under IFRS 5	−9,934	−4,873	−174	−14,981
Transfers	7	77	−83	1
As at 30/09 / 01/10/2017	43	3,015	23	3,081
Currency translation	0	−44	−2	−45
Additions to consolidation group	0	0	0	0
Additions	15	187	19	221
Disposals	0	−156	−2	−158
Reclassifications under IFRS 5	0	−109	−5	−114
Transfers	0	17	−17	0
As at 30/09/2018	58	2,911	17	2,986
Scheduled depreciation and impairment losses				
As at 01/10/2016	4,409	5,262	17	9,688
Currency translation	30	2	1	33
Additions	108	297	1	406
Additions to impairment losses	5	25	0	30
Disposals	−29	−177	0	−206
Reclassifications under IFRS 5	−4,500	−3,205	−19	−7,723
Reversals of impairment losses	−2	−3	0	5
Transfers	−7	7	0	0
As at 30/09 / 01/10/2017	15	2,207	0	2,222
Currency translation	0	−31	0	−31
Additions	4	193	0	197
Additions to impairment losses	0	25	2	27
Disposals	0	−131	0	−131
Reclassifications under IFRS 5	0	−106	−2	−108
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As at 30/09/2018	19	2,158	0	2,177
Carrying amount at 01/10/2016	5,424	2,520	197	8,141
Carrying amount at 30/09/2017	27	808	23	858
Carrying amount at 30/09/2018	**39**	**753**	**17**	**809**

The €49 million decrease in property, plant and equipment from €858 million to €809 million is mainly attributable to the classification of the Russian MediaMarkt business as a discontinued operation and the related impairments. The decline is also attributable to impairments, which occurred in particular in Turkey.

Additions to scheduled depreciation on property, plant and equipment included depreciation from discontinued operations in the amount of €4 million, provided it was allocated to the period until the reclassification of these operations in accordance with IFRS 5.

Scheduled depreciation of €193 million was attributable to the continuing operations (2016/17: €194 million). This is recognised at €15 million (2016/17: €16 million) for general administrative expenses, at €176 million (2016/17: €176 million) for selling expenses and at €2 million (2016/17: €2 million) for the cost of sales.

There are no restrictions on title in the form of liens and encumbrances for items of the property, plant and equipment either in financial year 2017/18 or in the previous year.

For items of the property, plant and equipment, purchase obligations in the amount of €11 million (30/09/2017: €15 million) were entered into.

21. LEASES

Assets used by CECONOMY under a finance lease are included in the amount of €39 million (30/09/2017: €27 million). Of this amount, €35 million was attributable to buildings in the reporting year 2017/18 (30/09/2017: €24 million).

Finance leases are generally concluded over a basic term of between ten and 25 years with the option of extending the lease at least once for five years after the basic term expires.

In addition to finance leases, there are rental leases that must be qualified as operating leases according to their economic substance. Operating leases are usually concluded for a basic term of up to fifteen years.

Leases include payments partially based on variable and partially based on fixed rental interest.

Payments due under finance and operating leases in subsequent periods are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases as at 30/09/2017			
Future lease payments due (nominal)	4	12	18
Discount	−1	−2	−1
Net present value	3	11	18
Operating leases as at 30/09/2017			
Future lease payments due (nominal)	647	1,700	451

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

As a result of the deconsolidation of the Russian activities, the future operating lease payments have been reduced by the nominal amount of €140 million.

Future payments due on finance leases contain purchase payments amounting to €9 million required for the exercise of more favourable purchase options (30/09/2017: €9 million).

Lease payments that CECONOMY will in the future receive from items that are rated as finance lease relationships (subletting) do not exist (30/09/2017: €0 million).

The nominal value of future lease payments due to CECONOMY from the subleasing of assets held under operating leases amounts to €10 million (30/09/2017: €6 million).

Included in the profit or loss for the period of continued operations from leases are expenses in the amount of €628 million (2016/17: €634 million). In addition, income from rental agreements amounting to €9 million is included in the profit and loss for the period (2016/17: €8 million).

Contingent lease payments from operating leases recognised as expenses during the period amount to €48 million (2016/17: €42 million).

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

As at 30 September 2018, financial assets of €262 million (30/09/2017: €135 million) were recorded. The increase in financial assets by €127 million is therefore mainly due to the acquisition of a 15 per cent investment in Russia's leading consumer electronics retailer, M.video. Impairments on the long-term held investment in METRO AG had a countering effect in the financial year 2017/18.

Financial assets included investments of €250 million (30/09/2017: €122 million) and €13 million (30/09/2017: €13 million) of loans.

In addition to the M.video investment, which was included in financial assets with an amount of €145 million as at 30 September 2018, financial assets also recognised an approximate one per cent share in METRO AG in the amount of €49 million (30/09/2017: €65 million) and a 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG in the amount of €51 million (30/09/2017: €51 million).

The directly held share of CECONOMY AG of approximately 1 per cent in METRO AG is covered by a vesting period of seven years with regard to taxes, i.e. it cannot be sold without accepting negative tax consequences.

On 19 September 2016, CECONOMY AG and the current METRO AG concluded an options agreement on the retained limited partner's share in METRO PROPERTIES GmbH & Co. KG. CECONOMY AG thereby grants the current METRO AG a call option and the current METRO AG grants CECONOMY AG a put option as regards this limited partner share of CECONOMY AG. The options may be exercised only in specific timeframes of six months each. The call option may be exercised for the first time three years after the spin-off comes into effect and the put option may be exercised for the first time seven years after the spin-off comes into effect. The sale, transfer and pledge of Company shares is subject to contractual approval requirements.

On 26 July 2017, CECONOMY AG signed an agreement governing the acquisition of a minority interest in Fnac Darty S.A. from Artemis S.A. Fnac Darty S.A., the leading French retailer of consumer electronics and household appliances, is classified as an associate within the meaning of IAS 28 and is included in the consolidated financial statements of CECONOMY using the equity method. The amount capitalised for investments is 24.08 per cent as at 30 September 2018.

Reconciliation of Fnac Darty S.A. financial market information to the carrying amounts of the investments in € million	30/09/2017	30/09/2018
100% net assets	939	1,130
CECONOMY share in net assets	228	273
Continued differences from purchase price allocation	230	214
Carrying amounts of the investments	**458**	**487**

Information on the profit or loss for the period is published by Fnac Darty S.A. in the second and fourth financial year quarters of a calendar year only. This information is the basis for updating the equity investment.

In the profit or loss for the period, CECONOMY received in the financial year 2017/18 €20 million (2016/17: €0 million). This figure also includes effects from the adjustment of differences arising from purchase price allocation and from the dilution in the amount capitalised for investments.

The amount recognised in other comprehensive income in the financial year 2017/18 was €9 million (2016/17: €0 million).

There are no indicators that point to a sustained impairment of the shares valued at equity as at 30 September 2018.

Details on Fnac Darty S.A. are listed in the following table:

	Fnac Darty S.A.	
€ million	30/09/2017	30/09/2018
Amount of the share (in %)	24.33	24.08
Market capitalisation	521	443
Carrying amount	458	487
Notes to the income statement	**2016/17[1]**	**2017/18[2]**
Revenues	3,216	3,200
Earnings after taxes from continuing operations	−15	7
Earnings after taxes from discontinued operations	−88	1
Other comprehensive income	−18	26
Total comprehensive income	−122	34
Dividend payments to the Group	0	0
Notes to the statement of financial position	**30/06/2017[1]**	**30/06/2018[2]**
Non-current assets	2,691	2,722
Current assets	1,861	2,094
Non-current liabilities	1,461	1,370
Current liabilities	2,152	2,316

[1] Information according to the Interim Financial Reports as at 30 June 2017 for the period 01/01/2017–30/06/2017.
[2] Information according to the Interim Financial Reports as at 30 June 2018 for the period 01/01/2018–30/06/2018.

23. RECEIVABLES DUE FROM SUPPLIERS, OTHER FINANCIAL AND NON-FINANCIAL ASSETS

€ million	30/09/2017			30/09/2018		
		Remaining term			Remaining term	
	Total	Up to1 year	More than 1 year	Total	Up to1 year	More than 1 year
Receivables due from suppliers	**1,246**	**1,246**	**0**	**1,239**	**1,239**	**0**
Receivables from credit cards	68	68	0	71	71	0
Securities	584	584	0	265	265	0
Miscellaneous financial assets	91	83	8	162	158	3
Other financial assets	**743**	**735**	**8**	**498**	**495**	**3**
Other entitlements to tax refunds	87	87	0	93	93	0
Prepaid expenses	82	68	14	64	54	11
Miscellaneous non-financial assets	1	1	0	0	0	0
Non-financial assets	**170**	**155**	**15**	**158**	**147**	**11**

Receivables due from suppliers in the amount of €1,239 million (30/09/2017: €1,246 million) mainly include both invoiced payments and accruals for delayed payments from suppliers (for example bonuses and promotion rebates).

Short-term securities of €265 million concern the 5.4 per cent share in METRO AG (30/09/2017: nine per cent share) which was added as part of the demerger.

Further components of other financial assets are €40 million in receivables in connection with discontinued operations, €20 million in tax refund claims against METRO AG, €3 million (30/09/2017: €6 million) in other assets relating to real estate, as well as €1 million (30/09/2017: €1 million) in claims from damage events.

Other entitlements to tax refunds comprise not yet clearable input tax in the amount of €74 million (30/09/2017: €52 million), value added tax reclaim entitlements in the amount of €15 (30/09/2017: €31 million) and other entitlements to tax refunds totalling €4 million (30/09/2017: €4 million).

Prepaid expenses and include accrued rental, leasing and interest prepayments as well as miscellaneous deferments.

Miscellaneous non-financial assets consist, in particular, of down payments made on inventories and property, plant and equipment in the previous year.

24. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

The deferred tax assets recognised on loss carry-forwards and temporary differences are €128 million before offsetting (30/09/2017: €123 million) and rose by €5 million compared to 30 September 2017. The deferred tax liabilities are €100 million (30/09/2017: €92 million) before offsetting and rose by €8 million compared to 30 September 2017. As a result of the sale of the MediaMarkt Russia business and the disposal of pension obligations due to the sale of a company whose assets and liabilities consisted of pension obligations and related cash assets, deferred tax assets at the level of the individual statement of financial position items fell significantly. As the disposals were value-adjusted deferred tax assets, the value adjustment on temporary differences also decreased significantly. Deferred taxes before offsetting are thus at the same level as in the previous year.

After offsetting, deferred tax assets of €59 million and deferred tax liabilities of €31 million are shown on the closing date. The significant change in comparison with the previous year is due to the domestic profit and loss transfer agreements concluded in the financial year.

Deferred taxes relate to the following statement of financial position items:

	30/09/2017		30/09/2018	
€ million	Assets	Equity and liabilities	Assets	Equity and liabilities
Goodwill	1	3	0	2
Other intangible assets	1	4	0	6
Property, plant and equipment and investment properties	17	22	11	26
Financial investments and investments accounted for using the equity method	0	0	0	0
Inventories	25	7	18	11
Other financial and non-financial assets	2	25	3	22
Assets held for sale	0	0	0	0
Provisions for pensions and similar obligations	81	11	61	12
Other provisions	18	3	13	3
Financial liabilities	0	8	9	0
Other financial and non-financial liabilities	44	4	29	13
Liabilities related to assets held for sale	0	0	0	0
Outside basis differences	0	5	0	4
Write-downs of temporary differences	−116	0	−64	0
Loss carry-forwards	51	0	47	0
Subtotal before offsetting	**123**	**92**	**128**	**100**
Offsetting	−84	−84	−69	−69
Carrying amount of deferred taxes	**39**	**8**	**59**	**31**

The decrease in corporate income tax loss carry-forwards of €252 million is mainly due to the sale of the Russian MediaMarkt business. In addition to the interest carry-forward of €36 million (30/09/2017: €38 million), a carry-forward item of €51 million within the meaning of § 4f Income Tax Act [EStG] arose in the reporting period in connection with the disposal of pension obligations.

The loss and interest carry-forwards in the Group as a whole are shown in the following table:

€ million	30/09/2017	30/09/2018
Corporation tax losses	2,205	1,953
Trade tax losses	1,466	1,469
Interest carry-forwards/other carry-forwards	38	87

€1,022 million of the corporate tax loss carry-forwards as at 30 September 2018 is allocated to domestic companies and €931 million to foreign companies. €163 million of loss carry-forwards with regard to local taxes of foreign companies are included in trade tax loss carry-forwards.

With regard to the loss and interest carry-forwards in the Group as a whole (compare previous table) and temporary differences, no deferred tax assets are recognised based on a current five-year plan with the following amounts, recognised, as a short-term to medium-term realisation of claims is not expected:

€ million	30/09/2017	30/09/2018
Corporation tax losses	2,011	1,770
Trade tax losses	1,348	1,352
Interest carry-forwards/other carry-forwards	38	87
Temporary differences	455	224
thereof discontinued operations	115	0

Pursuant to IAS 12 (Income Taxes), deferred tax liabilities are to be recognised on the difference amount between the pro rata equity of a subsidiary recorded in the consolidated statement of financial position and the investment carrying amount for this subsidiary in the tax accounts of the parent company (known as outside basis differences) if the satisfaction is to be expected. The differences can primarily be attributed to retained earnings of subsidiaries in Germany and abroad. No deferred taxes were recognised for these retained earnings, as they will be reinvested over an indefinite period of time or are not subject to relevant taxation. Distributions from subsidiary companies would be subject to taxation on dividends. Distributions from abroad could also trigger withholding tax. As at 30 September 2018, €4 million (30/09/2016: €5 million) in deferred tax liabilities from outside basis differences was recognised for planned dividend payments.

Tax effects on components of other comprehensive income

€ million	Before taxes 2016/17	Taxes 2016/17	After taxes 2016/17	Before taxes 2017/18	Taxes 2017/18	After taxes 2017/18
Currency translation differences from translating the financial statements of foreign operations	533	–11	522	20	2	22
thereof currency conversion differences from net investments in foreign operations	(255)	(–11)	(244)	(–9)	(2)	(–7)
Effective portion of gains/losses from cash flow hedges	–71	26	–45	0	0	0
Gains/losses on remeasuring financial instruments in the category “available for sale”	–5	0	–5	69	0	69
Deferred taxes on the remeasurement of defined benefit pension plans	113	–115	–2	–4	0	–4
Subsequent measurement of associates/joint ventures, which are accounted for according to the equity method	0	0	0	9	0	9
Other changes	0	0	0	0	0	0
Remaining income tax on other comprehensive income	0	–6	–6	0	0	0
	570	**–106**	**463**	**94**	**2**	**95**

As a result of non-taxable events as well as the non-recognition and impairment of deferred taxes, the recognised tax does not correspond to the estimated tax for each item.

25. INVENTORIES

Inventories dropped year-on-year by €73 million from €2,553 million to €2,480 million.

€116 million of the drop is made up by the Eastern Europe segment and €9 million by the Others segment. The drop is also partly offset by the increase of €43 million in the Western/Southern Europe segment and €9 million in the DACH segment.

Inventories include impairments in the amount of €116 million (30/09/2017: €110 million).

In principle, the industry-standard reservations of title apply to CECONOMY’s merchandise.

26. TRADE RECEIVABLES

Trade receivables improved from €498 million to €613 million. This includes receivables with a remaining term of more than one year totalling €103 million (30/09/2017: €63 million) resulting exclusively from the accrual of sales-dependent commission receivables from mobile network operators.

The year-on-year increase in the trade receivables of CECONOMY of €115 million from €498 million to €613 million is mainly due to the DACH (German-speaking countries) segment.

27. IMPAIRMENTS OF CAPITALISED FINANCIAL INSTRUMENTS

Impairments of capitalised financial instruments measured at amortised cost are as follows:

€ million	Category "loans and receivables"	Thereof "loans and advance credit granted"	Thereof "other current receivables"
As at 01/10/2016	131	7	126
Currency translation	0	0	0
Additions	42	2	41
Reversal	−17	0	−17
Reclassifications under IFRS 5	−117	−5	−112
Utilisation	−11	0	−11
Transfers	0	0	0
As at 30/09 / 01/10/2017	29	3	26
Currency translation	0	0	0
Additions	19	0	19
Reversal	−11	−1	−10
Reclassifications under IFRS 5	−1	0	−1
Utilisation	−11	0	−11
Transfers	0	0	0
As at 30/09 2018	**25**	**2**	**23**

In the category "loans and receivables", which particularly includes loans, trade receivables, receivables due from other suppliers as well as receivables and other assets in the real estate area, negative earnings effects from impairments losses amount to €8 million (2016/17: €12 million). This also includes earnings from the receipt of cash from receivables that had already been derecognised in anticipation of irrevocability of €0 million (2016/17: €1 million). As in the previous year, there were no earnings effects in the category "held to maturity" and from receivables from finance leases (carrying value according to IAS 17).

In principle, impairment losses on capitalised financial instruments are recognised using an allowance account. They reduce the carrying amount of financial assets.

28. MATURITIES AND IMPAIRMENT LOSSES OF CAPITALISED FINANCIAL INSTRUMENTS

Capitalised financial instruments had the following maturities and impairments as at the closing date:

			Thereof past due, no specific allowances for impairment losses				
€ million	Total carrying amount 30/09/2017	Thereof not past due, not impaired	Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category "loans and receivables"	1,913	1,676	82	7	2	5	1
thereof "loans and advance credit granted"	14	14	0	0	0	0	0
thereof "other current receivables"	1,899	1,662	82	7	2	5	1
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	3	0	0	0	0	0	0
in the category "available for sale"	706	0	0	0	0	0	0
	2,622	**1,676**	**82**	**7**	**2**	**5**	**1**

			Thereof past due, no specific allowances for impairment losses				
€ million	Total carrying amount 30/09/2018	Thereof not past due, not impaired	Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 270 days	Due for 271 to 360 days	Due for more than 360 days
Assets							
in the category "loans and receivables"	2,095	1,870	55	7	2	1	1
thereof "loans and advance credit granted"	13	13	0	0	0	0	0
thereof "other current receivables"	2,082	1,857	55	7	2	1	1
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	4	0	0	0	0	0	0
in the category "available for sale"	515	0	0	0	0	0	0
	2,614	**1,870**	**55**	**7**	**2**	**1**	**1**

Loans and receivables due within the last 90 days largely result from standard business payment transactions with immediate or short-term payment terms. For loans and receivables more than 90 days past due that are not subject to specific allowances, there is no indication as at the closing date that debtors will not fulfil their payment obligations. For capitalised financial instruments which are not past due and which are not subject to specific allowances, there is no indication based on the debtor's creditworthiness (credit quality) that would require an impairment.

29. CASH AND CASH EQUIVALENTS

€ million	30/09/2017	30/09/2018
Cheques and cash on hand	64	66
Bank deposits and other short-term, liquid financial assets	798	1,048
	861	**1,115**

↗ For more information, see the cash flow statement and No. 41 Notes to the cash flow statement.

30. ASSETS HELD FOR SALE/LIABILITIES RELATED TO ASSETS HELD FOR SALE

As at 30 September 2018, there were no amounts recognised for "assets held for sale" or "liabilities related to assets held for sale", as no circumstances were considered highly probable within the meaning of IFRS 5 as at the closing date. The development of this item with a view to circumstances during the course of the year is explained below.

Transfer of the Russian MediaMarkt business

On 20 June 2018 CECONOMY AG announced that CECONOMY will acquire an indirect 15 per cent stake in Russia's leading consumer electronics retailer, M.video, from its majority owner Safmar. In addition to a purchase price of €258 million, the entire Russian MediaMarkt business was to be transferred to Safmar, which at that time was recognised as part of the "Eastern Europe" segment. The closing of the transaction was also subject to the authorisation of the Russian antitrust authorities.

In accordance with IFRS 5 ("Non-current assets held for sale and discontinued operations"), the Russian MediaMarkt business was classified as discontinued operations from the date of notification of the sale. The assets and liabilities were recognised under the item "Assets held for sale" (at €160 million) and the item "Liabilities related to assets held for sale" (at €171 million) taking into account the consolidation of all issues in the statement of financial position as at 30 June 2018. The asset and liability items to be consolidated were recognised in the relevant statement of financial position items of continued and discontinued operations.

On 31 July 2018, Safmar informed CECONOMY in accordance with the provisions of the purchase agreement that approval had been granted by the Russian antitrust authority.

Deconsolidation took place on 31 August 2018. Up to this time, the values of the assets held for sale decreased by €98 million to €63 million in the course of ordinary business. Against this background, liabilities related to assets held for sale decreased by €104 million to €67 million. The composition of the assets and liabilities of the Russian MediaMarkt business disposed of in the context of the deconsolidation is as follows:

€ million	
Assets	
Other intangible assets	6
Property, plant and equipment	5
Other non-financial assets (non-current)	1
Receivables due from suppliers	2
Other non-financial assets (current)	2
Cash and cash equivalents	46
	63
Liabilities	
Other provisions (non-current)	1
Trade payables	6
Provisions (current)	35
Other financial liabilities (current)	5
Other non-financial liabilities (current)	19
	67

Impairment losses of €42 million arose in the context of the measurement to be carried out directly prior to the reclassification of all the affected assets and liabilities in discontinued operations. The scheduled depreciation of the relevant non-current assets was suspended from the date the items were reclassified from discontinued operations until the time of deconsolidation. Impairment losses of €56 million were incurred in connection with the recognition of the assets and liabilities relating to discontinued operations at the lower of carrying amount and fair value less costs to sell/distribute.

The deconsolidation result, including all the expenses directly associated therewith, arising in connection with the disposal amounted to €−118 million after tax and was recognised together with earnings after taxes 2017/18 of the Russian MediaMarkt business in the amount of €−178 million in the income statement in the profit or loss for the period from discontinued operations.

The effects of other comprehensive income included in the equity of CECONOMY arising from assets and liabilities held for sale include components from currency differences from foreign subsidiaries previously shown in equity outside of profit or loss in the amount of €20 million, which were reversed through profit or loss due to the deconsolidation taking into account the attributable income tax effect in the amount of €0 million.

The sale agreement provides for a pro rata purchase price refund depending on the future development of certain key financial figures of M.video, for which no such asset was recognised as at 30 September 2018.

31. EQUITY

On 28 June 2018, the Management Board, with the approval of the Supervisory Board, resolved and successfully implemented on 12 July 2018 an increase in the company's share capital by approximately ten per cent of the share capital in accordance with the existing authorisation pursuant to § 4 para. 7 of the company's Articles of Association in exchange for the issue of 32,633,555 new ordinary bearer shares, excluding shareholders' subscription rights. The issue price was €8.50 per share. The increase in share capital took effect on 12 July 2018. This cash capital increase resulted in the company's equity rising by the gross proceeds generated in the amount of €277,385,217.50.

In terms of amount and composition – that is, the ratio of ordinary to preference shares – the share capital has therefore changed compared to 30 September 2017 and now amounts to €918,845,410.90. It is divided as follows:

No-par value bearer shares, accounting par value approximately €2.56		30/09/2017	30/09/2018
Ordinary shares	Units	324,109,563	356,743,118
	€ approximately	828,572,941	911,999,300
Preference shares	Units	2,677,966	2,677,966
	€ approximately	6,846,111	6,846,111
Total shares	**Units**	**326,787,529**	**359,421,084**
Total share capital	**€ approximately**	**835,419,052**	**918,845,411**

Each ordinary share grants one voting right. In addition, ordinary shares particularly entitle the holder to dividends. In contrast to ordinary shares, preference shares principally do not carry voting rights and give a preferential entitlement to profits in line with § 21 of the Articles of Association of CECONOMY AG. It states:

“(1) Holders of non-voting preference shares will receive from the annual balance sheet profits advance dividend of €0.17 per preference share which is to be paid in arrears.

(2) Should the balance sheet profits available for distribution not suffice in any one financial year to pay the advance dividend, the arrears (excluding any interest) shall be paid from the balance sheet profits of future financial years in an order based on age, i.e. in such manner that any older arrears are paid off prior to any more recent ones and that the preferred dividends payable from the profit of a financial year are not distributed until all of any accumulated arrears have been paid.

(3) After the advance dividend has been distributed, the holders of ordinary shares will receive a dividend of €0.17 per ordinary share. Thereafter, an extra dividend of €0.06 pershare, which does not have to be paid in arrears, will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10 per cent of such dividend as, in accordance with para 4 below, will be paid to the holders of ordinary shares, to the extent such dividend equals or exceeds €1.02 per ordinary share.

(4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution in the proportion of their shares in the capital stock.”

Authorised capital

The Annual General Meeting on 6 February 2017 authorised the Management Board to increase the share capital, with the consent of the Supervisory Board, by issuing new ordinary bearer shares in exchange for cash or non-cash contributions in one or more tranches for a total maximum of €417,000,000 by 5 February 2022 (authorised capital). The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in certain cases. After exercising the authorisation by issuing 32,633,555 new ordinary bearer shares, the authorised capital now amounts to €333,573,641.37.

Contingent capital

The Annual General Meeting on 20 February 2015 resolved a contingent increase in the share capital by up to €127,825,000, divided into up to 50,000,000 ordinary bearer shares (contingent capital I). This contingent capital increase is related to an authorisation of the Management Board, with the consent of the Supervisory Board, to issue warrant or convertible bearer bonds (in aggregate, “bonds”) with a nominal value of €1,500,000,000 prior to 19 February 2020, in one or more tranches, and to grant or impose upon the bearers of warrants option rights or obligations and upon the bearers of convertible bonds conversion rights or obligations for par value bearer shares in CECONOMY AG representing a proportionate interest of up to €127,825,000 of the share capital in accordance with the terms of the warrant or convertible bearer bonds, or to provide for CECONOMY AG’s right to deliver shares in CECONOMY AG or another listed company as full or partial compensation for a cash redemption of the bonds. The Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in certain cases. To date, no warrant and/or convertible bonds have been issued based on said authorisation.

Share buyback

On the basis of § 71 para 1 no. 8 of the German Stock Corporation Act, the Annual General Meeting on 20 February 2015 authorised the company on or before 19 February 2020 to acquire shares of the company of any share class representing a maximum of ten per cent of the share capital issued at the time the Annual General Meeting has passed the resolution or – if this value is lower – at the time the authorisation is exercised. To date, neither the Company nor any company controlled or majority-owned by the Company or any other company acting on behalf of the Company or of any company controlled or majority-owned by the Company has exercised this authorisation.

↗ For more information about authorised capital, contingent capital, about the authorisation to issue warrant or convertible bonds as well as about share buybacks, see the combined management report – Notes pursuant to § 315a para. 1 and § 289a para. 1 of the German Commercial Code.

Capital reserve

The capital reserve is €321 million (30/09/2017: €128 million). The increase of 194 million results from the cash capital increase carried out on 12 July 2018 and relates to the premium within the meaning of § 272 para. 2 no.1 HGB.

Reserves retained from earnings

Reserves retained from earnings include other comprehensive income and other reserves retained from earnings.

€ million	30/09/2017	30/09/2018
Gains/losses on remeasuring financial instruments in the category "available for sale"	−5	65
Currency translation differences from translating the financial statements of foreign business areas	−40	−20
Remeasurement of defined benefit pension plans	−259	−263
Subsequent measurement of associates/joint ventures, which are accounted for according to the equity method	0	9
Income tax attributable to components of "other comprehensive income"	−2	0
Other reserves retained from earnings	11	−344
	−294	**−554**

Retained earnings decreased as at 30 September 2018 in comparison with the previous year by €−259 million from €−294 million to €−554 million, which is mainly due to the other reserves retained from earnings. Both earnings after taxes (€−212 million) and dividend payments (€107 million) contributed to this result. In addition, in the reporting period profit and loss transfer agreements were concluded with selected store companies as part of the improvement measures for tax consolidation in Germany. The compensation payments to be paid to minority shareholders over the five-year minimum contractual term of the profit and loss transfer agreements were recognised at their net present value of €47 million as other financial liabilities outside of profit or loss and reduced equity accordingly.

Changes in the financial instruments presented above and the corresponding deferred tax effect consist of the following components:

€ million	2016/17	2017/18
Initial or subsequent measurement of derivative financial instruments	–8	0
Derecognition of cash flow hedges	–63	0
thereof in inventories	(0)	(0)
thereof in net financial result	(0)	(0)
Effective portion of gains/losses from cash flow hedges	–71	0
Gains/losses on remeasuring financial instruments in the category “available for sale”	–5	70
	–76	**70**

Gains/losses on remeasuring financial instruments in the category “available for sale” of €70 million (2016/17: €–5 million) concern €65 million (2016/17: €–5 million) of measurement results from the financial year 2017/18 and €4 million from derecognising the measurement effects recorded in the previous year in the income statement.

↗ An overview of the tax effects on components of other comprehensive income can be found under No. 24 Deferred tax assets/deferred tax liabilities.

Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the equity of the consolidated subsidiaries. As at the end of the financial year, they amount to €–21 million (30/09/2017: €–2 million). The change results mainly from dividends paid in the amount of €13 million. Significant non-controlling interests exist only in Media-Saturn-Holding GmbH.

Appropriation of the balance sheet profit, dividends

Dividend distribution of CECONOMY AG is based on CECONOMY AG’s annual financial statements prepared under German commercial law.

As resolved by the Annual General Meeting of CECONOMY AG on 14 February 2018, a dividend of €0.26 per ordinary share and €0.32 per preference share – i.e. a total of €85 million – was paid in financial year 2016/17 from the reported balance sheet profit of €108 million for financial year 2017/18. The balance was carried forward to new account as profit.

No dividend distribution is planned for the 2017/18 financial year. The balance sheet loss of €59 million will be carried forward to new account as a loss carry-forward.

32. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for post-employment benefit plans are recognised in accordance with IAS 19 (Employee Benefits).

Provisions for post-employment benefits plans consist of commitments primarily related to benefits defined by the provisions of Company pension plans. These take the form of defined benefit plans directly from the employer (employer’s commitments) and defined benefit plans from external pension providers (benevolent funds in Germany and international pension funds). The external providers’ assets serve exclusively to finance the pension entitlements, and qualify as plan assets. The benefits under the different plans are based on performance and length of service. The length-of-service benefits are provided on the basis of fixed amounts.

The most important defined benefit pension plans are described below.

- **Germany:** CECONOMY grants many employees in Germany retirement, disability and surviving dependant’s benefits. New commitments are granted in the form of “defined benefit” commitments within the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension reinsurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by reinsurance.

- In addition, various pension funds exist that are closed for new contributions. In general, these provide for lifelong pensions commencing with the start of retirement or recognised disability. Benefits are largely defined as fixed payments or on the basis of set annual increases. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. These commitments provide for a widow's or widower's pension of varying size depending on the benefits the former employee received or would have received in the case of disability. Legacy commitments are partially covered by assets held in benevolent funds. Provisions are recognised for those commitments not covered. The benevolent funds' decision-making bodies (Management Board and general assembly of members) comprise both employer and employee representatives. The Management Board decides on the deployment of funds and financial investments. It may commission third parties to manage fund assets. No statutory minimum endowment obligations exist. Insofar as pledged benefits cannot be paid out of the benevolent fund assets, the employer is obliged to assume these payments directly.

- **Switzerland:** In Switzerland, the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) requires employers to provide occupational pension insurance coverage for their employees. The OPA provides for statutory minimum benefits in the form of defined contribution plans with a guaranteed rate of interest. In addition, minimum contributions are provided for in the OPA. The contributions, which are determined as a percentage of pensionable salary, are paid into a pension fund. Upon retirement, the contributions are converted into benefits based on conversion rates. The occupational pension plans are open to new members. The legal form of the pension fund is a foundation.

- Occupational pension plans in Switzerland are accounted for as defined benefit plans. CECONOMY grants employees in Switzerland pension entitlements that exceeds the statutory minimum entitlement.

- Additional retirement plans are shown cumulatively under "Other countries".

The following table provides an overview of the present value of defined benefit obligations by CECONOMY countries as well as material obligations:

%	30/09/2017	30/09/2018
Germany	88	86
Switzerland	9	10
Other countries	3	4
	100	**100**

The plan assets of CECONOMY are split proportionally over the following countries:

%	30/09/2017	30/09/2018
Germany	65	60
Switzerland	35	40
Other countries	0	0
	100	**100**

The above commitments are valued on the basis of actuarial calculations in accordance with IAS 19. The basis for the valuation is the legal, economic and tax circumstances prevailing in each country.

The following average assumptions regarding the material parameters were used on the basis of actuarial calculations.

			30/09/2017			30/09/2018
%	Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	1.60 to 2.10	0.70	2.25	1.60 to 2.00	1.05	2.47
Inflation rate	1.50	0.00	0.00	1.50	0.00	0.00

For the essential part of the obligation in Germany (CECONOMY AG and CECONOMY Retail GmbH), the present value of defined benefit obligations is valued at an interest rate of 1.6 per cent, the determination of which is based on the yield on high-quality corporate bonds and the term of the underlying obligations. For the companies of the MediaMarkt Saturn Retail Group in the Eurozone (Germany, Greece, Austria and Italy), a standard actuarial rate of interest in the amount of 2.0 per cent is used, which is based on the corresponding average term of the obligations in these countries. In countries without a liquid market of suitable corporate bonds, the actuarial interest rate was determined on the basis of government bond yields.

Aside from the actuarial interest rate, the inflation rate represents another key actuarial parameter. In the process, the nominal rate of wage and salary increases was determined on the basis of expected inflation and a real rate of increase. In Germany, the rate of pension increases is derived directly from the inflation rate insofar as pension adjustments can be determined on the basis of the increase in the cost of living. In international companies, pension adjustments are also generally determined on the basis of the inflation rate.

The extent of other, non-essential parameters used to determine pension commitments corresponds to the long-term expectations of CECONOMY. The impact of changes in fluctuation and mortality assumptions was analysed for the major plans. Calculations of the mortality rate for the German Group companies are based on the 2018G tables (30/09/2017: 2005 G tables) from Prof. Dr Heubeck. The amended version, which was published in October 2018, was not applied.

The valuations on the basis of actuarial calculations outside of Germany are based on country-specific mortality tables. The resulting effects of fluctuation and mortality assumptions have been deemed immaterial and are not listed as a separate component.

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of defined benefit obligations. The actuarial rate of interest and the inflation rate were identified as key parameters with an impact on the present value of defined benefit obligations. In the context of the sensitivity analysis, the same methods were applied as in the previous year. The analysis considered changes in parameters that are considered possible within reason. Stress tests or worst-case scenarios, in contrast, are not part of the sensitivity analysis. The selection of the respective spectrum of possible changes in parameters is based on historical multi-year observations. This almost exclusive reliance on historical data to derive possible future developments represents a methodical constraint.

The following illustrates the impact of an increase/decrease in the actuarial rate of interest by 100 basis points or an increase/decrease in the inflation rate by 25 basis points on the present value of defined benefit obligations:

€ million		30/09/2017 Germany	30/09/2017 Switzerland	30/09/2017 Other countries	30/09/2018 Germany	30/09/2018 Switzerland	30/09/2018 Other countries
Actuarial interest rate	Increase by 100 basis points	−63.70	−9.40	−2.90	−49.40	−8.60	−2.80
	Decrease by 100 basis points	75.60	12.40	3.50	58.10	11.40	3.40
Inflation rate	Increase by 25 basis points	16.30	1.80	0.00	12.60	1.80	0.00
	Decrease by 25 basis points	−15.70	−1.70	0.00	−12.20	−1.70	0.00

Granting defined benefit pension entitlements exposes CECONOMY to various risks. These include general actuarial risks resulting from the valuation of pension commitments (for example, interest rate risks) as well as capital and investment risks related to plan assets.

With a view to financing future pension payments from indirect commitments and a stable actuarial reserve, CECONOMY primarily invests plan assets in low-risk investment forms. The financing of direct pension commitments is secured through operating cash flow at CECONOMY.

The fair value of plan assets by asset category can be broken down as follows:

	30/09/2017 %	30/09/2017 € million	30/09/2018 %	30/09/2018 € million
Fixed-interest securities	43	98	32	63
Shares, funds	13	29	15	30
Real estate	24	56	36	72
Other assets	20	46	17	35
	100	**229**	**100**	**200**

Fixed-interest securities, shares and funds are regularly traded in active markets. As a result, the relevant market prices are available. The asset category "fixed-interest securities" includes only investments in investment grade corporate bonds, government bonds and mortgage-backed bonds ("Pfandbriefe"). Risk within the category "shares and funds" is minimised through geographic diversification.

Real estate assets not used by the Company itself are not traded in an active market.

Other assets essentially comprise receivables from insurance companies in Germany. All of these are first-rate insurance companies.

The actual income on plan assets amounted to €5 million in the reporting period (2016/17: €11 million).

For financial year 2018/19, the Company expects employer payments to external pension providers of €4 million and employee contributions of €4 million in plan assets, with contributions in the Netherlands and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

Changes in the present value of defined benefit obligations have developed as follows:

€ million	2016/17	2017/18
Present value of defined benefit obligations		
At beginning of period	2,430	851
Recognised under pension expenses through profit or loss	**35**	**17**
Interest expenses	28	13
Current service cost	25	4
Past service cost (incl. curtailments and changes)	−18	0
Settlement income	0	0
Recognised outside of profit or loss under "remeasurement of defined benefit pension plans" in other comprehensive income	**−110**	**2**
Gains/losses from changes on the basis of actuarial calculations		
demographic assumptions (−/+)	−15	5
financial assumptions (−/+)	−77	−2
experience-based correction (−/+)	−18	−1
Other effects	**−1,504**	**−144**
Benefit payments (incl. tax payment)	−96	−67
Contributions from plan participants	12	5
Change in consolidation group / transfers	−1,412	−83
Currency effects	−8	1
At end of period	**851**	**726**

Changes in parameters on the basis of actuarial calculations led to a total increase in the present value of defined benefit obligations of €3 million (2016/17: reduction by €92 million). This includes the loss on the basis of actuarial calculations of €5 million resulting from the conversion of the mortality tables in Germany.

At CECONOMY Retail GmbH in August 2018, obligations of beneficiaries amounting to €83 million were hived down to a company which was subsequently sold.

The weighted average term of defined benefit obligations for the countries with material pension obligations amounts to:

Years	30/09/2017	30/09/2018
Germany	10	9
Switzerland	14	13
Other countries	14	14

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/09/2017	30/09/2018
Active members	12	13
Former claimants	10	8
Pensioners	78	79

The fair value of plan assets developed as follows:

€ million	2016/17	2017/18
Change in plan assets		
Fair value of plan assets as at beginning of period	1,120	229
Recognised under pension expenses through profit or loss	**14**	**3**
Interest income	14	3
Recognised outside of profit or loss under “remeasurement of defined benefit pension plans” in other comprehensive income	**−3**	**2**
Gains/losses from plan assets excl. interest income (+/−)	−3	2
Other effects	**−902**	**−34**
Benefit payments (incl. tax payment)	−56	−43
Settlement payments	0	0
Employer contributions	16	4
Contributions from plan participants	12	5
Change in consolidation group/transfers	−867	0
Currency effects	−7	0
Fair value of plan assets as at end of period	**229**	**200**

€ million	30/09/2017	30/09/2018
Financing status		
Present value of defined benefit obligations	851	726
Fair value of plan assets	−229	−200
Asset adjustment (asset ceiling)	0	4
Net liability/assets	**622**	**530**
Thereof recognised under provisions	(622)	(530)
Thereof recognised under net assets	**(0)**	**(0)**

At one Swiss company, plan assets exceeded the value of commitments as at the closing date. Since the Company will not draw any economic benefits from this overfunding, the statement of financial position amount was fully reduced to €0 in line with IAS 19.64 (b). The change in the effect of the asset ceiling of approximately €4 million was recognised in other comprehensive income.

The pension expenses of the direct and indirect post-employment benefits plans commitments can be broken down as follows:

€ million	2016/17	2017/18
Current service cost	25	4
Net interest expenses	15	10
Past service cost (incl. curtailments and changes)	−18	0
Settlements	0	0
Other pension expenses	1	0
Pension expenses	**23**	**14**

[1] Netted against employees' contributions

In addition to expenses from defined benefit pension commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €24 million (2016/17: €24 million) and payments to the statutory pension fund insurer in the amount of €168 million (2016/17: €156 million) were incurred.

Media-Saturn Netherlands participates in a multi-employer pension plan classified as a defined pension plan. However, it is administered by a fund that is not able to provide sufficient information to allow it to be recognised as a defined benefit pension plan. Therefore, it is treated as a defined contribution plan in accordance with IAS 19.34 and IAS 19.148. This is a typical, strictly regulated Dutch pension plan. In the event of a shortfall, Media-Saturn Netherlands would be obliged to compensate for this by making higher contributions to this fund in the future. These higher contributions would then apply to all participating companies. Media-Saturn cannot be held liable for these commitments by other companies. Approximately 27,600 companies in the retail industry participate in this plan and make contributions for a total of more than 255,000 employees. Media-Saturn Netherlands currently makes contributions to this plan for 6,505 employees. The premiums are calculated for five years. These correspond to a set percentage of an employee's salary (currently 21.6 per cent), with employees assuming part of the contributions for salaries above €13,101 and no contributions being paid for salaries above €54,614. In financial year 2017/18, contributions to the "Bedrijfspensioenfondsvoor de Detailhandel" fund are expected to total approximately €8.5 million. In September 2018, the coverage ratio stood at 111.3 per cent (September 2017: 110.6 per cent). When executing the plan or leaving the plan, Media-Saturn Netherlands is neither obliged to compensate for shortfalls nor participate in any surplus.

The provisions for obligations similar to pensions essentially comprise commitments from employment anniversary allowances, death benefits and partial retirement plans. For these liabilities, provisions in the amount of €18 million (30/09/2017: €17 million) were formed. The commitments are valued on the basis of actuarial expert opinions. In principle, the parameters used are identical to those employed in the Company pension plan.

33. OTHER PROVISIONS (NON-CURRENT)/PROVISIONS (CURRENT)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate related obligations	Obligations from trade transactions	Restructuring	Taxes	Miscellaneous	Total
As at 01/10/2017	95	34	13	57	52	250
Currency translation	−5	−0	0	0	−0	−5
Addition	87	43	1	3	74	209
Reversal	−27	−2	−0	−8	−13	−51
Utilisation	−53	−37	−4	−1	−33	−128
Interest portion of the addition/ change in interest rate	1	0	0	0	0	1
Disposal under IFRS 5	−36	0	0	0	−5	−41
Transfer	9	0	−9	0	0	0
As at 30/09/2018	**71**	**37**	**1**	**51**	**74**	**234**
Long-term	24	0	0	0	20	44
Short-term	47	37	1	51	54	190
As at 30/09/2018	**71**	**37**	**1**	**51**	**74**	**234**

The provisions for real estate related obligations concern site-related risks in the amount of €42 million (30/09/2017: €66 million), rent shortfalls in the amount of €11 million (30/09/2017: €6 million), rent liabilities in the amount of €15 million 30/09/2017: €17 million), as well as asset retirement obligations in the amount of €3 million (30/09/2017: €3 million). In financial year 2017/18 there are no provisions for other real estate obligations (30/09/2017: €4 million).

Significant components of the provisions for obligations from trade transactions are provisions for rights of return in the amount of €23 million (30/09/2017: €18 million) as well as warranty provisions in the amount of €14 million (30/09/2017: €13 million).

Restructuring provisions amount to €1 million in the financial year 2017/18 (30/09/2017: €13 million). The restructuring provision recorded in the previous year included €10 million for the Western/Southern Europe segment and €3 million for the DACH segment.

Provisions for tax risks in the amount of €51 million (30/09/2017: €57 million) largely contain provisions for value added tax matters as in the previous year.

Significant components of other provisions are provisions in the amount of €34 million (30/09/2017: €0 million) in connection with discontinued operations and in the amount of €7 million for proceedings costs/risks (30/09/2017: €16 million) and the reserves for share-based compensation in the amount of €3 million (30/09/2017: €1 million). In addition, the position contains provisions for compensation obligations in the amount of €5 million (30/09/2017: €10 million) and interest on tax provisions totalling €13 million (30/09/2017: €13 million).

It is assumed that the bulk of the provisions (€190 million of the total of €234 million) will lead to payouts within one year. Of the €44 million of the provisions reported as non-current, €24 million relate to real estate related obligations. These are essentially provisions for location-related risks and

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asset retirement obligations. The payment dates for these types of provisions are connected with the remaining terms of the rental agreements.

↗ For more information about share-based payments, see No. 49 Long-term incentives for executives.

The interest rates for non-interest-bearing long-term provisions are between 0 and 10.54 per cent, depending on the term, country and currency.

34. LIABILITIES

€ million	30/09/2017 Total	Remaining term: Up to 1 year	Remaining term: 1 to 5 years	Remaining term: Over 5 years	30/09/2018 Total	Remaining term: Up to 1 year	Remaining term: 1 to 5 years	Remaining term: Over 5 years
Trade payables	**4,929**	**4,929**	**0**	**0**	**5,277**	**5,277**	**0**	**0**
Bonds	254	254	0	0	145	145	0	0
Liabilities to banks	8	8	0	0	1	1	0	0
Promissory note loans	251	1	189	61	251	1	189	61
Liabilities from finance leases	31	3	12	17	43	6	19	18
Financial liabilities	**544**	**266**	**201**	**78**	**439**	**153**	**208**	**79**
Payroll liabilities	254	254	0	0	223	223	0	0
Liabilities from other financial transactions	1	1	0	0	3	3	0	0
Miscellaneous financial liabilities	278	263	4	11	225	173	39	13
Other financial liabilities	**533**	**517**	**4**	**11**	**452**	**400**	**39**	**13**
Other tax liabilities	179	179	0	0	171	171	0	0
Prepayments received on orders	39	39	0	0	46	46	0	0
Deferred income	404	366	27	11	488	447	29	12
Miscellaneous non-financial liabilities	43	11	23	9	30	6	18	6
Non-financial liabilities	**666**	**596**	**50**	**20**	**736**	**671**	**47**	**18**
Income tax liabilities	**44**	**44**	**0**	**0**	**94**	**94**	**0**	**0**
	6,716	**6,352**	**256**	**108**	**6,997**	**6,594**	**294**	**109**

35. TRADE PAYABLES

Trade payables increased year on year from €4,929 million to €5,277 million.

€351 million of this rise was caused by the DACH segment, €193 million by the Western/Southern Europe segment, while there was a drop of €–183 million primarily due to the sale of the MediaMarkt Russia business in the Eastern Europe segment.

36. FINANCIAL LIABILITIES

Financial liabilities comprise liabilities from bonds, liabilities to banks, promissory note loans and liabilities from finance leases. Overall, financial liabilities decreased by €105 million from €544 million (30 September 2017) to €439 million (30 September 2018). The decline is mainly attributable to the significant €109 million reduction in the bond portfolio.

CECONOMY AG's medium- and long-term financing needs are covered by issues on the capital markets. CECONOMY currently has several promissory notes with a total volume of €250 million and residual terms of three to eight years outstanding.

A multi-currency commercial paper programme (bonds) with a maximum volume of €500 million is available to CECONOMY AG. As at 30 September 2018, a nominal volume of €145 million in commercial papers was outstanding.

In addition, syndicated credit facilities totalling €550 million with terms ending in the 2023 calendar year are available to CECONOMY. There is an option to extend the period by up to one additional year. The syndicated credit facilities have not been utilised.

As at 30 September 2018, additional bilateral credit facilities totalling €491 million are available to CECONOMY, €26 million of which has a remaining term of up to one year. At the closing date, €1 million of the bilateral credit facilities had been utilised. Of this amount, €1 million had a remaining term of up to one year.

CECONOMY: undrawn credit facilities

	30/09/2017			30/09/2018		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	More than 1 year	Total	Up to 1 year	More than 1 year
Bilateral credit facilities	498	8	490	491	26	465
Utilisation	–8	–8	0	–1	–1	0
Undrawn bilateral credit facilities	**490**	**0**	**490**	**490**	**25**	**465**
Syndicated credit facilities	550	0	550	550	0	550
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	**550**	**0**	**550**	**550**	**0**	**550**
Total credit facilities	1,048	8	1,040	1,041	26	1,015
Total utilisation	–8	–8	0	–1	–1	0
Total undrawn credit facilities	**1,040**	**0**	**1,040**	**1,040**	**25**	**1,015**

Default by a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. CECONOMY therefore has no exposure to creditor default risk.

CECONOMY does not provide collateral security for financial liabilities.

The following tables show the maturity structure of the financial liabilities from bonds and promissory note loans. As in the previous year, only current account liabilities exist for liabilities to banks. The carrying amounts and fair values given include accrued interest with a remaining term of less than one year.

Bonds

		30/09/2017				30/09/2018			
		Nominal values	Nominal values	Carrying amounts	Fair values	Nominal values	Nominal values	Carrying amounts	Fair values
Currency	Remaining term	in million currency	€ million	€ million	€ million	in million currency	€ million	€ million	€ million
EUR	up to1 year	254	254	254		145	145	145	
	1 to 5 years	0	0	0		0	0	0	
	more than 5 years	0	0	0		0	0	0	
	Total	**254**	**254**	**254**	**254**	**145**	**145**	**145**	**145**

Promissory note loans

		30/09/2017				30/09/2018			
		Nominal values	Nominal values	Carrying amounts	Fair values	Nominal values	Nominal values	Carrying amounts	Fair values
Currency	Remaining term	in million currency	€ million	€ million	€ million	in million currency	€ million	€ million	€ million
EUR	up to1 year	0	0	1		0	0	1	
	1 to 5 years	189	189	189		189	189	189	
	more than 5 years	61	61	61		61	61	61	
	Total	**250**	**250**	**251**	**251**	**250**	**250**	**251**	**251**

Redeemable loans that are shown under liabilities to banks are listed with the remaining terms corresponding to their redemption date.

The following tables show the interest rate structure of the financial liabilities from bonds and promissory note loans:

Bonds

Interest structure	Currency	Remaining term	30/09/2017 Nominal values € million	30/09/2018 Nominal values € million
Fixed interest	EUR	up to 1 year	254	145
		1 to 5 years	0	0
		more than 5 years	0	0
Variable interest	EUR	up to 1 year	0	0
		1 to 5 years	0	0
		more than 5 years	0	0

Promissory note loans

Interest structure	Currency	Remaining term	30/09/2017 Nominal values € million	30/09/2018 Nominal values € million
Fixed interest	EUR	up to 1 year	0	0
		1 to 5 years	120	120
		more than 5 years	40	40
Variable interest	EUR	up to 1 year	0	0
		1 to 5 years	69	69
		more than 5 years	22	22

The fixed interest rate for short-term and medium-term financial liabilities and the repricing dates of all fixed-interest financial liabilities essentially correspond to the remaining terms displayed. The repricing dates for variable interest rates are less than one year.

↗ The effects of changes in interest rates concerning the variable portion of financial liabilities on the profit or loss for the period and equity of CECONOMY are described in detail in note No. 43 Management of financial risks.

37. OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

Significant positions in miscellaneous financial liabilities are liabilities from the acquisition of fixed assets amounting to €35 million (30/09/2017: €40 million), liabilities to customers in the amount of €46 million (30/09/2017: €129 million) due to a change in presentation of the gift vouchers as a result of a change in the legal situation, liabilities from sale options of third-party shareholders in the amount of €60 million (30/09/2017: €59 million), liabilities from multi-year compensation payments to minority shareholders due to profit and loss transfer agreements concluded with selected stores for the first time in the 2017/18 financial year amounting to €47 million (30/09/2017: €0 million) as well as liabilities from the real estate area in the amount of €7 million (30/09/2017: €7 million).

Other tax liabilities include value added tax, land tax, payroll and church tax, and other taxes.

Deferred income includes accrued rental, leasing and interest income, as well as accrued sales from customer loyalty programmes, the sale of vouchers and guarantee contracts, and other accruals.

Significant items in other liabilities are current deferred sales from the sale of vouchers amounting to €129 million (30/09/2017: €59 million) due to a change in the presentation of gift vouchers, advance payments received on orders in the amount of €46 million (30/09/2017: €39 million) and liabilities from leases (not including finance leases) in the amount of €28 million (30/09/2017: €39 million).

	30/09/2017			30/09/2018		
		Remaining term			Remaining term	
€ million	Total	Up to1 year	More than 1 year	Total	Up to1 year	More than 1 year
Payroll liabilities	254	254	0	223	223	0
Miscellaneous financial liabilities	279	263	15	229	177	52
Other financial liabilities	**533**	**517**	**15**	**452**	**400**	**52**
Other tax liabilities	179	179	0	171	171	0
Deferred income	404	366	38	488	447	40
Miscellaneous non-financial liabilities	83	51	32	77	53	24
Other liabilities	**666**	**596**	**70**	**736**	**671**	**64**

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting agreements and similar agreements were recognised:

						30/09/2017
	(a)	(b)	(c) = (a) – (b)		(d)	(e) = (c) – (d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the statement of financial position	Net amounts of financial assets/liabilities that are shown in the statement of financial position	Corresponding amounts that are not netted in the statement of financial position		
€ million				Financial instruments	Collateral received/provided	Net amount
Financial assets						
Loans and advance credit granted	14	0	14	0	0	14
Receivables due from suppliers	1,397	151	1,246	62	0	1,184
Trade receivables	505	6	498	12	0	486
Investments	122	0	122	0	0	122
Miscellaneous financial assets	739	0	739	0	0	739
Derivative financial instruments	3	0	3	0	0	3
Cash and cash equivalents	861	0	861	0	0	861
Receivables from finance leases	0	0	0	0	0	0
	3,640	**158**	**3,483**	**73**	**0**	**3,409**
Financial liabilities						
Financial liabilities (excl. finance leases)	513	0	513	0	0	513
Trade payables	5,069	140	4,929	49	0	4,881
Miscellaneous financial liabilities	551	18	533	25	0	508
Derivative financial instruments	0	0	0	0	0	0
Liabilities from finance leases	31	0	31	0	0	31
	6,164	**158**	**6,006**	**73**	**0**	**5,933**

€ million	(a) Gross amounts of recognised financial assets/liabilities	(b) Gross amounts of recognised financial liabilities/assets that are netted in the statement of financial position	(c) = (a) – (b) Net amounts of financial assets/liabilities that are shown in the statement of financial position	(d) Corresponding amounts that are not netted in the statement of financial position: Financial instruments	(d) Corresponding amounts that are not netted in the statement of financial position: Collateral received/provided	30/09/2018 (e) = (c) – (d) Net amount
Financial assets						
Loans and advance credit granted	13	0	13	0	0	13
Receivables due from suppliers	1,361	121	1,239	37	0	1,203
Trade receivables	628	14	613	18	0	595
Investments	250	0	250	0	0	250
Miscellaneous financial assets	494	0	494	0	0	494
Derivative financial instruments	4	0	4	0	0	4
Cash and cash equivalents	1,115	0	1,115	0	0	1,115
Receivables from finance leases	0	0	0	0	0	0
	3,864	**135**	**3,729**	**55**	**0**	**3,673**
Financial liabilities						
Financial liabilities (excl. finance leases)	397	0	397	0	0	397
Trade payables	5,390	114	5,277	42	0	5,234
Miscellaneous financial liabilities	471	22	450	13	0	437
Derivative financial instruments	2	0	2	0	0	2
Liabilities from finance leases	43	0	43	0	0	43
	6,303	**135**	**6,168**	**55**	**0**	**6,113**

The financial instruments that have not been netted could be netted based on the underlying framework agreements, but do not fulfil the netting criteria of IAS 32 (Financial Instruments: Presentation).

39. UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES

The undiscounted cash flows of financial liabilities, trade payables and derivative liabilities are as follows:

		Cash flows up to 1 year		Cash flows 1 to 5 years		Cash flows more than 5 years	
€ million	Carrying amount at 30/09/2017	Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	254	0	254	0	0	0	0
Liabilities to banks	8	0	8	0	0	0	0
Promissory note loans	251	3	1	9	189	2	61
Finance leases	31	1	3	1	12	2	17
Trade payables	4,929	0	4,929	0	0	0	0
Currency derivatives carried as liabilities	0	0	0	0	0	0	0

		Cash flows up to 1 year		Cash flows 1 to 5 years		Cash flows more than 5 years	
€ million	Carrying amount at 30/09/2018	Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds	145	0	145	0	0	0	0
Liabilities to banks	1	0	1	0	0	0	0
Promissory note loans	251	3	1	8	189	1	61
Finance leases	43	1	6	2	19	1	18
Trade payables	5,277	0	5,277	0	0	0	0
Currency derivatives carried as liabilities	2	0	2	0	0	0	0

40. CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORIES

The carrying amounts and fair values of recognised financial instruments are as follows:

					30/09/2017
		Balance sheet value			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**8,280**				
Loans and receivables	**1,913**	**1,913**	**0**	**0**	**1,913**
Loans and advance credit granted	14	14	0	0	14
Receivables due from suppliers	1,246	1,246	0	0	1,246
Trade receivables	498	498	0	0	498
Miscellaneous financial assets	155	155	0	0	155
Held for trading	**3**	**0**	**3**	**0**	**3**
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	3	0	3	0	3
Available for sale	**706**	**57**	**0**	**649**	
Investments	122	57	0	65	
Securities	584	0	0	584	584
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**861**	**861**	**0**	**0**	**861**
Assets not classified according to IFRS 7	**4,797**				
Equity and liabilities	**8,280**				
Held for trading	**0**	**0**	**2**	**0**	**0**
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	0	0	2	0	0
Other financial liabilities	**5,975**	**5,975**	**0**	**0**	**5,975**
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships within the meaning of IAS 39)	513	513	0	0	513
Trade payables	4,929	4,929	0	0	4,929
Miscellaneous financial liabilities	533	533	0	0	532
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**
Liabilities from finance leases (amount according to IAS 17)	**31**				**31**
Liabilities not classified according to IFRS 7	**2,274**				

					30/09/2018
		Balance sheet value			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**8,475**				
Loans and receivables	**2,095**	**2,095**	**0**	**0**	**2,095**
Loans and advance credit granted	13	13	0	0	13
Receivables due from suppliers	1,239	1,239	0	0	1,239
Trade receivables	613	613	0	0	613
Miscellaneous financial assets	229	229	0	0	229
Held for trading	**4**	**0**	**4**	**0**	**4**
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	4	0	4	0	4
Available for sale	**515**	**53**	**0**	**462**	
Investments	250	53	0	197	
Securities	265	0	0	265	265
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**1,115**	**1,115**	**0**	**0**	**1,115**
Assets not classified according to IFRS 7	**4,746**				
Equity and liabilities	**8,475**				
Held for trading	**2**	**0**	**2**	**0**	**2**
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	2	0	2	0	2
Other financial liabilities	**6,123**	**6,123**	**0**	**0**	**6,124**
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships within the meaning of IAS 39)	397	397	0	0	397
Trade payables	5,277	5,277	0	0	5,277
Miscellaneous financial liabilities	450	450	0	0	450
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**
Liabilities from finance leases (amount according to IAS 17)	**43**				**44**
Liabilities not classified according to IFRS 7	**2,307**				

Classes were formed based on similar risks for the respective financial instruments and generally correspond to the categories of IAS 39. The table above provides a more detailed breakdown of individual financial assets and liabilities. Derivative financial instruments in a hedging relationship under IAS 39 and other financial liabilities are classified in each case as a separate class.

The fair value hierarchy comprises three levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. In cases in which the valuation is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Starting parameters of level 1: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Starting parameters of level 2: other input parameters than the quoted prices included in level 1 which are either directly or indirectly observable for the asset or liability.

Starting parameters of level 3: input parameters that are not observable for the asset or liability.

Of the total book value of the investments in the amount of €250 million (30/09/2017: €122 million), €53 million (30/09/2017: €57 million) is valued at cost of purchase, as a reliable determination of the fair value is not possible. These concern off-exchange financial instruments without an active market. One significant item, as in the previous year, is €51 million for the 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG. The Company does not currently plan to dispose of the investments recognised at cost of purchase.

Of the €197 million (30/09/2017: €65 million) measured at fair value through profit or loss, €145 million are attributable to the 15 per cent stake in Russia's leading consumer electronics retailer M.video and €49 million (30/09/2017: €65 million) to the listed share of around one per cent in METRO AG reported in the non-current portion of the statement of financial position.

In addition, securities in the amount of €265 million (30/09/2017: €584 million) are subsequently valued at fair value recognised in equity. These relate to the listed share of around 5.4 per cent in METRO AG recognised in the current section of the statement of financial position.

The following table shows the financial instruments that are recognised at fair value in the statement of financial position. These are classified into a three-level fair value hierarchy with levels reflecting the degree of closeness to the market of the data used in the determination of the fair values:

	30/09/2017				30/09/2018			
€ million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets	**652**	**649**	**3**	**0**	**466**	**462**	**0**	**4**
Held for trading								
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	3	0	3	0	4	0	0	4
Available for sale								
Investments	65	65	0	0	197	197	0	0
Securities	584	584	0	0	265	265	0	0
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equity and liabilities	**0**	**0**	**0**	**0**	**2**	**0**	**2**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship within the meaning of IAS 39	0	0	0	0	2	0	2	0
Miscellaneous financial liabilities	0	0	0	0	0	0	0	0
Other financial liabilities								
Miscellaneous financial liabilities	0	0	0	0	0	0	0	0
Derivative financial instruments in a hedging relationship within the meaning of IAS 39	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	652	**649**	**3**	**0**	**464**	**462**	**−2**	**4**

The measurement of securities (level 1) is carried out based on quoted market prices on active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

The derivative financial instruments of €4 million reported on the assets side (Level 3) as at 30 September 2018 relate in full to put/call options in connection with agreements concerning the transfer of METRO AG's stake of around 5.4 per cent recognised as current in the statement of financial position. Because no transaction price was expressly agreed for the options, it was set at €0 million for measurement purposes. 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 the fair value are recognised through profit or loss and are included in the net financial result. All gains are unrealised.

These options are closely measured based on the contractually agreed exercise prices and terms based on the standard option pricing models, even if there are individual input parameters that may be indirectly considered in the model. In this regard, package surcharges or discounts that the purchasers or sellers of such larger share packages accept are not considered. These effects are however opposing and cancel each other out. The contractually agreed term of the options and a possible dividend payment were determined by means of weighted measurement scenarios. The selected measurement model only led to a fair value in the low single-digit million range upon initial measurement. As the whole fair value was accepted as zero at the time of the initial measurement, the model has been calibrated for the purposes of the subsequent measurement.

For the fair value of the put/call options, a change in the material, non-observable input factors deemed possible would only have slight effects while maintaining the other input factors. The changes in the estimate regarding the term of the options and possible dividend payments in the measurement model therefore only had a slight effect on the whole fair value. As a result, a shorter (or longer) option term and a positive (or negative) expectation regarding a dividend payment lead to just an insignificantly higher (or lower) fair value.

No transfers between levels 1 and 2 were effected during the reporting period.

There were no transfers to or from level 3 during the financial year 2017/18 or the previous year.

Financial instruments that are recognised at amortised cost in the statement of financial position, but for which the fair value is stated in the notes, are also classified according to a three-level fair value hierarchy.

Due to their mostly short terms, the fair values of receivables due from suppliers, trade receivables and liabilities as well as cash and cash equivalents essentially correspond to their carrying amounts.

The measurement of the fair value of bonds, liabilities to banks and promissory note loans is based on the market interest rate curve following the zero-coupon method in consideration of credit spreads (level 2). The amounts comprise interest prorated to the closing date.

The fair values of all other non-listed financial assets and liabilities correspond to the present value of payments underlying these statement of financial position items. The calculation was based on the applicable country-specific yield curves (level 2) as of closing date.

Other notes

41. NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7 (Statements of Cash Flow), the consolidated cash flow statement describes changes in the Group's cash and cash equivalents through cash inflows and outflows during the reporting year.

The cash and cash equivalents item includes cheques and cash on hand, cash in transit, bank deposits and other short-term liquid financial assets with a remaining term of up to three months.

The cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Cash flows from discontinued operations are shown separately where they concern discontinued business operations.

Cash flows from discontinued operations relate to discontinued operations and food wholesale and retail activities and the Russian MediaMarkt business that had been offset in the meantime.

The following explanations relate to continuing operations.

During the reporting period, cash flows from operating activities of €743 million (2016/17: €584 million) were generated. The scheduled depreciation/amortisation/impairment losses and impairments in the amount of a total of €231 million (2016/17: €241 million) are attributed in the amount of €197 million (2016/17: €205 million) to property, plant and equipment and in the amount of €34 million (2016/17: €39 million to other intangible assets and goodwill. Reversals of impairment losses however, amount to €3 million).

The change in net working capital amounts to €302 million (2016/17: €75 million) and includes changes in inventories, trade receivables, receivables due from suppliers and receivables from credit cards included in the "Other financial assets" item and the advance payments on inventories included in the "Other assets" item. The item also includes changes in trade liabilities and liabilities to customers, deferred sales related to vouchers and customer loyalty programmes, provisions for customer loyalty programmes and rights of return as well as prepayments made on orders.

Other operating activities resulted in a total cash outflow of €45 million (2016/17: cash inflow of €63 million). This item includes changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes unrealised currency effects and the elimination of EBIT-effective deconsolidation results. Non-cash amounts from investments accounted for using the equity method included in EBIT are also adjusted in other operating cash flow.

In the reporting period, investing activities led to cash outflow of €278 million (2016/17: €735 million). The change in comparison with the previous year results essentially from payments for the acquisition of the holding in Fnac Darty S.A., which is recognised in other investments in financial year 2016/17.

The amount of investments in property, plant and equipment shown as cash outflows differs from the inflows shown in the statement of movement in fixed assets in the amount of non-cash transactions. These essentially concern additions from finance leases, currency effects and changes in liabilities from the acquisition of miscellaneous assets.

In the reporting period, cash flow from financing activities totalled €56 million (2016/17: €138 million) and includes dividends received under "Profit and loss transfers and other financing activities".

The cash and cash equivalents were subject to no restrictions.

The following table shows the reconciliation of the changes of liabilities from financing activities.

		Cash flows	Non-cash changes				
in € million	01/10/2017	(Cash change)	Currency-related	Purchase or sale of companies	Fair value	Miscellaneous	30/09/2018
Bonds	254	–109	0	0	0	0	145
Liabilities to banks	8	–7	0	0	0	0	1
Promissory note loans	251	0	0	0	0	0	251
Liabilities from finance leases	31	–5	0	0	0	16	43
Other liabilities in connection with financing activities[1]	57	–5	1	0	7	48	107
Liabilities from financing activities	**601**	**–126**	**1**	**0**	**7**	**65**	**546**

[1]Includes further balance sheet items with effect on cash flow from financing activities. Liabilities from put options and compensation obligations towards minority shareholders (component of other financial liabilities) and asset and liability derivatives on currency hedging (component of other financial assets and other financial liabilities) are material components.

The non-cash changes in “Other liabilities in connection with financing activity” recognised under “Other” allocated €47 million to multi-annual settlement payments to minority shareholders that were recorded as liabilities in financial year 2017/18 at their net present value outside of profit or loss and that result from profit and loss transfer agreements concluded for the first time in financial year 2017/18 with selected store companies.

Cash flows from discontinued operations are calculated as follows:

€ million	2016/17	2017/18
EBIT	940[1]	−144
Scheduled depreciation/amortisation/impairment losses, reversals of impairment losses and impairments on assets excluding financial assets	266	29
Change in provisions for pensions and similar obligations	−61	57
Change in net working capital	−540	43
Income taxes paid	−165	0
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	−125	1
Other	−142	−45
Cash flow from operating activities of discontinued operations	**174**	**−60**

[1] Without non-cash earnings from deconsolidation

€ million	2016/17	2017/18
Acquisition of subsidiaries	−183	0
Investments in property, plant and equipment (excl. finance leases)	−434	−5
Other investments	−683	−4
Disposal of subsidiaries	−1,089	−156
Disposal of long-term assets	837	1
Cash flow from financing activities of discontinued operations	**−1,552**	**−164**

€ million	2016/17	2017/18
Dividends paid	−19	0
Redemption of liabilities from put options of non-controlling interests	−20	0
Proceeds from long-term borrowings	1,628	0
Redemption of borrowings	−1,554	0
Interest paid	−147	0
Interest received	30	0
Profit and loss transfers and other financing activities	−7	1
Cash flow from financing activities of discontinued operations	**−89**	**1**

The values in both financial years include the Russian MediaMarkt business and, in the previous year in particular, the food wholesale and retail activities offset in financial year 2016/17.

Cash outflows at the time of the disposal in the amount of €46 million (2016/17: €1,012 million) are included in disposals of subsidiaries.

Financial investments (disposals) are shown under other investments (disposal of long-term assets).

42. SEGMENT REPORTING

The segmentation corresponds to the Group's internal control and reporting structures.

The Chief Operating Decision Maker (CODM) of CECONOMY in accordance with IFRS 8 – Segment reporting is the Management Board of CECONOMY AG. Board members are jointly responsible for resource allocation and for assessing operational earnings strength. As a general principle, management at CECONOMY is conducted at country level. The CODM of CECONOMY therefore manages the Company's activities on the basis of internal reporting, which generally contains key indicators for each country. Resource allocation and performance measurement are accordingly also conducted at country level.

CECONOMY is active in a single business field, that of consumer electronics. In combination with a relatively homogeneous orientation its products, services, customer groups and distribution methods are similar in all countries. Based on similar prevailing economic conditions and the commercial circumstances of business activities, individual countries are grouped together in the following business segments that are subject to a reporting obligation:

- DACH (Germany, Austria, Switzerland, Hungary)
- Western/Southern Europe
- Eastern Europe

All operating segments that are not subject to a reporting obligation, and business activities that do not meet the definition criteria for an operating segment, are grouped together under “Others”. These include in particular Sweden and smaller operating companies.

↗ Further details of the segments are contained in the combined management report.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the Group.
- Internal sales represent sales between the Group’s operating segments.
- The EBITDA segment comprises EBIT before scheduled depreciation and reversals of impairment losses on property, plant and equipment and intangible assets.
- Segment EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The properties are leased at market terms. In principle, location-related risks and impairment risks related to non-current assets are shown only in the segments where they represent Group risks. This also applies by analogy to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated statement of financial position.
- Transactions that did not regularly recur, such as restructurings or changes to the group portfolio are adjusted in EBITDA and EBIT before special items in the previous year.

The reconciliation from EBITDA before special items to reported EBITDA and the reconciliation from EBIT before special items to reported EBIT are shown in the following table for the previous year:

€ million	2016/17
EBITDA before special items	**714**
Portfolio changes	−1
Restructuring and efficiency enhancing measures	−56
Risk provisions including impairment losses on goodwill	–
Other special items	−21
Reported EBITDA	**636**

€ million	2016/17
EBIT before special items	**494**
Portfolio changes	−15
Restructuring and efficiency enhancing measures	−63
Risk provisions including impairment losses on goodwill	–
Other special items	−21
Reported EBIT	**395**

↗ Further details on special items can be found in the chapter Management system.

– Segment investments include additions (including additions to the scope of consolidation) to non-current intangible assets, and property, plant and equipment. This does not apply to additions based on the reclassification of “Assets held for sale” as non-current assets.

– The long-term segment assets are comprised of long-term assets. Financial assets, participating interests accounted for using the equity method and tax items are mainly not included.

The reconciliation from non-current segment assets to Group assets is shown in the following table:

€ million	30/09/2017	30/09/2018
Long-term segment assets of continuing operations	**1,473**	**1,472**
Long-term segment assets of discontinued operations	38	0
Financial assets	135	262
Investments accounted for using the equity method	458	488
Cash and cash equivalents	861	1,115
Deferred tax assets	39	59
Entitlements to income tax refunds	87	103
Other entitlements to tax refunds[1]	87	93
Inventories	2,553	2,480
Trade receivables	498	613
Receivables due from suppliers	1,246	1,239
Receivables due from real estate[3]	6	3
Credit-card receivables[3]	68	71
Prepaid expenses and deferred charges[1]	68	54
Receivables from other financial transactions[3,4]	588	269
Other[1,2,3,4]	74	152
Group assets	**8,280**	**8,475**

[1] Included in the balance sheet item “Other assets” (current)
[2] Included in the balance sheet item “Other assets” (non-current)
[3] Included in the balance sheet items “Other financial assets” (current)
[4] Included in the balance sheet items “Other financial assets” (non-current)

In principle, transfers between segments are made based on the costs incurred from the Group’s perspective.

43. MANAGEMENT OF FINANCIAL RISKS

The CECONOMY AG Treasury manages the Company’s financial risks. These include, in particular:

– price risks

– liquidity risks

– credit risks, and

– cash flow risks.

↗ For more information about the risk management system, see the combined management report in the economic report – Asset, financial and earnings position – Financial and asset position – Financial management.

Price risks

For CECONOMY, price risks result from the impact of changes in market interest rates, exchange rates and share prices on the value of financial instruments.

Interest rate risks arise from changes in the interest-rate level. These risks can be mitigated with interest-rate derivatives if necessary.

CECONOMY’s remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

– The total impact determined by the sensitivity analysis relates to the actual balance as at the closing date and reflects the impact for one year.

– Primary variable interest rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in the interest result in the sensitivity analysis. The sensitivity for a change of 10 basis points is determined.

- The sensitivity analysis takes no account of primary fixed-interest financial instruments.

- Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in the net interest result when the payment flows have actually been initiated. However, the measurement of the hedging transaction at fair value is recognised in reserves retained from earnings outside of profit or loss.

- Interest rate derivatives that are not part of a qualified hedging transaction within the meaning of IAS 39 are recognised at fair value in profit or loss under other financial result, and through the resulting interest flows in the interest result.

As at the closing date, the remaining interest rate risk is primarily the result of variable interest rate receivables and liabilities to banks as well as other short-term liquid financial assets (shown under "cash and cash equivalents") with an aggregate debit balance after consideration of hedging transactions of €957 million (30/09/2017: €699 million).

Given this total balance, an interest rate rise of 10 basis points would result in €1 million (2016/17: €1 million) higher income in the net interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €–1 million (2016/17: €–1 million).

CECONOMY is exposed to **currency risks** by virtue of international procurement of goods and on the basis of costs and funding that are incurred in a currency other than that of the relevant country or are linked to the performance of another currency. The Group "Foreign currency transactions" guideline imposes a hedging requirement for resulting foreign currency positions. Exceptions to this hedging requirement exist where hedging is not economically reasonable and in the case of legal and regulatory restrictions in the respective countries. Forward currency contracts/ options and interest-rate and currency swaps can be considered for hedging purposes.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a devaluation or revaluation of the euro vis-à-vis other currencies:

The total effect presented by the sensitivity analysis, in terms of its amount and result characteristics, relates to the amounts of foreign currency held within the consolidated subsidiaries of CECONOMY and states the effect of a devaluation or revaluation of the euro.

A devaluation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability exists in euro at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A devaluation of the euro will result in a negative effect if a receivable exists in euro at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown above.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the closing date price in line with IAS 21 are recognised in the income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity (other comprehensive income) outside of profit or loss.

Foreign currency futures/options and interest rate and currency swaps that are not part of a qualified hedge under IAS 39 are recognised through the fair value measurement in the income statement. In fully effective hedging transactions this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of CECONOMY do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As at the closing date, the remaining currency risk of CECONOMY, which is essentially due to an inability to hedge certain currencies for legal reasons or due to insufficient market depth, was as follows:

		Effects in the event of an appreciation/depreciation of the euro by 10%			
€ million	Currency pair	Volume	30/09/2017	Volume	30/09/2018
Profit or loss for the period			**+/–**		**+/–**
	CHF/EUR	+2	0	+5	+1
	NOK/EUR	–9	–1	–9	–1
	PLN/EUR	+23	+2	+25	+3
	SEK/EUR	+26	+3	+28	+3
	USD/EUR	–7	–1	–3	0
Equity			**+/–**		**+/–**
	RUB/EUR	+90	+9	0	0

Interest rate and currency risks are significantly reduced and limited by the principles laid down in CECONOMY's internal treasury guidelines. These include a regulation applicable throughout the Group, according to which all hedging operations must adhere to predefined limits and must not under any circumstances lead to increased risk exposure. CECONOMY is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out using only standard financial derivative instruments whose correct actuarial and accounting mapping and valuation in the treasury system are guaranteed.

As at the closing date, the following derivative financial instruments were being used for risk reduction:

	30/09/2017			30/09/2018		
		Fair values			Fair values	
€ million	Nominal volume	Financial assets	Financial liabilities	Nominal volume	Financial assets	Financial liabilities
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not part of hedges	−373	3	0	−417	0	2
	−373	**3**	**0**	**−417**	**0**	**2**

The nominal volume of forward currency contracts/options is determined by the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. All fair values represent the theoretical value of these instruments upon dissolution of the transaction as of closing date. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

In order to show this reconciliation for the period appropriately, relationships are created between hedging transactions and underlying transactions and recognised as follows:

- Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised at their fair value. The fluctuations in the fair value of both transactions are shown in the income statement, where they will be fully set off against each other in the case of full effectiveness of the hedging transaction.

- Within a cash flow hedge, the hedging transactions are also principally recognised at their fair value. In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact on earnings. Only then will they be recognised in the income statement.

- Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the income statement. Even if no formal hedging relationship was created, these are hedging transaction that are closely connected to the underlying transaction and whose impact on earnings will be netted by the underlying transaction (natural hedge).

The currency derivatives deployed were primarily the Swiss franc and the Swedish krona.

The derivative financial instruments have the following maturity dates:

	30/09/2017			30/09/2018		
	Maturity dates			Maturity dates		
€ million	Up to 1 year	1 to 5 years	More than 5 years	Up to 1 year	1 to 5 years	More than 5 years
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not part of hedges	3	0	0	2	0	0
	3	**0**	**0**	**2**	**0**	**0**

Listed below the maturity dates are the fair values of the financial assets and liabilities that fall due during these periods.

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to procure or provide funding only at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities, or the absence of budgeted incoming payments. The Treasury provides coverage for the financial needs for operations and investments as affordably as possible and with sufficient scope. The necessary information is provided in the consolidated financial planning issued three months after the end of the financial year for the individual companies and is subject such to a deviation analysis. The financial planning is supplemented by a short-term liquidity planning and updated on a rolling basis.

Financing instruments may take the forms of products on the money and capital markets (fixed interest and overnight deposits, promissory note loans, commercial papers) along with multi-year bilateral and syndicated credit facilities. CECONOMY thus has sufficient liquidity reserves in order to cover liquidity risks should unexpected events have a negative financial impact on cash flows. Please refer to the notes to the statement of financial position entries for further details on financing and credit facility instruments.

↗ Further details are provided in notes No. 29 Cash and cash equivalents and No. 36 Financial liabilities.

Cash pooling allows the surplus liquidity of individual Group companies to be used to fund other Group companies internally. This reduces the Group's debt volume and thus its interest expenses. In addition, CECONOMY draws on the financial expertise pooled in the treasury of CECONOMY to advise the Group companies in all relevant financial matters and provide support. This ranges from the elaboration of investment financing concepts to supporting the responsible financial officers of the individual Group companies in their discussions with local banks and financial service providers. Thus the financial resources of CECONOMY are optimally employed, and all Group companies benefit from the strength and credit standing of CECONOMY in negotiating their financing terms.

Credit risks

Credit risks arise from the total or partial default by a counterparty, for example, through bankruptcy or in connection with financial investments and derivative financial instruments with positive market values. CECONOMY's maximum default exposure as of the closing date is reflected by the carrying amounts of financial assets totalling €3,729 million (30/09/2017: €3,483 million).

↗ For more information about the amount of the respective carrying amounts, see No. 40 Carrying amounts and fair values according to measurement categories.

The cash holdings recognised in cash and cash equivalents in the amount of €66 million (30/09/2017: €64 million) are not subject to a default risk.

In the course of the risk management of financial investments in the total amount of €1,001 million (30/09/2017: €744 million) and for derivative financial instruments in the total amount of €40 million (30/09/2017: €3 million), for all business partners of CECONOMY minimum requirements are defined for the credit rating as well as individual maximum levels for the investment. Cheques and money in circulation are not considered when determining credit risks. This is based on a system of limits laid down in the Treasury guidelines, which are based mainly on the ratings of international rating agencies, developments of credit default swaps or internal credit assessments. An individual limit is allocated to every counterparty of CECONOMY; compliance is constantly monitored.

The following table shows a breakdown of counterparties by rating class:

Rating classes

			Volume in %
			Financial investments
Grade	Moody's	Standard & Poor's	Total
Investment grade	Aaa	AAA	0.0
	Aa1 to Aa3	AA+ to AA–	2.0
	A1 to A3	A+ to A–	50.7
	Baa1 to Baa3	BBB+ to BBB–	45.0
Non-investment grade	Ba1 to Ba3	BB+ to BB–	0.2
	B1 to B3	B+ to B–	0.4
	Caa to C	CCC to C	0.7
No rating			1.0

The above table shows that, as at the closing date, about 98 per cent of the capital investment volume had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. The counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on analyses. CECONOMY also operates in countries where local financial institutions do not have investment-grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is necessary and expedient. These institutions account for about two per cent of the total volume.

CECONOMY's level of exposure to credit risks is thus very low.

Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and liability items to fluctuate. So-called "stress tests" are used to determine the potential impact interest rate changes may have on cash flow and how they can be capped through hedging transactions in accordance with the Group's internal Treasury guidelines.

44. CONTINGENT LIABILITIES

At CECONOMY, contingent liabilities as at the end of the financial year 2017/18 are €1 million (2016/17: €0 million).

45. OTHER FINANCIAL LIABILITIES

The nominal value of other financial liabilities as at 30 September 2018 is €148 million (30/09/2017: €160 million) and largely contains purchase obligations for service agreements.

A legal contingent liability results from the demerger of the METRO GROUP generating a five or ten-year liability obligation under § 133 para. 1 and 3 German Transformation Act [UmwG]. The entities involved in the demerger are jointly and severally liable for the liabilities (five years) and pension commitments (ten years) of CECONOMY AG as transferring entity established before the demerger took effect. CECONOMY AG does not consider the risk of a claim from these contingent liabilities to be likely.

↗ For more information about contractual commitments for the acquisition of other intangible assets and property, plant and equipment, and obligations from finance and operating leases, see notes No. 19 Other intangible assets and No. 20 Property, plant and equipment.

46. OTHER LEGAL ISSUES

Legal disputes related to Media-Saturn-Holding GmbH
Through its fully owned subsidiary CECONOMY Retail GmbH (CE Retail), CECONOMY AG indirectly holds 78.38 per cent of the shares in Media-Saturn-Holding GmbH (MSH).

The minority shareholder brought an action before the Regional Court (LG) of Ingolstadt on 28 January 2016, for annulment and avoidance and for a positive declarative resolution against MSH, the object of which was the dismissive resolution of the shareholders' meeting of MSH in December 2015, and for which the minority shareholder of MSH demanded the dismissal and suspension of the managing director from CE Retail (at the time METRO Kaufhaus und Fachmarkt Holding GmbH) appointed by MSH at the time. The LG Ingolstadt dismissed the minority shareholder's action in its ruling on 7 March 2017. The Higher Regional Court (Oberlandesgericht, OLG) Munich rejected the minority shareholder's appeal in its ruling of 29 November 2017 and refused leave to appeal. The minority shareholder appealed to the Federal Court of Justice (Bundesgerichtshof, BGH) on 22 December 2017 against refusal of leave to appeal. With regard to a consistent application by the parties involved, the BGH ordered a suspension of the proceedings with its ruling of 26 February 2018. In CECONOMY's view, the chances of success of the appeal against refusal of leave to appeal are low.

In another action about deficiencies in the resolution, filed on 10 February 2016 against MSH at the LG Ingolstadt, involving other dismissive resolutions of the MSH shareholders' meeting in December 2015, the minority shareholder sought to enforce damages claims, which in the opinion of the minority shareholder exist against the management of MSH at the time for alleged breach of duties. The LG Ingolstadt dismissed the action in its ruling on 18 November 2016. In its ruling on 18 July 2017, the OLG in Munich rejected the minority shareholder's appeal and refused leave to appeal. On 24 August 2017, the minority shareholder filed an appeal against refusal of leave to appeal with the BGH. With regard to a consistent application by the parties involved, the BGH ordered a suspension of the proceedings with its ruling of 26 February 2018. In CECONOMY's view, the chances of success of the appeal against refusal of leave to appeal are low.

The minority shareholder last voted against the approval of the annual financial statements of MSH for the financial year 2016/17 and a distribution of the net profit for the year by resolution of May/June 2018. With an action about deficiencies in the resolution brought before the Regional Court of Ingolstadt on 31 July 2018, CE Retail seeks a declaration that the annual financial statements of MSH have been approved for the financial year 2016/17 and a distribution of the net profit for the year to the shareholders has been approved. With regard to a consistent application by the parties involved, the court ordered a suspension of the proceedings with its ruling of 31 August 2018.

Legal disputes in relation to the CECONOMY AG Annual General Meeting
On 6 February 2017, the Annual General Meeting of CECONOMY (operating as METRO AG at the time) approved the hive-down and spin-off agreement between CECONOMY AG, then still operating as METRO AG, and the current METRO AG, then still known as METRO Wholesale & Food Specialist AG. The hive-down and spin-off of CECONOMY – which was operating as METRO AG at the time – was entered into the commercial register on 12 July 2017 and thus became legally effective. The court proceedings described below and their outcome do not affect the effectiveness of the hive-down and spin-off.

In connection with the split of the former METRO GROUP, several shareholders, including the minority shareholder of MSH filed avoidance, annulment and/or declaratory actions due to the resolutions adopted in the Annual General Meeting of CECONOMY AG – which was operating as METRO AG at the time – on 6 February 2017 under agenda items 3 and 4 regarding granting discharge of the Members of the Management Board and the Supervisory Board for the 2015/16 financial year, the resolutions adopted for agenda items 9 and 10 regarding the amendment of § 1 of the Articles of Association (Name) as well as other amendments to the Articles of Association and because of the resolution adopted under agenda item 11 regarding approval for the hive-down and spin-off agreement. In addition, several shareholders filed a general declaratory action against CECONOMY AG and requested to have the hive-down and spin-off agreement declared null and void, or at least provisionally invalid. All these actions were pending before the Düsseldorf Regional Court. The Düsseldorf Regional Court dismissed all of these actions in its ruling of 24 January 2018. Appeals were filed in all proceedings. The proceedings are therefore continued. CECONOMY considers the appeals unfounded.

In connection with the registration of the hive-down and the spin-off, some shareholders had tried to at least delay the registration process by requesting inter alia the suspension of the registration procedure. The applications were rejected by the Local Court (AG) of Düsseldorf and the registration took place afterwards. Two shareholders immediately filed an appeal with the OLG Düsseldorf against the resolutions regarding the commercial registry matter of CECONOMY AG. The AG Düsseldorf did not remedy the appeals and submitted them to the OLG Düsseldorf for a decision. In its ruling of 2 February 2018, the OLG Düsseldorf dismissed the immediate appeals as being inadmissible. The ruling passed is legally binding.

Assertion of antitrust claims for damages

Lawsuits from CECONOMY companies in a London court against credit card companies are continuing. The legal actions are seeking claims for damages based on a decision by the European Commission, which found that the cross-border interbank fees set out as part of its credit card system, which also impacted national interbank fees, violated European antitrust law. Some of the legal claims pursued by CECONOMY AG are economically attributable to the current METRO AG. The hive-down and spin-off agreement regulates that for reasons of procedural efficiency these claims are pursued by CECONOMY AG for METRO AG which was operating at the time as METRO Wholesale & Food Specialist AG.

In addition, CECONOMY companies have brought an action before a London court against companies of Toshiba and Panasonic. The action seeks claims for damages based on a decision from the European Commission, which found that seven manufacturers of cathode ray tubes (CRTs) – including Toshiba and Panasonic – had fixed prices, divided up markets and customers between them and also limited their production, and thus violated European antitrust law. The CRTs were installed in televisions and computer screens that were also sold to CECONOMY companies.

Remaining legal issues

CECONOMY companies are parties to other judicial and antitrust proceedings. This also includes investigations by the European Commission into redcoon GmbH, initiated with searches related to suspected anti-competitive agreements with suppliers in 2015.

The MediaMarktSaturn Retail Group pursued claims against the former shareholders of redcoon GmbH, which, at the core, stem from the seller failing to disclose tax and antitrust violations within the redcoon Group to the MediaMarktSaturn Retail Group during the acquisition process. In the meantime, the parties have concluded a settlement concerning the disputed claims, by means of which all mutual claims are compensated in relation to the underlying circumstances.

On 3 November 2017, the Düsseldorf public prosecutor searched the offices of the current METRO AG. The search was conducted due to suspicion of violations of the German Securities Trading Act [WpHG] by former and current board members of the former METRO AG (now CECONOMY AG). The Düsseldorf public prosecutor's investigations are based on the suspicion that the former METRO AG should have released the ad hoc announcement of 30 March 2016 on the split of the former METRO AG at an earlier date. With its letter of 21 November 2018, the Düsseldorf public prosecuter informed CECONOMY AG that administrative offence proceedings will be brought against CECONOMY AG due to suspicion of a criminal offence committed by bodies authorised to represent CECONOMY AG. We are of the opinion that the split of the former METRO GROUP was always in compliance with the legal regulations and assume that this will be stated during the current investigations – in which we are fully cooperating with the authorities and explaining our view.

47. EVENTS AFTER THE CLOSING DATE

Between the closing date (30 September 2018) and the date of preparation of the consolidated financial statements (30 November 2018) there were no events of material importance for the assessment of CECONOMY AG's and CECONOMY's income, financial and asset position.

At the start of the new financial year, the Swiss country organisation disposed of a consumer credit portfolio of CHF100 million. This is the result of a customer financing programme which allowed Swiss customers at MediaMarkt not only to purchase products but also to directly finance them through MediaMarkt. Customer financing can be flexibly repaid within a period of three years at any time. The disposal of these customer receivables allows the Swiss country organisation to release cash, thereby boosting net working capital. The selected structure provides for a revolving monthly disposal of the newly created credit card receivables over the next five years.

On 13 October 2018, CECONOMY AG issued an ad-hoc communication announcing staff changes to the Management Board of CECONOMY AG. CECONOMY AG's Supervisory Board and Pieter Haas, the Chair of the Management Board (CEO), mutually decided in an extraordinary meeting to part ways with immediate effect. Based on 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. The Management Board decided that Ferran Reverter Planet, Chief Operating Officer (COO) of Media-Saturn-Holding GmbH (MSH), is to assume the mandate previously executed by Pieter Haas as an MSH managing director seconded by CECONOMY. In connection with this change of management at CECONOMY AG and MSH, one-off payments in the low double-digit million euro range are expected.

On 17 October 2018, Moody's changed the outlook for CECONOMY AG's rating from “stable” to “negative”.

48. NOTES TO RELATED PARTIES

The following companies with material influence
CECONOMY AG is the parent company of CECONOMY and is not controlled by any company. The Haniel Group has a material influence on CECONOMY AG, which is recognised as an associate in the Haniel consolidated financial report.

In financial year 2017/18, CECONOMY received services from Haniel Group in the amount of €0 million (2016/17: €0 million). Existing liabilities from services received in the previous year in the 2017/18 financial year also amount to €0 million (2016/17: €0 million).

Business relations with related parties are based on contractual agreements providing for arm's length prices.

Members of management in key jobs
The management in key positions at CECONOMY includes the Management Board and Supervisory Board of CECONOMY AG. As a rule, other than their remuneration, no further considerations were granted between CECONOMY and the management in key positions. However, in the 2017/18 financial year CECONOMY incurred rental expenses in the amount of €2 million (2016/17: €0 million) for real estate whose landlords are part of the Group, in which a Supervisory Board member of CECONOMY AG assumes a key role.

↗ For more information about the basic principles of the remuneration system and the amount of Management and Supervisory Board compensation, see notes No. 50 Management Board and Supervisory Board.

Other transactions involving affiliated companies and persons
There were no transactions with related parties other than those mentioned above in the 2017/18 financial year (2016/17: €0 million).

49. LONG-TERM INCENTIVE FOR EXECUTIVES

Peak Performance Plan (“PPP”)
The long-term incentive (LTI) is designed to achieve sustainable growth in the Company's value and, accordingly, applies a multi-year assessment basis. The LTI provides incentives to achieve sustainable and long-term corporate development, taking into account internal and external performance as well as the interests of shareholders and other stakeholders associated with the Company.

The annual tranches of the LTI plan have a three-year performance period. Each authorised executive is first assigned a target value in euro. The payout amount is calculated by multiplying the target amount by the factor of overall target achievement and is dependent on the achievement of two performance targets, each of which is weighted in half in the LTI target amount:

– Earnings per share (hereinafter: "EPS");

– Return on equity/total shareholder return (hereinafter: "TSR").

EPS component: As a rule, at the beginning of the financial year in which the tranche of the **Peak Performance Plan** is granted, the Management Board decides on a lower threshold (entry barrier) for target achievement and an EPS target value for 100 per cent target achievement. The respective degree of target achievement is assigned a factor: If the degree of target achievement after the performance period has ended is smaller or equal to the entry barrier, the factor is zero, for a target achievement of 100 per cent it is 1.0. The factor for all other values (including above a factor of 1.0) is determined in a linear fashion.

TSR component: The target achievement factor of the TSR component is developed on the basis of the relative development of the return on the Company's ordinary shares in the performance period compared with a defined benchmark index or certain comparison groups. As a rule, at the beginning of the financial year in which the tranche of the **Peak Performance Plan** is granted, the Management Board decides on a lower threshold (entry barrier) for target achievement and an EPS target value for 100 per cent target achievement. The respective degree of target achievement is assigned a factor: If the degree of target achievement after the performance period has ended is smaller or equal to the entry barrier, the factor is zero, for a target achievement of 100 per cent it is 1.0. The factor for all other values (including above a factor of 1.0) is determined in a linear fashion.

The starting price of the ordinary share is calculated on the basis of the average Xetra closing prices of 40 consecutive trading days immediately after the company's ordinary Annual General Meeting. Three years later, also over the period of 40 consecutive trading days immediately after the ordinary Annual General Meeting, the final price is calculated from the Xetra closing prices of the Company's ordinary shares. The TSR is calculated as a percentage of the change in the final price plus the total of the hypothetically reinvested dividend at the starting price compared with the change in the comparison groups.

The Company's TSR calculated in this way is compared with the TSR of a defined benchmark or a defined peer group (index TSR) in the performance period.

Determination of the distribution amount

The payout amount is determined as follows: For each success target, a commercial achievement factor rounded to two decimal places is determined. The arithmetic mean of these factors, also rounded to two decimal points, gives the overall target achievement factor. The individual payout amount is then calculated from the respective target amount by multiplying by the total target achievement factor. The payout amount is limited to a maximum of 250 per cent of the agreed individual target amount (payout cap).

The payment of the LTI is made no later than four months after the ordinary Annual General Meeting, which decides on the appropriation of the balance sheet profit of the last financial year of the performance period, but not before approving all annual and consolidated financial statements for the financial years of the performance period.

Previous tranches of older plans in the financial year

In November 2016, the Management Board of the former METRO AG decided to settle the tranches of the performance-related remuneration with a long-term incentive effect during the year, which had not yet ended as scheduled at the time the spin-off took effect. Accordingly, the parts earned at the relevant date were settled at fair value and paid out for the tranches of the Sustainable Performance Plan 2014/15 and Sustainable Performance Plan 2015/16. On the other hand, the parts not yet earned at that time were included in a new long-term incentive plan for CECONOMY AG with their corresponding pro rata target amounts. The key figure for the part of the Sustainable Performance Plan 2014/15 tranche included in the new plans was the "return on capital employed (RoCE) before special items". This rollover tranche ended in the 2017/18 financial year and was paid out as scheduled. For the part of the tranche Sustainable Performance Plan 2015/16 contributed to the new plans, the performance period was shortened to 40 exchange-trading days after the Annual General Meeting in 2019 and the key figure was set as “Earnings per share (EPS)”.

The total payout amount for LTI tranches completed in the 2017/18 financial year amounted to €71,302.59 for five CECONOMY AG beneficiaries.

The current tranches of share-based payment programmes resulted in the financial year in expenses of €0.62 million (2016/2017: €6 million, almost exclusively from discontinued operations).

The related provisions as of 30 September 2018 amount to €0.67 million (30/09/2017: €0.05 million). They are spread across the current programmes as follows:

€ million	Target amount	Provisions as at 30/09/2017	Provisions as at 30/09/2018
Roll-over EPS	**0.28**	**0.03**	**0.24**
PPP 2017	1.11	–	0.33
PPP 2018	1.31	–	0.10
	2.70	**0.03**	**0.67**

50. MANAGEMENT BOARD AND SUPERVISORY BOARD

Remuneration of members of the Management Board in financial year 2017/18

Remuneration of the active members of the Management Board essentially consists of a fixed salary, short-term performance-based compensation (short-term incentive and special bonuses, where applicable), and performance-based remuneration (long-term incentive).

The short-term incentive for members of the Management Board is composed of defined financial goals and the achievement of individually set goals.

Three financial performance targets have been set, which are based on key performance indicators (KPIs) and for which the Supervisory Board determines the respective target values, the threshold values and the maximum target achievement in advance on the basis of corporate planning:

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

- Earnings before net financial result and tax deductions – EBIT (as a currency-adjusted delta from the previous year)

- Net working capital – NWC

Remuneration for active members of the Management Board in financial year 2017/18 is €4.4 million (2016/17: €10.1 million), of which €2.9 million (2016/17: €4.4 million) was allocated to fixed salary, €0 million (2016/17: €3.4 million) to short-term performance-based remuneration, €1.3 million (2016/17: €2.2 million) to performance-based remuneration with long-term incentive effect and €0.1 million (2016/17: €0.1 million) to other remuneration. The previous year's figures refer to the members of the Management Board in office in financial year 2016/17.

Performance-based remuneration with a long-term incentive effect granted in financial year 2017/18 (Performance Share Plan) is shown at fair value as of the date granted. In financial year 2017/18, value changes resulted from the current tranches of performance-based remuneration programmes with a long-term incentive effect. Expenses for the Company in connection with the 2015/16 rollover tranche, the 2016/17 tranche and the 2017/18 tranche amounted to €0.9 million for Mr Haas, €0.8 million for Mr Frese and €0.2 million for Dr Haag Molkenteller.

The target amount of the tranche 2017/18 for the members of the Management Board is €3.5 million.

In addition, the members of the Management Board have been granted a company pension scheme in the form of a direct commitment with a defined contribution and a defined benefit component. The contribution-based component is financed jointly by the Management Board and the Company. If the member of the Management Board contributes seven per cent of his or her defined assessment base, the Company contributes double this amount.

Other remuneration consists of non-cash benefits.

Total remuneration of former members of the Management Board
For former members of the Management Board of CECONOMY AG (formerly METRO AG) and from companies merged with CECONOMY AG (formerly METRO AG) and their surviving dependants, services were rendered in financial year 2017/18 in the amount of €3.3 million (2016/17: €3.4 million). The corresponding net present value of provisions for current pensions and defined benefit obligations according to IFRS amounts to €45.3 million (30/09/2017: €47.6 million). The net present value of the provisions for current pensions and future pension entitlements under the German Commercial Code (HGB) amounts to €38.4 million (30/09/2017: €38.8 million).

↗ The information released under § 314 para. 1 no. 6a sentences 5 to 8 of the German Commercial Code [HGB] can be found in the detailed remuneration report in the combined management report.

Remuneration of members of the Supervisory Board
The total remuneration of all members of the Supervisory Board in financial year 2017/18 amounts to €2.0 million (2016/17: €2.3 million).

↗ For more information about the remuneration of the members of the Supervisory Board, see the detailed remuneration report of the combined management report.

51. FEES FOR THE AUDITORS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR UNDER § 314 PARA. 1 NO. 9 HGB

The following fees related to the services rendered by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were calculated.

€ million	2017/18
Audit	6
Other assurance and audit-related services	0
Tax consultation services	0
Other services	1
Auditor's fees	**7**

Only services that are compatible with the task of the auditor of the Annual Financial Statement and consolidated financial statements of CECONOMY AG were provided.

The fee for services related to the annual financial reports from KPMG AG Wirtschaftsprüfungsgesellschaft covers the audit of the consolidated financial accounts and the annual financial statements, as well as various annual audits and the audit of IFRS Reporting Packages for the inclusion of the subsidiaries in the CECONOMY consolidated financial statements, including statutory extensions of scope. Audit-related analytical reviews of interim reports and performance in relation to enforcement procedures.

Other confirmation services contain services include agreed audit activities (for example, sales-based rental agreements and compliance certificates).

Tax consultation services include the preparation of expert opinions explaining certain legal opinions in external tax audits, limited to explaining the position represented in the past. In addition, they include preparing third-party comparison studies for the purposes of settlement price documentation for Group-internal cost allocation, company tax analyses restricted to analysing facts and presenting tax risks and consultation services in connection with corporate transactions and restructuring restricted to analysing facts and presenting options.

Other services include support services when programming a chatbot solution for customer service, fees for project management support with regard to the introduction of new accounting standards (without management function) and fees for acquisition and GAP analysis with regard to company-internal planning processes.

52. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of CECONOMY AG dealt with the corporate governance of CECONOMY AG in detail for the 2017/18 financial year and have submitted their declaration of compliance in accordance with § 161 para. 1 AktG on the recommendations of the Government Commission on the German Corporate Governance Code, recently issued in September 2018, and have made this declaration permanently accessible to the public on the website www.ceconomy.de/en/ under the section Company - Corporate Governance.

↗ The declaration is published in full in the corporate governance report for 2017/18.

53. ELECTION TO BE EXEMPT IN ACCORDANCE WITH § 264 PARA. 3 OR § 264 B GERMAN COMMERCIAL CODE

The following domestic subsidiaries in the legal form of stock corporations or commercial partnerships will use the exemption provisions under § 264 para. 3 and § 264 b of the German Commercial Code [HGB], and will thus refrain from preparing their annual financial statements for 2017/18 as well as mostly from preparing their notes and management report (in accordance with the German Commercial Code).

Operating companies and service entities

CECONOMY Data GmbH	Düsseldorf
CECONOMY Digital GmbH	Düsseldorf
CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung mbH	Ingolstadt
CECONOMY Erste Vermögensverwaltungs GmbH	Düsseldorf
CECONOMY Invest GmbH	Düsseldorf
CECONOMY Pensionssicherungs GmbH	Düsseldorf
CECONOMY Retail GmbH	Düsseldorf
CECONOMY Retail International GmbH	Düsseldorf
MWFS Zwischenholding GmbH & Co. KG	Düsseldorf
MWFS Zwischenholding Management GmbH	Düsseldorf

54. OVERVIEW OF THE MAJOR FULLY CONSOLIDATED GROUP COMPANIES

			30/09/2017	30/09/2018
Name	**Country**	**Head office**	**Share in %**	**Share in %**
CECONOMY AG	Germany	Düsseldorf		
Media-Saturn-Holding GmbH	Germany	Ingolstadt	78.4	78.4
Media-Saturn Deutschland GmbH	Germany	Ingolstadt	100.0	100.0
Media-Saturn Helvetia Holding GmbH[1]	Germany	Ingolstadt	100.0	100.0
MS CE Retail GmbH	Germany	Düsseldorf	–	100.0
MEDIA MARKT-SATURN BELGIUM NV	Belgium	Asse-Zellik	100.0	100.0
Media Saturn Electronics Hellas Commercial and Holding Anonymi Eteria	Greece	Maroussi	100.0	100.0
Mediamarket S.p.A.con Socio Unico	Italy	Curno	100.0	100.0
Saturn Luxembourg S.A.	Luxembourg	Luxembourg	100.0	100.0
Media Markt Saturn Holding Nederland B.V.	Netherlands	Rotterdam	100.0	100.0
Media - Saturn Beteiligungsges.m.b.H.	Austria	Vösendorf	100.0	100.0
Media Saturn Holding Polska Sp. z o.o.	Poland	Warsaw	100.0	100.0
MEDIA-SATURN (PORTUGAL), SGPS, UNIPESSOAL LDA	Portugal	Lisbon	100.0	100.0
Media-Saturn Holding Sweden AB	Sweden	Stockholm	100.0	100.0
MEDIA MARKT SATURN, S.A. UNIPERSONAL	Spain	El Prat de Llobregat	100.0	100.0
MEDIA MARKT TURKEYTICARET LIMITED SIRKETI	Turkey	Istanbul	100.0	100.0
Media Markt Saturn Holding Magyarország Kft.	Hungary	Budapest	100.0	100.0

[1] Holding company for the Swiss MediaMarkt companies

55. CORPORATE BODIES OF CECONOMY AG AND THEIR MANDATES

Members of the Supervisory Board[1,2]

Jürgen Fitschen (Chair of the Supervisory Board until 14 February 2018 and from 14 February 2018)
Senior Adviser, Deutsche Bank AG
a) Vonovia SE, Bochum (from 9 May 2018)
Syntellix AG, Hanover (from 16 May 2018)
b) Kühne + Nagel International AG, Schindellegi, Switzerland
Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co.KG, Hamburg (from 16 November 2016)

Jürgen Schulz (until 14 February 2018 and from 21 March 2018 and Vice Chair until 14 February 2018 and from 1 June 2018)
Head of Service, Saturn Bielefeld
Chair of the Works Council, Saturn Bielefeld
a) None
b) None

Wolfgang Baur (from 21 March 2018)
Head of Logistics, Saturn
Techno-Electro-Handelsgesellschaft mbH, Cologne
Chair of the Works Council, Saturn Cologne
a) None
b) None

Kirsten Joachim Breuer (from 21 March 2018)
Second Managing Director, IG Metall Erfurt office
a) None
b) None

Karin Dohm
Global Head of Government & Regulatory Affairs and Group Structuring, Deutsche Bank AG
a) Deutsche EuroShop AG, Hamburg
DB Europe GmbH, Frankfurt am Main
b) Deutsche Bank Luxembourg S.A., Luxembourg

Ulrich Dalibor (until 14 February 2018)
Self-employed, trade union representative
a) Maxingvest AG, Hamburg
b) None

Dr Bernhard Düttmann
Self-employed business consultant
a) Alstria Office Reit AG, Hamburg
Vossloh AG, Werdohl (from 9 May 2018)
b) None

Daniela Eckardt (until 21 March 2018 and from 21 March 2018)
Employee Cash desk/Information, Saturn Alexanderplatz Berlin
Vice Chair of the Works Council, Saturn Alexanderplatz Berlin
a) None
b) None

Stefanie Friedrich (until 21 March 2018)
Employee Cash desk/Information, MediaMarkt Trier
Chair of the Works Council, MediaMarkt Trier
a) None
b) None

[1] Development from 1 October 2017 to 30 September 2018
[2] Status of the mandates: 30 November 2018
a) Memberships in other supervisory boards established within the meaning of § 125 para. 1 sentence 5, sentence 1 old version of the AktG
b) Member of comparable German and international supervisory boards of business enterprises within the meaning of § 125 para. 1 sentence 5, sentence 2 old version of the AktG

Dr Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH
a) METRO AG, Düsseldorf
TAKKT AG, Stuttgart
Vonovia SE, Bochum
b) None

Ludwig Glosser (until 21 March 2018 and from 21 March 2018)
Service Manager and Lead Problem Manager Process Management, Media-Saturn IT Services GmbH
Chair of the Works Council, Media-Saturn IT Services GmbH
Member of Euroforum and member of the Euroforum Steering Board
a) None
b) None

Julia Goldin
Executive Vice President & Chief Marketing Officer, Lego Group
a) None
b) None

Jo Harlow
Self-employed
a) None
b) Intercontinental Hotels Group plc, Denham, Great Britain
Halma plc, Amersham, Great Britain
J Sainsbury's plc, London, Great Britain

Peter Küpfer
Self-employed business consultant
a) METRO AG, Düsseldorf
b) AHRB AG, Zurich, Switzerland
ARH Resort Holding AG, Zurich, Switzerland
Breda Consulting AG, Zurich, Switzerland
Cambiata Ltd, Road Town (Tortola), British Virgin Islands
Cambiata Schweiz AG, Zurich, Switzerland
Gebr. Schmidt GmbH & Co. KG, Essen
Lake Zurich Fund Exempt Company, George Town (Grand Cayman), Cayman Islands
Supra Holding AG, Zug, Switzerland
Travel Charme Hotel & Resorts Holdings AG, Zurich, Switzerland (until 19 April 2018 AHRA AG, Zurich, Switzerland)

Rainer Kuschewski (until 14 February 2018 and from 21 March 2018)
Self-employed, trade union representative
a) None
b) None

Claudia Plath (from 14 February 2018)
Chief Financial Officer
ECE Projektmanagement G.m.b.H. & Co. KG
a) Hochbahn AG, Hamburg
b) MEC METRO-ECE Centermanagement GmbH & Co. KG, Düsseldorf

Jens Ploog (from 21 March 2018)
Senior Adviser in Organisation, Processes and Projects, Media-Saturn Deutschland GmbH
Chair of the Works Council, Media-Saturn Germany GmbH
a) None
b) None

Birgit Popp (until 21 March 2018 and from 21 March 2018)
Head of HR, Personnel and Organisational Growth & Change, Media-Saturn Deutschland GmbH
a) None
b) None

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland, and Beisheim Group GmbH & Co. KG
a) METRO AG, Düsseldorf
b) Arisco Holding AG, Baar, Switzerland
Montana Capital Partners AG, Baar, Switzerland
HUWA Finanz und Beteiligungs AG, Au, Switzerland

Dr Hans-Jürgen Schinzler (until 14 February 2018)
Honorary Chair of the Supervisory Board of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich
a) None
b) None

Regine Stachelhaus
Self-employed
a) Covestro AG, Leverkusen
Covestro Deutschland AG, Leverkusen
SPIE Deutschland und Zentraleuropa GmbH, Ratingen
b) ComputaCenter plc, Hatfield, United Kingdom
Spie SA, Cergy-Pontoise, France

Vinko Vrabec (from 21 March 2018)
Head of Recording Media/Software, MediaMarkt Rosenheim
Member of the Works Council, MediaMarkt Rosenheim
a) None
b) None

Lena Widmann (from 21 March 2018)
Trade Union Secretary, Retail Area, ver.di Federal Administration, Berlin
a) dm-drogerie markt GmbH + Co. KG
b) None

Angelika Will (from 14 February 2018)
Honorary Judge, Federal Labour Court, Erfurt
Secretary of the Association of North Rhine-Westphalia of the DHV – Die Berufsgewerkschafte.V. (Federal specialist group retail)
a) None
b) None

Sylvia Woelke (until 21 March 2018 and from 21 March 2018)
Manager Corporate Risk Management & Internal Controls, Media-Saturn-Holding GmbH
Chair of the Works Council, Media-Saturn-Holding GmbH
a) None
b) None

Supervisory Board committees and their members[3]

Presidential Committee:
Jürgen Fitschen (Chair until 14 February 2018 and from 14 February 2018)
Jürgen Schulz (until 14 February 2018 and from 1 June 2018)
Regine Stachelhaus
Vinko Vrabec (until 21 March 2018)
Jens Ploog (from 1 June 2018)

Audit Committee
Karin Dohm (until 14 February 2018 and Chair from 14 February 2018)
Dr Hans-Jürgen Schinzler (Chair until 14 February 2018)
Jürgen Schulz (Vice Chair until 14 February 2018)
Ulrich Dalibor (until 14 February 2018)
Dr Florian Funck
Ludwig Glosser (from 01 June 2018)
Peter Küpfer
Rainer Kuschewski (until 14 February 2018 and from 1 June 2018)
Sylvia Woelke (until 14 February 2018 and Vice Chair from 1 June 2018)

Nomination Committee
Jürgen Fitschen (Chair)
Dr Bernhard Düttmann
Dr Hans-Jürgen Schinzler (until 14 February 2018)
Regine Stachelhaus

Mediation Committee pursuant to § 27 para. 3 of the German Co-determination Act [MitbestG]
Jürgen Fitschen (Chair until 14 February and from 14 February 2018)
Jürgen Schulz (until 14 February and from 1 June 2018)
Dr Bernhard Düttmann
Ludwig Glosser (until 21 March 2018 and from 1 June 2018)

[3] Development from 1 October 2017 to 30 September 2018

Members of the Management Board[4]

Pieter Haas (Chair of Management Board, Chief Executive Officer and Labour Director until 12 October 2018)

a) None
b) Tertia Handelsbeteiligungsgesellschaft mbH, Cologne
Silver Ocean B.V., Amsterdam, Netherlands

Mark Frese (Member of the Management Board and Labour Director)

a) METRO Re AG, Düsseldorf (previously METRO Reinsurance N.V.)
b) Media-Saturn-Holding GmbH, Ingolstadt – Chair of the Advisory Board
Allistro Capital Gesellschaft für Beteiligungsberatung mbH, Frankfurt am Main – Member of the Expert Advisory Board

Dr Dieter Haag Molkenteller (Member of the Management Board)

a) None
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board

[4] Status of the mandates: 30 November 2018, unless specified otherwise
a) Memberships in other supervisory boards established within the meaning of § 125 para. 1 sentence 5, sentence 1 old version of the AktG
b) Member of comparable German and international supervisory boards of business enterprises within the meaning of § 125 para. 1 sentence 5, sentence 2. old version of the AktG

56. SHAREHOLDINGS OF CECONOMY AG AS OF 30 SEPTEMBER 2018 AS PER § 313 HGB

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Accelerate Commerce GmbH	Munich	Germany	EUR	100.00
biwigo GmbH	Munich	Germany	EUR	100.00
CECONOMY Data GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Digital GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltungs mbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Erste Vermögensverwaltungs GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Invest GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Pensionssicherungs GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Retail GmbH	Düsseldorf	Germany	EUR	100.00
CECONOMY Retail International GmbH	Düsseldorf	Germany	EUR	100.00
Electronic Online Services GmbH	Munich	Germany	EUR	100.00
Electronic Online Services Invest GmbH	Munich	Germany	EUR	100.00
Electronic Repair Logistics B.V.	Goes	Netherlands	EUR	51.00
Electronics Online Concepts GmbH	Munich	Germany	EUR	100.00
Hansa Foto-Handelsgesellschaft mit beschränkter Haftung	Cologne	Germany	EUR	100.00
iBOOD GmbH	Berlin	Germany	EUR	100.00
IBOOD Sp. z o. o.	Posen	Poland	PLN	100.00
Imtron Asia Hong Kong Limited	Hong Kong	Hong Kong	HKD	100.00
Imtron GmbH	Ingolstadt	Germany	EUR	100.00
Jetsam Service Management GmbH	Wolnzach	Germany	EUR	65.00
JUKE Entertainment GmbH	Ingolstadt	Germany	EUR	100.00
Media - Saturn Beteiligungsges.m.b.H.	Vösendorf	Austria	EUR	100.00
MEDIA MARKT – BUDAÖRS Video TV Hifi Elektro Fotó Computer Kereskedelmi Kft.	Budaörs	Hungary	HUF	100.00
Media Markt 14 – Produtos Electronicos LdA	Alfragide, Carnaxide	Portugal	EUR	90.00
MEDIA MARKT 3 DE MAYO SANTA CRUZ DE TENERIFE S.A.	Tenerife	Spain	EUR	99.90
MEDIA MARKT A CORUÑA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	La Coruña	Spain	EUR	99.90
Media Markt Aigle SA	Aigle	Switzerland	CHF	90.00
MEDIA MARKT ALACANT VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alicante	Spain	EUR	99.90
MEDIA MARKT ALBACETE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Albacete	Spain	EUR	99.90
MEDIA MARKT ALCALÁ DE GUADAÍRA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Alcalà de Guadaira	Spain	EUR	99.90

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MEDIA MARKT ALCALÁ DE HENARES VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alcalá de Henares	Spain	EUR	99.90
MEDIA MARKT ALCORCÓN VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alcorcón	Spain	EUR	99.90
Media Markt Alexandrium B.V.	Rotterdam	Netherlands	EUR	90.10
MEDIA MARKT ALFAFAR VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Alfafar	Spain	EUR	99.90
MEDIA MARKT ALFRAGIDE – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Alkmaar B.V.	Alkmaar	Netherlands	EUR	90.10
Media Markt Almere B.V.	Almere	Netherlands	EUR	90.10
MEDIA MARKT ALMERÍA, S.A.U.	Almeria	Spain	EUR	100.00
Media Markt Alphen aan den Rijn B.V.	Alphen aan den Rijn	Netherlands	EUR	90.10
Media Markt Amersfoort B.V.	Amersfoort	Netherlands	EUR	90.10
Media Markt Amsterdam Centrum B.V.	Amsterdam	Netherlands	EUR	90.10
Media Markt Amsterdam Noord B.V.	Amsterdam	Netherlands	EUR	94.60
Media Markt Amsterdam West B.V.	Amsterdam	Netherlands	EUR	100.00
Media Markt Amstetten TV-Hifi-Elektro GmbH	Amstetten	Austria	EUR	90.00
Media Markt Apeldoorn B.V.	Apeldoorn	Netherlands	EUR	90.10
Media Markt Arena B.V.	Amsterdam	Netherlands	EUR	95.24
MEDIA MARKT ARENA Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
MEDIA MARKT Árkád Video TV Hifi Elektro Foto Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Arnhem B.V.	Arnhem	Netherlands	EUR	94.60
Media Markt Assen B.V.	Assen	Netherlands	EUR	90.10
MEDIA MARKT AVEIRO – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
MEDIA MARKT BADAJOZ S.A.	Badajoz	Spain	EUR	99.90
MEDIA MARKT BARAKALDO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	San Vicente de Barakaldo	Spain	EUR	99.90
MEDIA MARKT BARCELONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Barcelona	Spain	EUR	99.90
Media Markt Basel AG	Basel	Switzerland	CHF	91.00
MEDIA MARKT Basilix NV	Sint-Agatha-Berchem	Belgium	EUR	100.00
Media Markt Békéscsaba Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Békéscsaba	Hungary	HUF	90.00
MEDIA MARKT BENFICA-PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Bergen op Zoom B.V.	Bergen op Zoom	Netherlands	EUR	100.00
Media Markt Biel-Brügg AG	Brügg bei Biel	Switzerland	CHF	90.00
MEDIA MARKT BILBAO-ZUBIARTE, S.A.U.	Bilbao	Spain	EUR	100.00
MEDIA MARKT Bilbondo Video-TV-Hifi-Elektro-Computer-Foto, SA	Biscay	Spain	EUR	99.90

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Borås TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT BRAGA – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
MEDIA MARKT Braine-l'Alleud SA	Braine-l'Alleud	Belgium	EUR	90.00
Media Markt Breda B.V.	Breda	Netherlands	EUR	97.62
Media Markt Brugge NV	Bruges	Belgium	EUR	90.00
Media Markt Brussel Docks NV	Brussels	Belgium	EUR	95.00
MEDIA MARKT Bruxelles Rue Neuve MEDIA MARKT Brussel Nieuwstraat SA	Brussels	Belgium	EUR	90.00
Media Markt Bürs TV-Hifi-Elektro GmbH	Bürs	Austria	EUR	90.00
MEDIA MARKT CARTAGENA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Cartagena	Spain	EUR	99.90
MEDIA MARKT CASTELLÒ DE LA Plana VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Castellón de la Plana	Spain	EUR	99.90
Media Markt CCCI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCVIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXVIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCCXXIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT CCLXIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCLXXXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt CCLXXXV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt CCXCVI TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT CCXLIII TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT CCXLIV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT Century Center NV	Antwerp	Belgium	EUR	90.00
Media Markt Chur AG	Chur	Switzerland	CHF	90.00
Media Markt CLXXIX TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT COLLADO VILLALBA, S.A.	Collado Villalba	Spain	EUR	99.90
Media Markt Conthey SA	Conthey	Switzerland	CHF	90.00
MEDIA MARKT CORDOBA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Cordoba	Spain	EUR	99.90
MEDIA MARKT CORDOVILLA-PAMPLONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Pamplona	Spain	EUR	99.90
Media Markt Crissier SA	Crissier	Switzerland	CHF	90.00
Media Markt Cruquius B.V.	Cruquius	Netherlands	EUR	95.24
MEDIA MARKT Debrecen Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Debrecen	Hungary	HUF	90.00
Media Markt Den Bosch B.V.	Den Bosch	Netherlands	EUR	100.00
Media Markt Den Haag B.V.	The Hague	Netherlands	EUR	90.10
MEDIA MARKT Deurne NV	Antwerp	Belgium	EUR	90.00
Media Markt Deventer B.V.	Deventer	Netherlands	EUR	94.60
MEDIA MARKT DIAGONAL MAR-BARCELONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Barcelona	Spain	EUR	99.90
MEDIA MARKT DIGITAL STORE S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Media Markt Doetinchem B.V.	Doetinchem	Netherlands	EUR	90.10
MEDIA MARKT DONOSTI VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Donosti	Spain	EUR	99.90
Media Markt Dordrecht B.V.	Dordrecht	Netherlands	EUR	90.10
Media Markt Drachten B.V.	Drachten	Netherlands	EUR	90.10
Media Markt Duiven B.V.	Duiven	Netherlands	EUR	90.10
MEDIA MARKT DUNA Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt E298, S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt E300, S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Media Markt E301, S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Media Markt Service Pro, SAU	Pinto	Spain	EUR	100.00
Media Markt E-Business GmbH	Ingolstadt	Germany	EUR	100.00
Media Markt E-Commerce AG	Dietikon	Switzerland	CHF	100.00
Media Markt Ede B.V.	Ede	Netherlands	EUR	90.10
Media Markt Eindhoven Centrum B.V.	Eindhoven	Netherlands	EUR	94.60
Media Markt Eindhoven Ekkersrijt B.V.	Son en Breugel	Netherlands	EUR	90.10
MEDIA MARKT EL PRAT VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	El Prat de Llobregat, Barcelona	Spain	EUR	99.90
MEDIA MARKT ELCHE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Eleche	Spain	EUR	99.90
Media Markt Emmen B.V.	Emmen	Netherlands	EUR	100.00
Media Markt Enschede B.V.	Enschede	Netherlands	EUR	94.60
Media Markt Eskilstuna TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Feldkirch TV-Hifi-Elektro GmbH	Feldkirch	Austria	EUR	90.00
MEDIA MARKT FERROL, SA	Ferrol	Spain	EUR	99.90
MEDIA MARKT FINESTRAT S.A.	Finestrat	Spain	EUR	99.90
MEDIA MARKT GAIA – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
MEDIA MARKT GANDIA S.A.	Gandia	Spain	EUR	99.90
MEDIA MARKT GAVÀ VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Gavà	Spain	EUR	99.90
Media Markt Gävle TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Genève SA	Geneva	Switzerland	CHF	90.00
MEDIA MARKT GETAFE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Getafe	Spain	EUR	99.90
MEDIA MARKT GIRONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Girona	Spain	EUR	99.90
Media Markt GmbH TV-HiFi-Elektro	Munich	Germany	EUR	90.00
MEDIA MARKT Gosselies/Charleroi SA	Gosselies	Belgium	EUR	90.00
Media Markt Göteborg-Bäckebol TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Göteborg-Högsbo TV-HiFi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Göteborg-Torpavallen TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT GRANADA - NEVADA, S.A.	Armilla, Granada	Spain	EUR	99.90
MEDIA MARKT GRANADA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Pulianas (Granada)	Spain	EUR	99.90

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Grancia SA	Grancia	Switzerland	CHF	90.00
Media Markt Granges-Paccot AG	Granges-Paccot	Switzerland	CHF	90.00
Media Markt Graz-Liebenau TV-Hifi-Elektro GmbH	Graz	Austria	EUR	90.00
Media Markt Groningen Centrum B.V.	Groningen	Netherlands	EUR	94.60
Media Markt Groningen Sontplein B.V.	Groningen	Netherlands	EUR	90.10
MEDIA MARKT Győr Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Győr	Hungary	HUF	100.00
Media Markt Heerhugowaard B.V.	Heerhugowaard	Netherlands	EUR	90.10
Media Markt Heerlen B.V.	Heerlen	Netherlands	EUR	90.10
Media Markt Helsingborg TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Hengelo B.V.	Hengelo Ov	Netherlands	EUR	90.10
MEDIA MARKT Herstal SA	Lüttich	Belgium	EUR	90.00
Media Markt Hoofddorp B.V.	Hoofddorp	Netherlands	EUR	94.60
Media Markt Hoorn B.V.	Hoorn	Netherlands	EUR	90.10
MEDIA MARKT HUELVA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Huelva	Spain	EUR	99.90
MEDIA MARKT IBERIAN SERVICES, S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Media Markt Imst TV-Hifi-Elektro GmbH	Imst	Austria	EUR	90.00
MEDIA MARKT ISLAZUL MADRID S.A.	Madrid	Spain	EUR	99.90
MEDIA MARKT Jemappes/Mons SA	Jemappes	Belgium	EUR	90.00
MEDIA MARKT JEREZ DE LA FRONTERA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Jerez de la Frontera	Spain	EUR	99.90
Media Markt Jönköping TV-Hifi- Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Kalmar TV-Hifi-Elektro AB	Kalmar	Sweden	SEK	90.01
Media Markt Kecskemét Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Kecskemét	Hungary	HUF	100.00
MEDIA MARKT KISPEST Video TV HiFi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Kortrijk NV	Kortrijk	Belgium	EUR	100.00
Media Markt Kriens AG	Kriens	Switzerland	CHF	90.00
Media Markt Kristianstad TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT L'HOSPITALET VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	L'Hospitalet	Spain	EUR	99.90
MEDIA MARKT LAS ARENAS S.A.	Las Palmas de Gran Canaria	Spain	EUR	99.90
MEDIA MARKT ALCALÁ DE HENARES VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Las Palmas de Gran Canaria	Spain	EUR	99.90
Media Markt Leeuwarden B.V.	Leeuwarden	Netherlands	EUR	90.10

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MEDIA MARKT LEGANES VIDEO-TV- HIFI-ELEKTRO-COMPUTER-FOTO, S.A.U	Leganes	Spain	EUR	100.00
MEDIA MARKT LEIRIA – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Leoben TV-Hifi-Elektro GmbH	Leoben	Austria	EUR	90.00
MEDIA MARKT LEÓN VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	León	Spain	EUR	99.90
Media Markt Liège Médiacité SA	Lüttich	Belgium	EUR	90.00
MEDIA MARKT Liège Place Saint-Lambert SA	Lüttich	Belgium	EUR	90.00
Media Markt Liezen TV-Hifi-Elektro GmbH	Liezen	Austria	EUR	90.00
Media Markt Linköping TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Linz TV-Hifi-Elektro GmbH	Linz	Austria	EUR	90.00
MEDIA MARKT LLEIDA, SA	Lleida	Spain	EUR	99.90
Media Markt Logistics AG	Dietikon	Switzerland	CHF	100.00
MEDIA MARKT LOGROÑO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Logroño	Spain	EUR	99.90
MEDIA MARKT LORCA S.A.	Lorca, Murcia	Spain	EUR	99.90
MEDIA MARKT LOS BARRIOS VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Barrios, Cadiz	Spain	EUR	99.90
MEDIA MARKT LUGO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Lugo	Spain	EUR	99.90
Media Markt Luleå TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Lund TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Maastricht B.V.	Maastricht	Netherlands	EUR	90.10
MEDIA MARKT Machelen NV	Machelen	Belgium	EUR	90.00
MEDIA MARKT MADRID - PLAZA DEL CARMEN S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	99.90
MEDIA MARKT MADRID - VALLECAS S.A.	Madrid	Spain	EUR	99.90
MEDIA MARKT MADRID BENLLIURE S.A.U	Madrid	Spain	EUR	100.00
MEDIA MARKT MADRID CASTELLANA SA	Madrid	Spain	EUR	99.90
MEDIA MARKT MADRID PLENILUNIO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Madrid	Spain	EUR	99.90
MEDIA MARKT MADRID-VILLAVERDE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Madrid-Villaverde	Spain	EUR	99.90
MEDIA MARKT Majadahonda Video-TV-HiFi-Elektro-Computer-Foto, S.A.	Majadahonda	Spain	EUR	99.90
MEDIA MARKT MÁLAGA – PLAZA MAYOR S.A.	Malaga	Spain	EUR	99.90
MEDIA MARKT MALAGA-CENTRO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Malaga	Spain	EUR	99.90
Media Markt Malmö-Bernstorp TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Malmö-Svågertorp TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT MAMMUT Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	90.00
Media Markt Management AG	Dietikon	Switzerland	CHF	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Marin SA	La Tène	Switzerland	CHF	90.00
MEDIA MARKT MASSALFASSAR S.A.	Valencia	Spain	EUR	99.90
MEDIA MARKT MATARO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Mataró	Spain	EUR	99.90
MEDIA MARKT MATOSINHOS PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Carnaxide	Portugal	EUR	90.00
Media Markt Meyrin SA	Meyrin	Switzerland	CHF	90.00
Media Markt Middelburg B.V.	Middelburg	Netherlands	EUR	90.10
MEDIA MARKT Miskolc Video TV Hifi Elektro Photo Computer Kereskedelmit Kft	Miskolc	Hungary	HUF	100.00
MEDIA MARKT MURCIA NUEVA CONDOMINA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Murcia	Spain	EUR	99.90
MEDIA MARKT MURCIA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Murcia	Spain	EUR	99.90
MEDIA MARKT NASCENTE – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Nieuwegein B.V.	Nieuwegein	Netherlands	EUR	90.10
Media Markt Norrköping TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	90.01
Media Markt Nyíregyháza Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Nyíregyháza	Hungary	HUF	90.00
Media Markt Oberwart TV-Hifi-Elektro GmbH	Oberwart	Austria	EUR	90.00
Media Markt Oftringen AG	Oftringen	Switzerland	CHF	90.00
Media Markt Online LdA	Alfragide, Carnaxide	Portugal	EUR	90.00
MEDIA MARKT Oostakker NV	Oostakker	Belgium	EUR	90.00
MEDIA MARKT Oostende NV	Ostend	Belgium	EUR	100.00
Media Markt Örebro TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT ORIHUELA SA	Orihuela	Spain	EUR	99.90
MEDIA MARKT PALMA DE MALLORCA FAN S.A.	Palma de Mallorca	Spain	EUR	99.90
MEDIA MARKT PALMA DE MALLORCA S.A.	Palma de Mallorca	Spain	EUR	99.90
MEDIA MARKT Pécs Video TV Hifi Elektro Photo Computer Kereskedelmit Kft.	Pécs	Hungary	HUF	90.00
MEDIA MARKT PLAÇA DE CATALUNYA, S.A.	El Prat del Llobregat, Barcelona	Spain	EUR	99.90
MEDIA MARKT PLAZA – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Polska Bis sp. z o.o. Warszawa VII Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis sp. z o.o. Wroclaw V Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Bydgoszcz II Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Gdansk IV Spółka Komandytowa	Warsaw	Poland	PLN	89.10

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Gdynia II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Katowice III Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Kraków III Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Kraków IV Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Łódź III Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Łódź IV Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Lubin Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Lublin II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Poznan III Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Poznan IV Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Szczecin III Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Tychy Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warszawa IX Spółka komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warszawa VI Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warszawa VIII Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Warszawa X Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Bis Spółka z ograniczoną odpowiedzialnością Wroclaw IV Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o.	Warsaw	Poland	PLN	100.00
Media Markt Polska Sp. z o.o. 19 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Media Markt Polska Sp. z o.o. 22 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Media Markt Polska Sp. z o.o. 25 Spółka Komandytowa	Warsaw	Poland	PLN	99.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Polska Sp. z o.o. 26 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Media Markt Polska Sp. z o.o. 27 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Media Markt Polska Sp. z o.o. Białystok Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Bydgoszcz Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Chorzów Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Elbląg Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Media Markt Polska Sp. z o.o. Gdańsk II Spolka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Gdynia I Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Gliwice Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Głogów Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Gorzów Wielkopolski Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Kalisz Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Konin Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Koszalin Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Kraków II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Legnica Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Nowy Sącz Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Piotrków Trybunalski Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Płock Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Poznań II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Przemyśl Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Radom Spółka Komandytowa	Warsaw	Poland	PLN	89.05
Media Markt Polska Sp. z o.o. Rybnik Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Słupsk Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Tarnów Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Toruń Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z o.o. Wałbrzych Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Zamość Spółka Komandytowa	Warsaw	Poland	PLN	99.10
Media Markt Polska Sp. z o.o. Zielona Góra Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Bielsko-Biała Spólka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Czeladź Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Częstochowa Spółka Komandytowa	Warsaw	Poland	PLN	89.10

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Polska Sp. z.o.o. Gdańsk I Spółka Komandytowa	Warsaw	Poland	PLN	89.00
Media Markt Polska Sp. z.o.o. Katowice I Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Kielce Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Kraków I Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Łódź I Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Łódź II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Lublin Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Olsztyn Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Opole Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Poznań I Spółka Komandytowa	Warsaw	Poland	PLN	89.00
Media Markt Polska Sp. z.o.o. Rzeszów Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Szczecin Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Warszawa 1 Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Warszawa II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Warszawa III Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Warszawa IV Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Wrocław I Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Wrocław II Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Sp. z.o.o. Zabrze Spółka Komandytowa	Warsaw	Poland	PLN	89.10
Media Markt Polska Spółka z ograniczoną odpowiedzialnością Proximity Spółka komandytowa	Warsaw	Poland	PLN	99.00
MEDIA MARKT Pólus Center Video TV Hifi Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Power Service AG	Dietikon	Switzerland	CHF	100.00
MEDIA MARKT PROTECT SOLUTIONS, S.A.U.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
MEDIA MARKT PUERTO REAL VIDEO-TV-HIFI-ELECTRO-COMPUTER-FOTO, S.A.	Cádiz	Spain	EUR	99.90
MEDIA MARKT QUART DE POBLET, S.A.	Quart de Poblet	Spain	EUR	99.90
Media Markt Region Bern AG	Muri b. Bern	Switzerland	CHF	94.00
Media Markt Retail Cooperation Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Ried TV-Hifi-Elektro GmbH	Ried im Innkreis	Austria	EUR	90.00
Media Markt Rijswijk B.V.	Rijswijk	Netherlands	EUR	94.60
MEDIA MARKT RIVAS-VACIAMADRID VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Madrid	Spain	EUR	99.90
Media Markt Roermond B.V.	Roermond	Netherlands	EUR	94.60

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MEDIA MARKT Roeselare NV	Roeselare	Belgium	EUR	90.00
Media Markt Rotterdam Beijerlandselaan B.V.	Rotterdam	Netherlands	EUR	90.10
MEDIA MARKT SALAMANCA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Sta. Marta de Tormes	Spain	EUR	99.90
MEDIA MARKT San Juan de Aznalfarache VIDEO-TV-HIFI-ELECTRO-COMPUTER-FOTO, S.A.	Seville	Spain	EUR	99.90
MEDIA MARKT SAN SEBASTIAN DE LOS REYES VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.U	San Sebastián de los Reyes	Spain	EUR	100.00
MEDIA MARKT SANT CUGAT DEL VALLÈS VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Sant Cugat del Vallès	Spain	EUR	99.90
MEDIA MARKT Santander Video-TV-Hifi-Elektro-Computer-Foto, SA	Santander	Spain	EUR	99.90
MEDIA MARKT SANTIAGO DE COMPOSTELA S.A.	Santiago de Compostela	Spain	EUR	99.90
MEDIA MARKT SATURN ADMINISTRACION ESPAÑA, S.A.U.	El Prat de Llobregat	Spain	EUR	100.00
Media Markt Saturn Holding Magyarország Kft.	Budapest	Hungary	HUF	100.00
Media Markt Saturn Holding Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
Media Markt Saturn Vertriebs-GmbH	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT SATURN, S.A. UNIPERSONAL	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
MEDIA MARKT Schoten NV	Schoten	Belgium	EUR	90.00
Media Markt Setúbal – Produtos Informáticos e Electrónicos, LDA.	Lisbon	Portugal	EUR	90.00
MEDIA MARKT SEVILLA-SANTA JUSTA VIDEO-TV-HIFIi-ELEKTRO-COMPUTER-FOTO, S.A.	Seville	Spain	EUR	99.90
MEDIA MARKT SIERO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Lugones-Siero	Spain	EUR	99.90
MEDIA MARKT Sint-Lambrechts-Woluwe NV	Sint-Lambrechts-Woluwe	Belgium	EUR	90.00
MEDIA MARKT Sint-Pieters-Leeuw NV	Sint-Pieters-Leeuw	Belgium	EUR	90.00
MEDIA MARKT SINTRA – PRODUTOS INFORMÁTICOS E ELECTRÓNICOS, LDA	Lisbon	Portugal	EUR	90.00
Media Markt Skövde TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Södertälje TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT SOROKSÁR Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Spittal TV-Hifi-Elektro GmbH	Spittal an der Drau	Austria	EUR	90.00
Media Markt St. Gallen AG	St. Gallen	Switzerland	CHF	90.00
Media Markt St. Lorenzen TV-Hifi-Elektro GmbH	St. Lorenzen im Mürztal	Austria	EUR	90.00
Media Markt Steyr TV-Hifi-Elektro GmbH	Steyr	Austria	EUR	90.00
Media Markt Stockholm-Barkarby TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Gallerian TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Stockholm-Heron City TV-HiFi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Länna TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Nacka TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Stockholm-Täby TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
MEDIA MARKT Stop Shop Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	100.00
Media Markt Sundsvall TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	90.01
MEDIA MARKT Szeged Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Szeged	Hungary	HUF	100.00
MEDIA MARKT Székesfehérvár Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Székesfehérvár	Hungary	HUF	100.00
Media Markt Szolnok Video Tv Hifi Elektro Photo Computer Kereskedelmi Kft.	Szolnok	Hungary	HUF	100.00
MEDIA MARKT Szombathely Video-TV-Hifi-Elektro-Photo-Computer-Kereskedelmi Kft.	Szombathely	Hungary	HUF	100.00
MEDIA MARKT TARRAGONA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Tarragona	Spain	EUR	99.90
MEDIA MARKT TELDE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Telde, Las Palmas	Spain	EUR	99.90
MEDIA MARKT TENERIFE VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Tenerife	Spain	EUR	99.90
MEDIA MARKT TERRASSA SA	Terrassa	Spain	EUR	99.90
Media Markt The Corner B.V.	Rotterdam	Netherlands	EUR	95.24
Media Markt Tilburg B.V.	Tilburg	Netherlands	EUR	90.10
MEDIA MARKT TOLEDO S.A.	Toledo	Spain	EUR	99.90
MEDIA MARKT TURKEY TICARET LIMITED SIRKETI	Istanbul	Turkey	TRY	100.00
Media Markt Turnhout NV	Turnhout	Belgium	EUR	90.00
Media Markt TV-HiFi-Elektro Athens II Commercial Anonymi Eteria	Maroussi	Greece	EUR	90.00
MEDIA Markt TV-Hifi-Elektro Gesellschaft m.b.H.	Salzburg	Austria	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro Gesellschaft m.b.H.	Innsbruck	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Pasching	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Vösendorf	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Klagenfurt	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Gesellschaft m.b.H.	Villach	Austria	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro Gesellschaft m.b.H.	Seiersberg	Austria	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH	Hallstadt-Bamberg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH	Bad Dürrheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Herzogenrath	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Schwentinental	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Lüneburg	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MEDIA MARKT TV-Hifi-Elektro GmbH	Wiener Neustadt	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro GmbH	St. Pölten	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro GmbH	Dornbirn	Austria	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH	Krems an der Donau	Austria	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH	Belm-Osnabrück	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH	Porta Westfalica/Minden	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH	Halle-Peißen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Aalen	Aalen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Albstadt	Albstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Alzey	Alzey	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Amberg	Amberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Ansbach	Ansbach	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Aschaffenburg	Aschaffenburg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Augsburg	Augsburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Augsburg-Göggingen	Augsburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Bad Kreuznach	Bad Kreuznach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Baden-Baden	Baden-Baden	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Bayreuth	Bayreuth	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Biesdorf	Berlin-Biesdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Charlottenburg	Berlin-Charlottenburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Gropiusstadt	Berlin (Gropiusstadt)	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Hohenschönhausen	Berlin-Hohenschönhausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Mitte	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Neukölln	Berlin-Neukölln	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Prenzlauer Berg	Berlin	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Berlin-Schöneweide	Berlin (Schöneweide)	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Spandau	Berlin-Spandau	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Steglitz	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Tegel	Berlin (Tegel)	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Berlin-Tempelhof	Berlin	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Berlin-Wedding	Berlin-Wedding	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Bielefeld	Bielefeld	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bischofsheim	Bischofsheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bochum	Bochum	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bochum – Ruhrpark	Bochum (Ruhrpark)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bonn	Bonn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Brandenburg an der Havel	Brandenburg an der Havel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Braunschweig	Brunswick	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bremen	Bremen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Bremen-Waterfront	Bremen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Bruchsal	Bruchsal	Germany	EUR	97.00
Media Markt TV-HiFi-Elektro GmbH Buchholz in der Nordheide	Buchholz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Buxtehude	Buxtehude	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Castrop-Rauxel	Castrop-Rauxel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Chemnitz	Chemnitz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Chemnitz-Röhrsdorf	Chemnitz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Coburg	Coburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Cottbus/Groß Gaglow	Cottbus	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Deggendorf	Deggendorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dessau	Dessau-Roßlau	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Dietzenbach	Dietzenbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Donauwörth	Donauwörth	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dorsten	Dorsten	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dortmund-Hörde	Dortmund	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dortmund-Oespel	Dortmund	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Dresden Centrum	Dresden	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Dresden-Mickten	Dresden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Duisburg	Duisburg-Marxloh	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Duisburg-Großenbaum	Duisburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Düsseldorf	Düsseldorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Düsseldorf-Bilk	Düsseldorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Egelsbach	Egelsbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eiche	Ahrensfelde-Eiche	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Eisenach	Eisenach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eislingen	Eislingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Elmshorn	Elmshorn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Emden	Emden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Erding	Erding	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Erfurt Thüringen-Park	Erfurt	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Erfurt-Daberstedt	Erfurt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Erlangen	Erlangen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Eschweiler	Eschweiler	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Essen	Essen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Esslingen	Esslingen/Weil	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Fellbach	Fellbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Flensburg	Flensburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Frankfurt	Frankfurt a.M.	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Frankfurt – Borsigallee	Frankfurt	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Freiburg	Freiburg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Friedrichshafen	Friedrichshafen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Fulda	Fulda	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Gifhorn	Gifhorn	Germany	EUR	90.00
Media Markt TV-Hifi-Elektro GmbH Goslar	Goslar	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Göttingen	Göttingen	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Greifswald	Greifswald	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Gründau-Lieblos	Gründau-Lieblos	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Günthersdorf	Leuna	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Gütersloh	Gütersloh	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Halberstadt	Halberstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Halstenbek	Halstenbek	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Wandsbek	Hamburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Altona	Hamburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Billstedt	Hamburg-Billstedt	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Hamburg-Harburg	Hamburg-Harburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hamburg-Hummelsbüttel	Hamburg-Hummelsbüttel	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Hamburg-Nedderfeld	Hamburg-Nedderfeld	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hameln	Hameln	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Hannover-Vahrenheide	Hanover-Vahrenheide	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Hannover-Wülfel	Hanover-Wülfel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heide	Heide	Germany	EUR	90.00
MEDIA Markt TV-HiFi-Elektro GmbH Heidelberg	Heidelberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Heidelberg-Rohrbach	Heidelberg (Rohrbach)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heilbronn	Heilbronn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Henstedt-Ulzburg	Henstedt-Ulzburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Heppenheim	Heppenheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hildesheim	Hildesheim	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Hof	Hof	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Homburg/Saar	Homburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Hückelhoven	Hückelhoven	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Idar-Oberstein	Idar-Oberstein	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Itzehoe	Itzehoe	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Jena	Jena	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Kaiserslautern	Kaiserslautern	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Karlsfeld	Karlsfeld	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Karlsruhe	Karlsruhe	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Karlsruhe – Ettlinger Tor	Karlsruhe	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Kassel	Kassel	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Kempten	Kempten	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Kiel	Kiel	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Kirchheim	Kirchheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Koblenz	Koblenz	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Köln Hohe Straße	Cologne	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Köln-Chorweiler	Cologne	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Köln-Kalk	Cologne	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Köln-Marsdorf	Köln-Marsdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Konstanz	Konstanz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Krefeld	Krefeld	Germany	EUR	90.05

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Kulmbach	Kulmbach	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Lahr	Lahr	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landau/Pfalz	Landau	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landsberg/Lech	Landsberg am Lech	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Landshut	Landshut	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Leipzig Höfe am Brühl	Leipzig	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Leipzig-Paunsdorf	Leipzig	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Limburg	Limburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Lingen	Lingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Lübeck	Lübeck	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ludwigsburg	Ludwigsburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ludwigshafen	Ludwigshafen/Rh.	Germany	EUR	95.00
MEDIA MARKT TV-HiFi-Elektro GmbH Magdeburg	Magdeburg	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Magdeburg – Bördepark	Magdeburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Main-Taunus-Zentrum	Sulzbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mainz	Mainz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mannheim	Mannheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mannheim-Sandhofen	Mannheim-Sandhofen	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Marburg	Marburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Marktredwitz	Marktredwitz	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Meerane	Meerane	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Memmingen	Memmingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mönchengladbach	Mönchengladbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mühldorf/Inn	Mühldorf	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Mülheim	Mülheim/Ruhr-Dümpten	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH München-Haidhausen	Munich	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH München-Pasing	Munich	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH München-Solln	Munich-Solln	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Münster	Münster	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Nagold	Nagold	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neubrandenburg	Neubrandenburg	Germany	EUR	90.05

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Neuburg an der Donau	Neuburg an der Donau	Germany	EUR	100.00
Media Markt TV-HiFi-Elektro GmbH Neumünster	Neumünster	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Neunkirchen	Neunkirchen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neuss	Neuss	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neustadt an der Weinstraße	Neustadt/Weinstraße	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neu-Ulm	Neu-Ulm	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Neuwied	Neuwied	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Nienburg	Nienburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Nordhausen	Nordhausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Nordhorn	Nordhorn	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Nördlingen	Nördlingen	Germany	EUR	100.00
MEDIA Markt TV-HiFi-Elektro GmbH Nürnberg-Kleinreuth	Nuremberg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Nürnberg-Langwasser	Nuremberg	Germany	EUR	90.00
Media Markt TV-Hifi-Elektro GmbH Nürnberg-Schoppershof	Nuremberg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Offenburg	Offenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Oldenburg	Oldenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Oststeinbek	Oststeinbek	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Paderborn	Paderborn	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Papenburg	Papenburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Passau	Passau	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Peine	Peine	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Pforzheim	Pforzheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Pirmasens	Pirmasens	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Plauen	Plauen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Potsdam	Potsdam	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Ravensburg	Ravensburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Recklinghausen	Recklinghausen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Regensburg	Regensburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Rendsburg	Rendsburg	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Reutlingen	Reutlingen	Germany	EUR	90.05
MEDIA MARKT TV-HiFi-Elektro GmbH Rheine	Rheine	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Rosenheim	Rosenheim	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Rostock	Sievershagen b. Rostock	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Rostock-Brinckmansdorf	Rostock	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Saarbrücken	Saarbrücken	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Saarbrücken – Saarterrassen	Saarbrücken (Saarterrassen)	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Saarlouis	Saarlouis	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schiffdorf-Spaden	Schiffdorf-Spaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schwabach	Schwabach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schwedt	Schwedt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schweinfurt	Schweinfurt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Schwerin	Schwerin	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Siegen	Siegen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Sindelfingen	Sindelfingen	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Singen	Singen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Sinsheim	Sinsheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Speyer	Speyer	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stade	Stade	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stralsund	Stralsund	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Straubing	Straubing	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Stuhr	Stuhr	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stuttgart – Mailänder Platz	Stuttgart	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stuttgart-Feuerbach	Stuttgart-Feuerbach	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Stuttgart-Vaihingen	Stuttgart-Vaihingen	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Traunreut	Traunreut	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Traunstein	Traunstein	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Trier	Trier	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Ulm	Ulm	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Velbert	Velbert	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Viernheim	Viernheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Waltersdorf bei Berlin	Schönefeld/OT Waltersdorf	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Weiden	Weiden	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt TV-HiFi-Elektro GmbH Weilheim	Weilheim	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Weiterstadt	Weiterstadt	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wetzlar	Wetzlar	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wiesbaden	Wiesbaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wiesbaden – Äppelallee	Wiesbaden	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wolfsburg	Wolfsburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Worms	Worms	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Wuppertal	Wuppertal	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Würzburg	Würzburg	Germany	EUR	90.05
Media Markt TV-HiFi-Elektro GmbH Würzburg – Alfred-Nobel-Straße	Würzburg	Germany	EUR	90.00
MEDIA MARKT TV-HiFi-Elektro GmbH Zella-Mehlis	Zella-Mehlis	Germany	EUR	90.00
Media Markt TV-HiFi-Elektro GmbH Zwickau	Zwickau	Germany	EUR	90.05
MEDIA Markt TV-HiFi-Elektro Licht GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
MEDIA MARKT TV-Hifi-Elektro Wien XI Gesellschaft m.b.H.	Vienna-Simmering	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Wien XIII GmbH	Vienna	Austria	EUR	90.00
MEDIA MARKT TV-Hifi-Elektro Wien XXI Gesellschaft m.b.H.	Vienna	Austria	EUR	90.00
MEDIA MARKT Twee Torens Hasselt NV	Hasselt	Belgium	EUR	90.00
Media Markt Umeå TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Uppsala TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Utrecht Hoog Catharijne B.V.	Utrecht	Netherlands	EUR	90.10
Media Markt Utrecht The Wall B.V.	Utrecht	Netherlands	EUR	95.24
MEDIA MARKT VALENCIA COLON SA	Valencia	Spain	EUR	99.90
MEDIA MARKT VALÈNCIA-CAMPANAR VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Valencia	Spain	EUR	99.90
MEDIA MARKT VALLADOLID VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, SA	Valladolid	Spain	EUR	99.90
Media Markt Västerås TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Växjö TV-Hifi-Elektro AB	Stockholm	Sweden	SEK	100.00
Media Markt Venlo B.V.	Venlo	Netherlands	EUR	90.10
MEDIA MARKT VIGO VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO S.A.	Vigo	Spain	EUR	99.90
MEDIA MARKT VITORIA-GASTEIZ VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Vitoria	Spain	EUR	99.90
Media Markt Vöcklabruck TV-Hifi-Elektro GmbH	Vöcklabruck	Austria	EUR	90.00
Media Markt Wels TV-Hifi-Elektro GmbH	Wels	Austria	EUR	90.00
MEDIA MARKT-West End Video TV Hifi Elektro Photo Computer Kereskedelmi Kft.	Budapest	Hungary	HUF	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Media Markt Wholesale B.V.	Rotterdam	Netherlands	EUR	100.00
Media Markt Wien III TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wien XV TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wien XXII TV-Hifi-Elektro GmbH	Vienna	Austria	EUR	90.00
Media Markt Wilrijk NV	Wilrijk	Belgium	EUR	90.00
MEDIA MARKT Wörgl TV-Hifi-Elektro GmbH	Wörgl	Austria	EUR	90.00
MEDIA MARKT XCV TV-HiFi-Elektro GmbH Ingolstadt	Ingolstadt	Germany	EUR	100.00
Media Markt Zaandam B.V.	Zaandam	Netherlands	EUR	90.10
MEDIA MARKT ZARAGOZA PUERTO VENEZIA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A.	Saragossa	Spain	EUR	99.90
MEDIA MARKT ZARAGOZA VIDEO-TV-HIFI-ELEKTRO-COMPUTER-FOTO, S.A	Saragossa	Spain	EUR	99.90
Media Markt Zell am See TV-Hifi-Elektro GmbH	Zell am See	Austria	EUR	90.00
Media Markt Zoetermeer B.V.	Zoetermeer	Netherlands	EUR	100.00
Media Markt Zürich AG	Zurich	Switzerland	CHF	90.00
Media Markt zwei TV-HiFi-Elektro GmbH Dresden-Prohlis	Dresden-Prohlis	Germany	EUR	90.00
MEDIA MARKT Zwijnaarde NV	Gent	Belgium	EUR	90.00
Media Markt Zwolle B.V.	Zwolle	Netherlands	EUR	90.10
MEDIA MARKTPARETS DEL VALLES SA	Parets del Vallès	Spain	EUR	99.90
MEDIA MARKT-SATURN BELGIUM NV	Asse-Zellik	Belgium	EUR	99.99
Media Saturn – Servicos de Apoio Adminstrativo, Lda.	Lisbon	Portugal	EUR	90.00
Media Saturn Electronics Hellas Commercial and Holding Anonymi Eteria	Maroussi	Greece	EUR	93.61
Media Saturn Holding Polska Sp. z o.o.	Warsaw	Poland	PLN	100.00
Media Saturn LogistykaSpółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
MEDIA SATURN MULTICHANNEL S.A.U	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Media Saturn Online Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Mediamarket S.p.A.con Socio Unico	Curno	Italy	EUR	100.00
MEDIA-Markt TV-HiFi-Elektro GmbH Aachen	Aachen	Germany	EUR	90.00
MediaMarktSaturn Beschaffung und Logistik GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Markenlizenz GmbH	Munich	Germany	EUR	100.00
MediaMarktSaturn Markenservice GmbH & Co. KG	Munich	Germany	EUR	100.00
MediaMarktSaturn Markenservice Holding GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Markenservice Verwaltungs-GmbH	Munich	Germany	EUR	100.00
MediaMarktSaturn Marketing GmbH	Munich	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MediaMarktSaturn Retail Cooperation GmbH	Ingolstadt	Germany	EUR	100.00
MediaMarktSaturn Wholesale GmbH	Vösendorf	Austria	EUR	100.00
MediaOnline GmbH	Ingolstadt	Germany	EUR	100.00
MEDIA-SATURN (PORTUGAL), SGPS, UNIPESSOAL LDA	Lisbon	Portugal	EUR	100.00
Media-Saturn Beteiligungen Polska GmbH	Ingolstadt	Poland	EUR	100.00
Media-Saturn Deutschland Beteiligungsgesellschaft mbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Deutschland GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn e-handel Sverige AB	Stockholm	Sweden	SEK	100.00
Media-Saturn Helvetia Holding GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Holding Norway AS	Oslo	Norway	NOK	100.00
Media-Saturn Holding Sweden AB	Stockholm	Sweden	SEK	100.00
Media-Saturn Internationale Beteiligungen GmbH	Munich	Germany	EUR	100.00
Media-Saturn IT Services GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn Marketing GmbH	Munich	Germany	EUR	100.00
Media-Saturn Nordic Shared Services AB	Stockholm	Sweden	SEK	100.00
media-saturn-e-business GmbH	Ingolstadt	Germany	EUR	100.00
Media-Saturn-Holding GmbH	Ingolstadt	Germany	EUR	78.38
Mellifera Vierte Beteiligungsgesellschaft mbH	Wolnzach	Germany	EUR	100.00
MMS Alliance GmbH	Munich	Germany	EUR	100.00
MMS Connect B.V.	Rotterdam	Netherlands	EUR	90.10
MMS Coolsingel BV	Rotterdam	Netherlands	EUR	90.10
MMS ERA Holdco B.V.	Rotterdam	Netherlands	EUR	100.00
MMS ONLINE BELGIUM NV	Zellik	Belgium	EUR	99.90
MMS Online Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
MS CE Retail GmbH	Düsseldorf	Germany	EUR	100.00
MS E-Business Concepts & Service GmbH	Ingolstadt	Germany	EUR	100.00
MS E-Commerce GmbH	Vösendorf	Austria	EUR	100.00
MS E-Commerce Kereskedelmi Korlátolt Feleősségű Társaság	Budapest	Hungary	HUF	100.00
MS Multichannel Retailing Ges.m.b.H.	Vösendorf	Austria	EUR	100.00
MS New CO Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	99.90
MS Powerservice GmbH	Vösendorf	Austria	EUR	100.00
MWFS Zwischenholding GmbH & Co. KG	Düsseldorf	Germany	EUR	100.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
MWFS Zwischenholding Management GmbH	Düsseldorf	Germany	EUR	100.00
my-xplace GmbH	Göttingen	Germany	EUR	75.10
OOO MEDIA-SATURN TRANSACTION SERVICES RUS	Moscow	Russia	RUB	100.00
OOO xplace	Moscow	Russia	RUB	100.00
Option 5 B.V.	Goes	Netherlands	EUR	100.00
PayRed Card Services AG	Dietikon	Switzerland	CHF	100.00
Power Service GmbH	Cologne	Germany	EUR	100.00
PowerService Nederland B.V.	Rotterdam	Netherlands	EUR	100.00
red blue Marketing GmbH	Munich	Germany	EUR	100.00
redblue services GmbH	Munich	Germany	EUR	100.00
Redcoon Benelux B. V.	Tilburg	Netherlands	EUR	100.00
REDCOON ELECTRONIC TRADE, S.L.	El Prat de Llobregat, Barcelona	Spain	EUR	100.00
Redcoon GmbH	Aschaffenburg	Germany	EUR	100.00
redcoon GmbH	Vienna	Austria	EUR	100.00
REDCOON ITALIA S.R.L.	Turin	Italy	EUR	100.00
redcoon Logistics GmbH	Jena	Germany	EUR	100.00
REDCOON POLSKA Sp. z o.o.	Warsaw	Poland	PLN	100.00
redcoon.pl Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	PLN	100.00
Retail Media Group GmbH	Düsseldorf	Germany	EUR	75.01
RTS Elektronik Systeme GmbH	Wolnzach	Germany	EUR	100.00
RTS POLSKA SPOLKA Z ograniczoną odpowiedzialnością (in liquidation)	Posen	Poland	EUR	90.00
RTS Service Solutions GmbH & Co. KG	Wolnzach	Germany	EUR	100.00
RTS Service Solutions Verwaltungs GmbH	Wolnzach	Germany	EUR	100.00
Saturn Athens III Commercial Anonymi Eteria	Maroussi	Greece	EUR	90.00
Saturn Electro-Handelsges.m.b.H.	Salzburg	Austria	EUR	90.00
Saturn Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Electro-Handelsges.m.b.H.	Graz	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft m.b.H.	Wiener Neudorf	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft m.b.H.	Linz	Austria	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH	Karlsruhe	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Ansbach	Ansbach	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Augsburg	Augsburg	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Saturn Electro-Handelsgesellschaft mbH Bad Homburg	Bad Homburg v.d. Höhe	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bad Oeynhausen	Bad Oeynhausen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbh Baunatal	Baunatal	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin I	Berlin (Alexanderplatz)	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Charlottenburg	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Gesundbrunnen	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Köpenick	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin – Leipziger Platz	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin – Märkische Zeile	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Marzahn	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Reinickendorf	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin – Schloßstraße	Berlin	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Berlin-Spandau	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Treptow	Berlin	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Berlin-Zehlendorf	Berlin	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bielefeld	Bielefeld	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Bocholt	Bocholt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bochum	Bochum	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Braunschweig	Brunswick	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bremen	Bremen	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Bremen-Habenhausen	Bremen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Bremerhaven	Bremerhaven	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Celle	Celle	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Chemnitz	Chemnitz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Chemnitz-Zentrum	Chemnitz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Darmstadt	Darmstadt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Dessau	Dessau	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Dortmund	Dortmund	Germany	EUR	90.01
Saturn Electro-Handelsgesellschaft mbH Dortmund-Eving	Dortmund-Eving	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Dresden	Dresden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Duisburg	Duisburg	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Saturn Electro-Handelsgesellschaft mbH Erfurt	Erfurt	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Erlangen	Erlangen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Essen City	Essen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Essen-Steele	Essen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Esslingen	Esslingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Euskirchen	Euskirchen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Flensburg	Flensburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Frankfurt/Main	Frankfurt	Germany	EUR	90.04
Saturn Electro-Handelsgesellschaft mbH Freiburg	Freiburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Freising	Freising	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Fürth	Fürth	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Gelsenkirchen	Gelsenkirchen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Gelsenkirchen-Buer	Gelsenkirchen-Buer	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Gießen	Gießen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Göttingen	Göttingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Gummersbach	Gummersbach	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hagen	Hagen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hamburg-Altstadt	Hamburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hamm	Hamm	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hanau	Hanau	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hannover	Hanover	Germany	EUR	90.01
Saturn Electro-Handelsgesellschaft mbH Heidelberg	Heidelberg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Herford	Herford	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hilden	Hilden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Hildesheim	Hildesheim	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Ingolstadt	Ingolstadt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Isernhagen	Isernhagen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Jena	Jena	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kaiserslautern	Kaiserslautern	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Karlsruhe-Durlach	Karlsruhe	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kassel	Kassel	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kempten	Kempten	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Saturn Electro-Handelsgesellschaft mbH Kerpen	Kerpen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kiel	Kiel	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Kleve	Kleve	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Koblenz	Koblenz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Krefeld	Krefeld	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Landshut	Landshut	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leipzig	Leipzig	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leipzig-Hauptbahnhof	Leipzig/Hbf.	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Leonberg	Leonberg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lübeck	Lübeck	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lüdenscheid	Lüdenscheid	Germany	EUR	90.09
Saturn Electro-Handelsgesellschaft mbH Ludwigsburg	Ludwigsburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Ludwigshafen	Ludwigshafen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Lünen	Lünen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Magdeburg	Magdeburg	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Mainz	Mainz	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Mannheim	Mannheim	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Marl	Marl	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Moers	Moers	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Mülheim	Mülheim an der Ruhr	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH München	Munich	Germany	EUR	90.07
Saturn Electro-Handelsgesellschaft mbH München-Riem	Munich	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Münster	Münster	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Neckarsulm	Neckarsulm	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Neu-Isenburg	Neu-Isenburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Norderstedt	Norderstedt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Nürnberg	Nuremberg	Germany	EUR	90.01
Saturn Electro-Handelsgesellschaft mbH Oberhausen	Oberhausen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Oldenburg	Oldenburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Osnabrück	Osnabrück	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Paderborn	Paderborn	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Passau	Passau	Germany	EUR	90.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Saturn Electro-Handelsgesellschaft mbH Pforzheim	Pforzheim	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Potsdam	Potsdam	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Regensburg	Regensburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Remscheid	Remscheid	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Reutlingen	Reutlingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Rostock	Rostock	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH S050	Ingolstadt	Germany	EUR	100.00
Saturn Electro-Handelsgesellschaft mbH Saarbrücken	Saarbrücken	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Senden	Senden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Solingen	Solingen	Germany	EUR	90.05
Saturn Electro-Handelsgesellschaft mbH Stuttgart	Stuttgart	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Stuttgart-City	Stuttgart	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Troisdorf	Troisdorf	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Tübingen	Tübingen	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Weimar	Weimar	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Weiterstadt	Weiterstadt	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Wesel	Wesel	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Wiesbaden	Wiesbaden	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Wolfsburg	Wolfsburg	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mbH Zwickau	Zwickau	Germany	EUR	90.00
Saturn Electro-Handelsgesellschaft mit beschränkter Haftung	Cologne	Germany	EUR	100.00
Saturn Gerasdorf Electro-Handelsges.m.b.H.	Gerasdorf	Austria	EUR	90.00
Saturn Graz V VertriebsgmbH	Graz	Austria	EUR	90.00
Saturn Haid Electro-Handelsges.m.b.H.	Haid	Austria	EUR	90.00
Saturn Innsbruck Electro-Handeslges.m.b.H.	Innsbruck	Austria	EUR	90.00
Saturn Klagenfurt Electro-Handelsges.m.b.H.	Klagenfurt	Austria	EUR	90.00
Saturn Luxembourg S.A.	Luxembourg	Luxembourg	EUR	90.00
Saturn Marketing GmbH	Munich	Germany	EUR	100.00
Saturn Mega Markt GmbH Wuppertal	Wuppertal	Germany	EUR	90.05
Saturn online GmbH	Ingolstadt	Germany	EUR	100.00
Saturn Planet Sp. z o.o. 11 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Saturn Planet Sp. z o.o. 16 Spółka Komandytowa	Warsaw	Poland	PLN	99.00

Consolidated subsidiaries

Company name	Head office	Country	Currency	% capital share
Saturn Planet Sp. z o.o. 19 Spółka Komandytowa	Warsaw	Poland	PLN	99.00
Saturn Techno-Electro-Handelsgesellschaft mbH	Cologne	Germany	EUR	100.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	St. Augustin	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Düren	Germany	EUR	63.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Mönchengladbach	Germany	EUR	90.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Neuss	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Leverkusen	Germany	EUR	90.09
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Aachen	Germany	EUR	63.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Cologne	Germany	EUR	90.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Siegen	Germany	EUR	90.01
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Hürth	Germany	EUR	90.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH	Bergisch Gladbach	Germany	EUR	90.20
Saturn Techno-Markt Electro-Handelsgesellschaft mbH Düsseldorf-Flingern	Düsseldorf	Germany	EUR	81.00
Saturn Techno-Markt Electro-Handelsgesellschaft mbH Düsseldorf - Königsallee	Düsseldorf	Germany	EUR	90.00
Saturn Thessaloniki II Comercial Anonymi Eteria	Maroussi	Greece	EUR	90.00
Saturn Wien X VertriebsgmbH	Vienna	Austria	EUR	90.00
Saturn Wien XIV Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Wien XX VertriebsgmbH	Vienna	Austria	EUR	90.00
Saturn Wien XXII Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn Wien XXIII Electro-Handelsges.m.b.H.	Vienna	Austria	EUR	90.00
Saturn-Mega Markt GmbH Halle	Halle	Germany	EUR	90.05
Saturn-Mega Markt GmbH Trier	Trier	Germany	EUR	90.05
Silver Ocean B. V.	Amsterdam	Netherlands	EUR	100.00
SmartWorld Services GmbH (in liquidation)	Wolnzach	Germany	EUR	100.00
Tec-Repair GmbH	Wolnzach	Germany	EUR	100.00
Tertia Handelsbeteiligungsgesellschaft mbH	Cologne	Germany	EUR	60.00
X Place Spain SL	Barcelona	Spain	EUR	100.00
XPLACE DIJITAL COZÜM TICARET LIMITED SIRKETI	Istanbul	Turkey	TRY	100.00
xplace GmbH	Göttingen	Germany	EUR	58.04
XPLACE ITALY S.R.L.	Pianoro	Italy	EUR	100.00
XPLACE UK LIMITED	London	England	GBP	100.00
Zes Repair B.V.	Goes	Netherlands	EUR	100.00

Investments accounted for using the equity method

Company name	Head office	Country	Currency	% capital share
Fnac Darty S.A.	Ivry-sur Seine	France	EUR	24.08
European Retail Alliance B.V.	Rotterdam	Netherlands	EUR	50.00
Juke Nederland B.V.	Rotterdam	Netherlands	EUR	50.00
Peoplefone Polska Spółka Akcyjna	Warsaw	Poland	PLN	49.00

Investments

Company name	Head office	Country	Currency	% capital share
DTB Deutsche Technikberatung GmbH	Cologne	Germany	EUR	80.00[1]
7digital Group Plc	London	United Kingdom	GBP	12.65
Digitales Gründerzentrum der Region Ingolstadt GmbH	Ingolstadt	Germany	EUR	6.00
Flip4 GmbH	Friedrichsdorf	Germany	EUR	22.17
IFH Institut für Handelsforschung GmbH	Cologne	Germany	EUR	14.29
METRO AG	Düsseldorf	Germany	EUR	6.41
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	EUR	6.61
Public Joint-Stock Company “M.video”	Moscow	Russia	RUB	15.00

[1] No full consolidation and not accounted for using the equity method due to minor materiality for the earnings, financial and asset position

30 November 2018

The Management Board


Mark Frese


Dr Dieter Haag Molkenteller

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group.

30 November 2018

The Management Board

Mark Frese

Dr Dieter Haag Molkenteller

INDEPENDENT AUDITOR'S REPORT

TO CECONOMY AG, DÜSSELDORF

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of CECONOMY AG and its subsidiaries ('the Group' or 'CECONOMY') – which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated income statement, the reconciliation from profit or loss for the period to total comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 October 2017 to 30 September 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of CECONOMY for the financial year from 1 October 2017 to 30 September 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2018, and of its financial performance for the financial year from 1 October 2017 to 30 September 2018, and

– the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report' section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2017 to 30 September 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

SALE OF THE MEDIAMARKT RUSSIA BUSINESS UNIT IN CONJUNCTION WITH ACQUISITION OF A 15% INVESTMENT IN PJSC M.VIDEO

For the accounting policies applied, we refer to the disclosures in the notes in the 'Notes to the Group accounting principles and methods' section on 'Non-current assets held for sale, liabilities related to assets held for sale and discontinued operations'. Information on the sale of the MediaMarkt Russia business unit is included in the notes to the consolidated financial statements under no. 30: 'Assets held for sale/liabilities related to assets held for sale'.

Financial statement risk

CECONOMY concluded an agreement on 20 June 2018 on the acquisition of an indirect 15% investment in the Russian company PJSC M.video. In return, it was agreed to contribute the MediaMarkt Russia business unit along with an additional cash payment of EUR 258 million. The MediaMarkt Russia business unit was therefore classified as a discontinued operation pursuant to IFRS 5.

The sale of the discontinued operation was completed in the fourth quarter of 2017/18. The sales contract provides for a purchase price reimbursement depending on the future development of specific financial ratios at PJSC M.video. However, CECONOMY currently does not assume that there will be any reimbursement so that no such financial assets were recognised as at 30 September 2018. CECONOMY reported an after-tax loss from discontinued operations of EUR 296 million in the 2017/18 financial year.

Classification of the MediaMarkt Russia business unit as a discontinued operation rather than a disposal group of assets and related liabilities pursuant to IFRS 5 is complex and subject to judgement. The disclosures in the notes to the consolidated financial statements concerning the discontinued operation are also complex.

There is the risk for the consolidated financial statements that the discontinued operation was not appropriately identified as such and thus that its presentation as a discontinued operation in the income statement is incorrect. In addition, there is a risk that expenses and income were not properly allocated and the net gain or loss on disposal was not accurately calculated. There is the risk that the disclosures in the notes to the consolidated financial statements regarding the discontinued operation are not appropriate.

Our audit approach

We initially assessed whether classification and disclosure of the MediaMarkt Russia business unit as a discontinued operation pursuant to IFRS 5 were appropriate. For this purpose, we spoke with the Management Board and the department involved and assessed internal and external reporting. Furthermore, we assessed whether the allocation of income and expenses to the discontinued operation was correct. We verified the accuracy of how earnings from disposal were determined, by comparing the purchase price with the disposal carrying amount of the identified assets and liabilities of the discontinued operation.

Furthermore, we evaluated whether the explanations in the notes to the consolidated financial statements regarding the discontinued operation were appropriate.

Our conclusions
The classification and disclosure of the MediaMarkt Russia business unit as a discontinued operation pursuant to IFRS 5 are appropriate. Income and expenses of the discontinued operation were appropriately allocated and the gain on disposal properly calculated. The explanations in the notes to the consolidated financial statements on the discontinued operation are appropriate.

VALUATION OF INVENTORIES

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Notes to the Group accounting principles and methods' concerning inventories. In addition, we refer to note 25 ('Inventories').

Financial statement risk
The statement of financial position as at 30 September 2018 reports inventories in the amount of EUR 2,480 million, including write-downs in an amount of EUR 116 million.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition due to subsequent compensation) must be reduced in value if the inventories are damaged, fully or partially obsolete or if their expected net realisable values no longer cover cost. The determination of net realisable values as an upper limit is subject to judgement. Net realisable value requires in part forward-looking estimates with regard to the amounts that are expected to be realised when selling the inventories. There is the risk for the consolidated financial statements that inventories are overvalued due to unidentified write-down requirements.

Our audit approach
Based on our understanding of the process used to test the recoverability of inventories, we assessed the setup, design and functionality of the identified internal controls, especially in terms of the calculation of expected net realisable values.

We verified the computational accuracy of the calculations to determine net realisable value and write-downs for inventory items selected according to risk and size. We assessed the appropriateness of the expected net realisable values and write-down rates applied using CECONOMY's historical and empirical values, among other factors.

Our conclusions
The assumptions underlying the net realisable values and the judgements exercised by the Management Board are appropriate and reasonable.

RECOGNITION OF COMPENSATION FROM SUPPLIERS

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Notes to the Group accounting principles and methods' under 'Other notes' – Receivables due from suppliers'. In addition, we refer to note 23 'Receivables due from suppliers, other financial and non-financial assets'.

Financial statement risk
The Group's statement of financial position as at 30 September 2018 reported receivables from suppliers of EUR 1,239 million.

CECONOMY Group companies conclude agreements with suppliers on purchasing terms and conditions. These include agreements on subsequent discounts, rebates and other compensation granted by suppliers to CECONOMY. Presentation of these agreements in the statement of financial position and income statement requires some judgments and assumptions, such as on achieving calendar year targets due to the reporting date deviating from the calendar year, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements. There is the risk for the consolidated financial statements that compensation from suppliers is recognised without an underlying agreement. There is also the risk that the level of compensation realised from suppliers was estimated inaccurately so that the amount recognised for receivables from suppliers is too high.

Our audit approach
We examined the process for recording and documenting supplier agreements and the setup and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount of supplier compensation.

We confirmed the underlying supplier agreements for a selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the statement of financial position and income statement by evaluating the contractual arrangements. To that end, we scrutinised factors such as the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

Our conclusions
The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

The assumptions used to assess the level of realisation of uninvoiced compensation from suppliers are appropriate.

MEASUREMENT OF THE PROVISION FOR STORE-RELATED RISKS AND IMPAIRMENT OF LEASEHOLD IMPROVEMENTS

For the accounting policies applied, we refer to the disclosures in the notes in the section 'Notes to the Group accounting principles and methods' concerning (other) provisions. In addition, we refer to note 33 on 'Other provisions (non-current)/provisions (current)'.

Financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2018 include provisions for store-related risks in the amount of EUR 42 million for leases for operating stores for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contract). In addition, the consolidated financial statements of CECONOMY recognise other equipment, operating and office equipment of EUR 753 million, which also includes leasehold improvements for operating stores. If the carrying amount of leasehold improvements exceeds their recoverable amount, an impairment loss is recognised.

Measurement of the provision and impairment testing of leasehold improvements are typically based on the present value of future cash flows expected to be generated at each store, which is determined using the discounted cash flow method. Future cash flows are determined on the basis of multi-year plans for the individual stores.

This measurement is highly dependent on the Company's estimates of future cash flows and therefore subject to considerable uncertainty and judgement, especially in view of the multi-year planning horizon typically used. There is the risk for the financial statements that provisions for store-related risks are inaccurately measured and leasehold improvements at operating facilities are impaired.

Our audit approach
We evaluated the appropriateness of implemented controls to ensure proper planning. In particular, we examined the approval of plans by the responsible committees.

Furthermore, we confirmed the appropriateness of valuation models as well as material assumptions and data. We established whether the plans are reasonable through approaches including a comparison of current performance with past performance (assessment of the quality of planning in the past), internal company expectations and sector information. Furthermore, we evaluated the consistency of planning using information obtained in the course of the audit. We critically evaluated improvements in earnings due to reductions in space that were taken into account in planning as well as strategic measures. In addition, we assessed the valuation models for the measurement policies applied as well as computational and formal accuracy.

Our conclusions
The valuation models applied by the Company are consistent with the IFRS measurement policies to be applied and the Management Board's assumptions are appropriate.

RECOGNITION OF REVENUE FROM CONTRACT NEGOTIATION

For the accounting policies applied, we refer to the disclosures in the notes in the section entitled 'Notes to the Group accounting principles and methods' on 'Recognition of income and expenses'. Disclosures on the amount of revenue from services can be found under note 1 'Revenues'.

Financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2018 present income from the provision of services for the reporting period in the amount of EUR 1,478 million, which also includes revenue from contract negotiation.

CECONOMY negotiates contracts with customers for various service providers. These service providers are mainly mobile communication providers, financing banks and insurance companies. In return, CECONOMY receives commission from the service providers, which is recognised as revenue.

The negotiated (brokered) contracts include complex arrangements and a number of individual agreements, in which CECONOMY receives, as consideration for its brokerage services, a proportionate share of the future revenue generated by the providers with end customers on a continuing basis. There is the risk for the consolidated financial statements that revenue from contract negotiation is estimated inaccurately or recognised without the entitlement to do so.

Our audit approach
We examined the process for recognising and documenting revenue from contract negotiation and the setup and design of the identified internal controls.

We confirmed the underlying agreements and their renewal for a selection of deferrals and receivables from providers based on size and risk, and assessed the recognition of revenue in the statement of financial position and income statement. To that end, we took approaches such as a critical review of the underlying assumptions and data used to recognise deferred receivables from providers taking into account past experience.

Our conclusions
Revenue from contract negotiation is being recognised in line with the underlying agreements; the deferred income from future shares in the revenue of providers with end customers has been properly estimated.

Other Information

The Management Board is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

In accordance with our engagement, we conducted a separate assurance engagement of the non-financial report. Please refer to our assurance report dated 30 November 2018 for information on the nature, scope and findings of this assurance engagement.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its legal compliance and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 14 February 2018 and engaged by the Supervisory Board on the same date. We have been the group auditor of CECONOMY AG without interruption since the 2005 financial year.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Gereon Lurweg.

Cologne, 30 November 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

(Signature) Lurweg	(Signature) Bornhofen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SEPARATE NON-FINANCIAL GROUP REPORT

COMMITMENT OF THE MANAGEMENT BOARD

We are facing significant economic, ecological and social challenges - climate change, scarcity of resources, and demographic change affect CECONOMY just as much as change and increasing competition in our industry. We accept these challenges and are consistently working on sustainable solutions. We are aware that our business activities also have negative effects on the climate, environment and resources. We are also familiar with the social problems that can arise along a long and globally branched supply chain. However, we also know that a stronger commitment to sustainability offers opportunities for our Company. We see an extended consideration of the impact of our business on the environment and society as both active risk management and an opportunity to identify new business opportunities. For these reasons, we assume responsibility and integrate sustainability into our core business. This is also the clear expectation of our employees, customers, business partners and investors.

With our sustainability strategy, we want to address these challenges and anchor sustainability in the Company. The strategy is based on the Sustainable Development Goals (SDGs) of the United Nations, which serve as guidelines for sustainable development and which we see as our mission. We are working systematically to contribute to our global goals while minimising the negative impact of our operations.

Partnerships are crucial here. Sustainability can only succeed if we work together with our stakeholders to find solutions for our Company, our industry and society.

Since this financial year, CECONOMY has been legally obligated to record and report information on non-financial topics. We see this as an opportunity to communicate our ambitions, goals and measures and to and to measure our progress. The feedback we receive from our stakeholders helps us to develop and constantly improve.

CECONOMY AG Management Board

Mark Frese

Dr Dieter Haag Molkenteller

SUSTAINABILITY STRATEGY AND KEY TOPICS

About this report

In accordance with the "Law on strengthening the non-financial reporting of companies in their management and Group management report (CSR Directive Implementation Act, CSR-DIA)", we have prepared a Separate non-financial Group report for the financial year 2017/18 in accordance with § 315b and 315c German Commercial Code [HGB] in connection with 289c to 289e HGB for the CECONOMY Group. In the course of a materiality analysis of the aspects reported, we have identified those non-financial matters that are necessary for an understanding of the business development, the results of operations and the position of the Company and on which the business activities of CECONOMY have a significant impact.

↗ You can find more information on materiality analysis in the sustainability strategy and management segment.

The Separate non-financial Group report contains important information about CECONOMY AG and its largest investment, MediaMarktSaturn Retail Group (MMSRG), the five legally required aspects of environmental concerns, employee concerns, social concerns, respect of human rights and fighting corruption and bribery. Unless otherwise explicitly noted, MMSRG is reported on in the context of materiality as, within CECONOMY, it makes up the most important share measured in terms of sales, number of employees and the impacts on the environment and society.

In particular, this report is based on the standards of the Global Reporting Initiative (GRI Standards 2016) when describing the concepts and portrayal of different performance indicators (KPIs). References to information included and not included in the combined management report is, with the exception of the description of the business model, additional information and is not included in the Separate non-financial Group report.

The contents of this statement have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000 with limited assurance.

↗ See Independent Auditor's Report.

Reported matters

Aspects according to the CSR-DIA	Assignment of important topics
Environmental concerns	Energy and resource management
	Climate protection
Employee concerns	Employee development
	Work and social conditions
	Diversity
Social concerns	Innovation and new business models
	Sustainable products and services
	Brand management and customer communication
	Data protection and information security
Respect of human rights	Sustainability in supplier management
	Work and social conditions
	Diversity
Fighting corruption and bribery	Opportunity and risk management
	Compliance

Business model

↗ The required description of our business model can be found in the combined management report in the chapter Group business model.

Sustainability strategy and sustainability management

Our understanding of sustainability

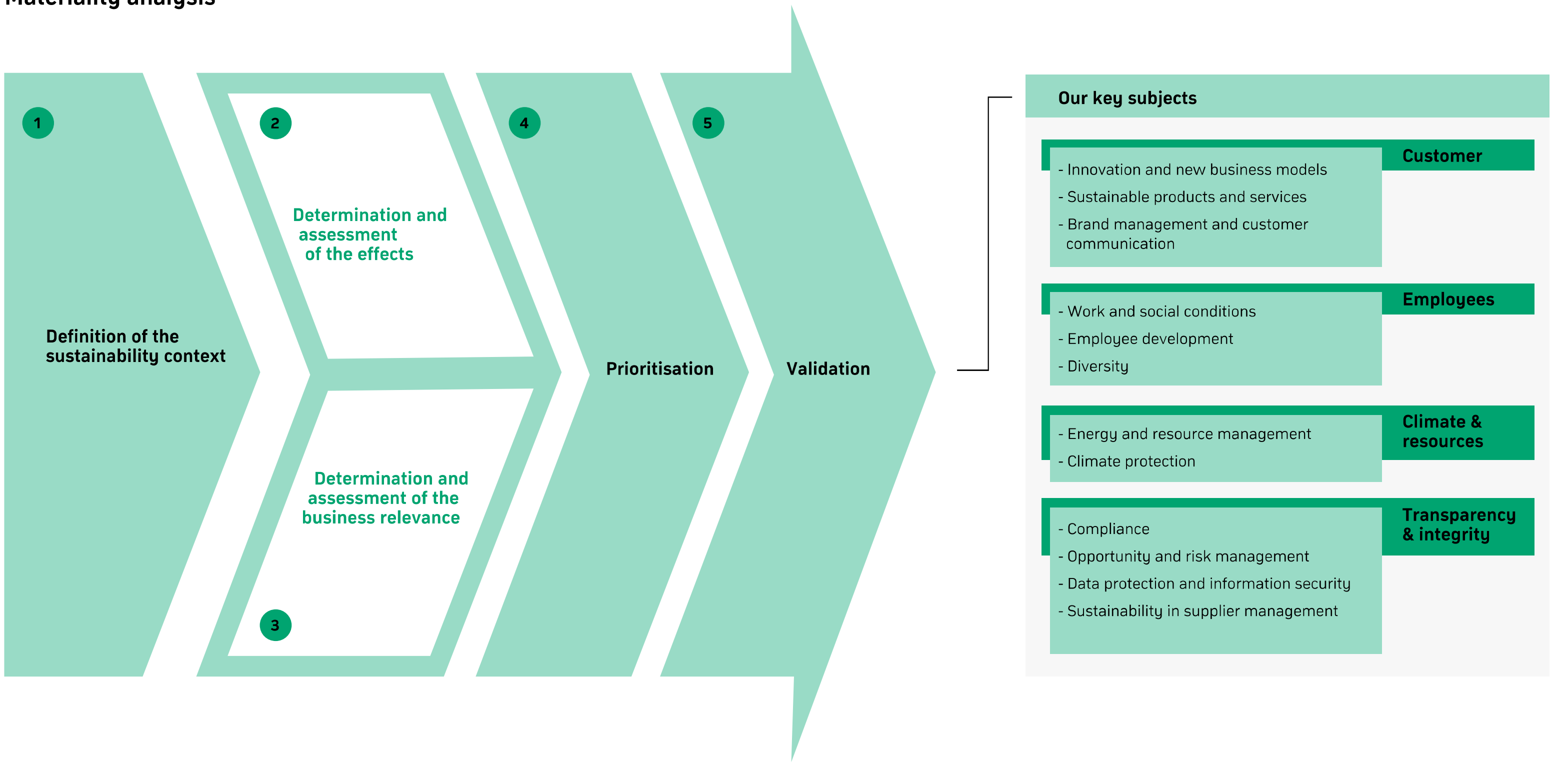
The way in which our Company grows and creates value is essential for us. In order to also achieve long-term success, we must and want to harmonise CECONOMY's business activity along the entire value chain with ecological, social and legal framework conditions. For this reason, we will also inform all our direct suppliers and business partners about our sustainability requirements and at the same time, inform ourselves about their sustainability performance. With the market leader MediaMarktSaturn at the core of our activities, CECONOMY is also a model for the entire industry sector – we have ensured that we designed and shaped our management in a responsible and sustainable manner.

Materiality analysis

With the materiality analysis carried out in the reporting period, we identified both the central strategic approach for our further development and determined the reporting content for our Separate non-financial report according to the CSR-DIA.

According to the definition of the application area, potentially relevant topics were identified in the form of a long list which we then grouped into logical clusters. This sustainability context formed the basis for the further analysis steps (diagram point 1). To be able to make well-founded statements regarding our effects in terms of the environment and society (diagram point 2), and corporate relevance (diagram point 3), we conducted and systematically evaluated over 30 interviews with different managers in the Company. Based on the assessment of the effects and corporate relevance, we prioritised certain areas (diagram point 4): we identified topics where, as a result of our business activity, we have a great impact on the environment and society and which, at the same time, are of great corporate relevance for the Company. The CECONOMY AG Management Board and MMSRG management validated and refined the result (diagram point 5). As a result, we identified twelve topics for which we will present our approaches with resulting concepts and measures in this Separate non-financial Group report.

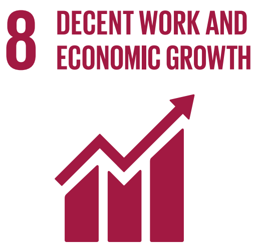
Materiality analysis



Global sustainability objectives

With the 17 Sustainable Development Goals (SDGs), the United Nations set a clear plan as to how sustainable corporate development is to be designed in consideration of ecological limits. We view these global sustainability goals as a mission, which is why we have set the goal of linking our business model to the SDGs. This means: we want to bolster our positive influence whilst systematically reducing negative effects.

With a view to our business model and our influence, we used the materiality analysis to identify five SDGs on which we have a particular effect. We want to make a contribution to meeting these important objectives, which is why we have put them into concrete terms in our own guiding principles. We work on them continuously, because we know there is still much to do.



SDG 8: DECENT WORK AND ECONOMIC GROWTH

As an employer with around 59,000 employees worldwide, we consider it our duty to provide them with a safe and attractive working environment. In doing so, we also take care to ensure that our suppliers also comply with and promote environmental and social standards. We design our Company growth to be sustainable, meaning that we can contribute to the local economy. We support increasing economic productivity by specifically promoting technological innovations.

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Promoting innovations and new business models is one of our core competencies. Digitalisation in particular is a catalyst for significant transformation processes. It likewise offers us new solutions for the challenges of the present and future, for example, with innovations we can contribute to reducing the consumption of resources and energy and sustainably create value.

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

As a leading European platform in the area of consumer electronics, it is our duty to create added value for consumers whilst developing solutions for ecological and societal challenges. With approximately six million customer interactions every day, we can and want to design the market for the sustainable solutions in our industry sector. We take the expectations, desires and needs of our stakeholders seriously, and help our customers to be responsible, sustainable consumers.

13 CLIMATE ACTION

SDG 13: CLIMATE PROTECTION

As part of our business activity as a retailer, we cause environmentally damaging CO_2 emissions, for example as a result of running our stores or in the area of logistics and transport. We are responsible for reducing our negative effects on the environment as much as possible, and use our influence beyond our corporate limits.

17 PARTNERSHIPS FOR THE GOALS

SDG 17: PARTNERSHIPS FOR THE GOALS

Many current and future challenges are complex and involve a vast array of players along the value chain. For this reason, we rely on close partnerships with our stakeholders in order to jointly develop practical and enforceable solutions for our industry sector.

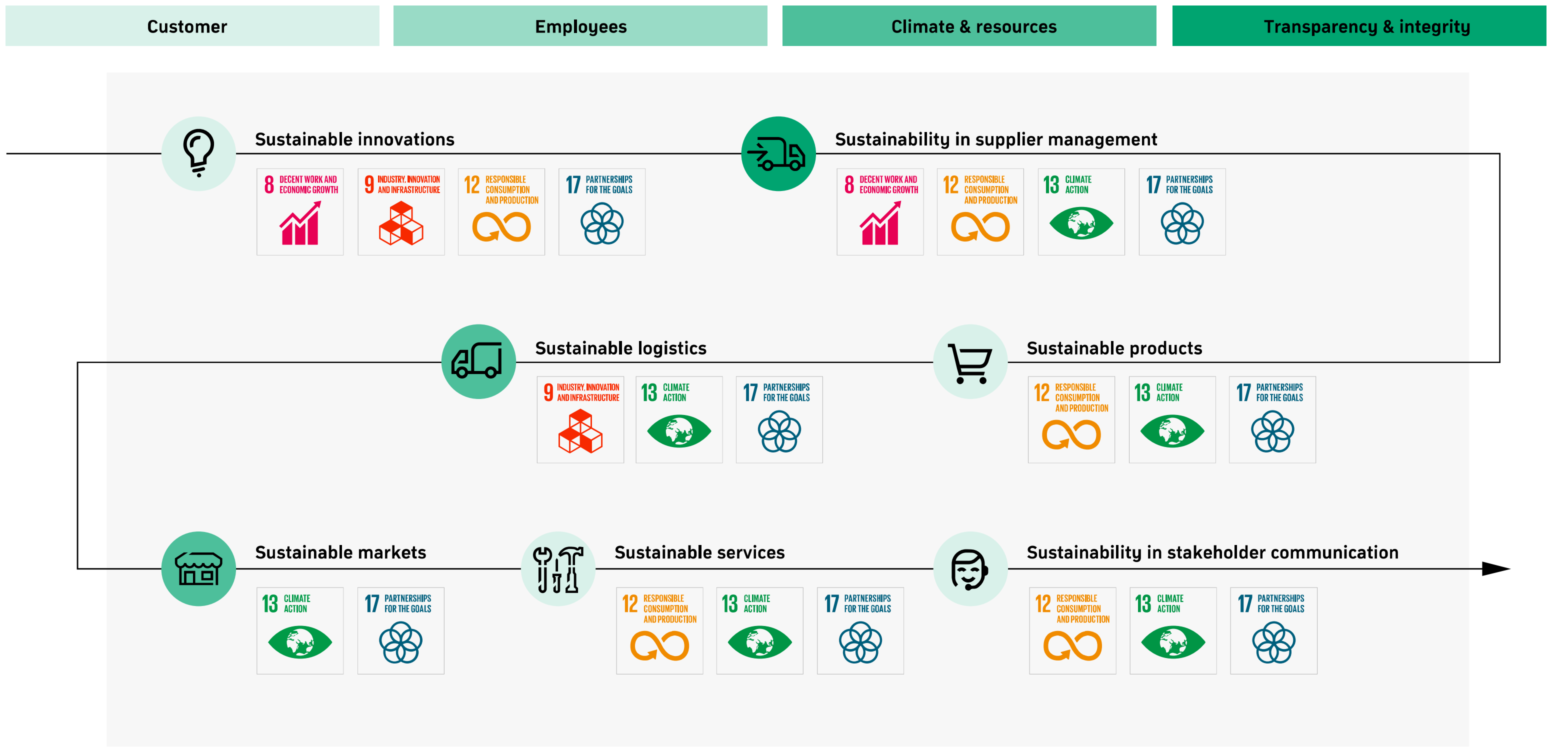
Following the sustainability objectives, in August 2018 MMSRG joined the **United Nations Global Compact**, the largest initiative in the world for corporate responsibility and sustainable development. In doing so, we subscribe to its ten principles and undertake to actively contribute to implementing the SDGs and submit an annual report (Communication on Progress, COP) to the United Nations on our progress in the area of sustainability.

Our strategic sustainability focus

Together with the five SDGs, the significant topics we identified form the basis for our strategic sustainability focus which we developed together with MMSRG. They highlight our opportunities for influence and design, are backed by specific objectives and measures and are closely coupled with MMSRG's value chain.

The overriding goal is to anchor sustainability in the core processes of our Company. To achieve this, we have defined these seven priorities for sustainability within our core business. The sustainability strategy is thus closely linked to the Company's overall strategy and at the same time makes a positive long-term contribution to sustainable social development.

Our strategic sustainability focus



Seven initiatives along the value chain

Initiative	Goals	Measures
SUSTAINABLE INNOVATIONS	Promoting innovations, digital solutions and business models for a sustainable performance	Integration of sustainability criteria in the innovation management and in the "Retailtech Hub"
SUSTAINABILITY IN SUPPLIER MANAGEMENT	Assessing and improving environmental and social standards in the supply chain	Establishment and implementation of a comprehensive management system for socially and environmentally friendly procurement
SUSTAINABLE PRODUCTS	Promoting sustainable products in the assortment	Establishment of a catalogue of criteria and corresponding product designation
SUSTAINABLE LOGISTICS	Recording and reducing environmental and climate effects	Reorganisation and improvement in efficiency in logistics and transport chains as well as carbon accounting
SIUSTAINABLE MARKETS	Reducing energy and resource management in the markets	Development and implementation of the "MMS Sustainability Property Guideline" for sustainable construction projects
SUSTAINABLE SERVICES	Improving product lifecycles and supporting environmentally friendly use	Development and implementation of sustainable service concepts and services
SUSTAINABILITY IN STAKEHOLDER COMMUNICATION	Informing customers and society about sustainable products and services and encouraging them to use responsible consumer behaviour	Consideration of sustainability in market management and integrating sustainability information in internal and external communication

Sustainability management

The CECONOMY AG Management Board is the highest sustainability committee and is responsible for strategic decisions and following up on objectives and progress. This committee regularly puts the topic of sustainability on the agenda of the Management Board meetings. This is where the various sustainability projects are driven forward and decisions are made, leading to instructions being given to CECONOMY companies or departments.

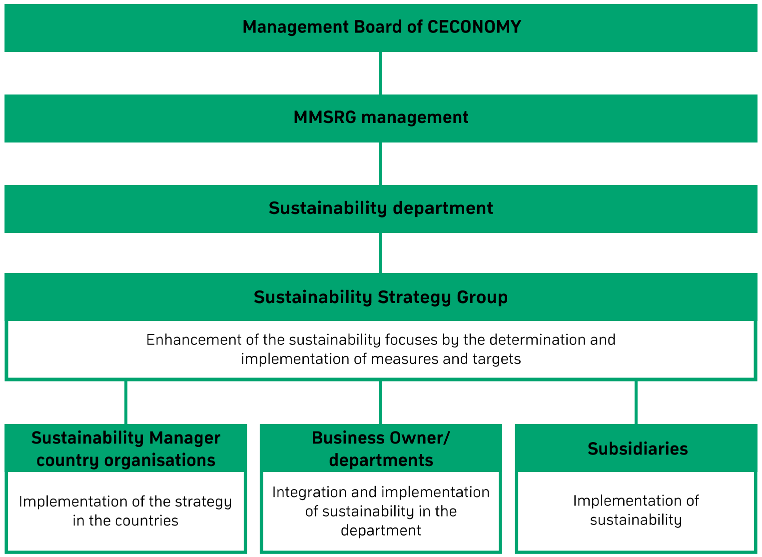
"Sponsors" at the highest levels of management, and project managers from the departments of MMSRG and CECONOMY AG are behind the focus and initiatives of our sustainability strategy. They promote the topics in their areas of responsibility and are responsible for the integration and further development of sustainability in their department.

The "Sustainability Strategy Committee" discusses the focus and topics before developing them further and deciding on measures. It acts as a platform for connecting topics and the overall promotion of sustainability. Experts regularly meet under the coordination of the sustainability department in order to plan the concrete implementation of the sustainability strategy as a part of the overall strategy and merge it with the operative business.

The Sustainability Manager in each country acts as a central contact person on site and has the task of directly introducing the sustainability strategy into each country. They carry out country-specific activities based on the superordinate sustainability strategy.

Both internally and externally, the role of sustainability management at CECONOMY is to ensure a high degree of transparency, strengthen the framework conditions of each sustainability initiative and follow up on its implementation. In addition, CECONOMY and MMSRG sustainability management promotes interaction with internal and external stakeholders and continues to develop sustainability communication.

Sustainability organisation



Customer

Our customers' needs and expectations form the starting point for all our strategic considerations. We would like to use our solutions to make your everyday life easier and help you to be a responsible consumer. This means we need to record and improve the social and ecological effects on the entire life cycle of our products and services. In terms of high levels of customer satisfaction, we are specifically working on anchoring sustainability as a fixed component of our brand image. We use the opportunities of digitalisation to better manage our processes and inspire our customers over the long term.

Innovation and new business models

We can inspire our customers, make our Company fit for the future, and promote sustainable changes by means of product and service innovations and new business models. In doing so, we take a look at our entire value creation, from supplier management and logistics processes to the products and services offered, our stores, the useful life of products and services and recycling. Existing business models must be analysed with regard to changing customer expectations, and effects on the environment and society. In this context, this means ensuring that the short-term sales and earnings logic is up to date. We want to develop future concepts and generate sustainable added value for our customers, our Company and society. We want to improve processes within the Company by means of innovative technologies, and continue to develop the customer experience in our stores and online on an ongoing basis.

In order to future-proof our Company and act as a trailblazer in retail innovation on a long-lasting basis, CECONOMY places particular value on promoting and developing new business models, technologies and methods that may change retail in future. Due to the strategic significance for the Group, the Chair of the CECONOMY AG Management Board is responsible for innovation management. In order to promote innovation in an agile manner, MMSRG founded its own Company: MediaMarktSaturn N3XT (MMS N3XT) works in close coordination with the operative MMSRG country organisations and subsidiaries and is managed by the Chief Innovation Officer (CINO) at MMSRG. In turn, the CINO works closely with the Chief Technology Officer (CTO).

MMS N3XT consists of three areas:

- **Innovation Research** constantly evaluates new technologies, use cases, solutions and companies. The existing business model should be continuously questioned by means of innovation activities, possible disruptive paths should be found and digital technologies assessed. From a number of innovations, the team identifies which are relevant, and prepares the test or piloting for our Company context together with the project department.
- In a co-creation process with the **Digital Transformation & Projects** department, the results are assessed and selected based on practical relevance. After the test, the results are compiled, prepared and provided to other departments.
- The **Retailtech Hub** contacts start-ups along the entire retail value chain, even beyond consumer electronics, whilst opening itself up to additional retail companies so as to promote cooperation and partnerships. The programme will be carried out together with the accelerator experts from the “Plug and Play Tech Center” in Silicon Valley. The focus is the collective implementation of pilot projects for the retail of the future.

↗ You can find more information about the Retailtech Hub online at www.retailtechhub.com.

With MMS N3XT, we have already initiated important, innovative pilot projects in the key areas of Digital Points of Sale, Automation, Connectivity, Virtualisation and Digital Culture.

With the Retailtech Hub, we aim to become a pioneer of sustainable retail innovation in future. Accordingly, sustainability has been a further selection criterion when selecting the start-ups we want to promote since June 2018. The chosen start-ups are supported by mentoring in many departments. Since the middle of 2018, corporate responsibility and sustainability management have also been implemented as coaching topics as part of the mentoring programme.

Sustainable products and services

Our own brands have the largest influence on the sustainability of the products in our assortment. Together with our suppliers, we pursue the goal of sustainably designing the manufacturing of the products we distribute. Additional relevant ecological effects, in particular of electronic devices, lie in the useful life of the product: For example, devices with a high standard of sustainability can help to reduce energy consumption. Moreover, we can extend the life cycle of a product with innovation service concepts, thereby making a significant contribution to conserving resources. In the promotion of products and services with a high ecological and social benefit, we see enormous potential for greater sustainability, numerous positioning opportunities and, last but not least, a growing market.

Several departments within our Group are responsible for progress with regard to a more sustainable assortment. The Sustainability Strategy Committee acts as a central platform at MMSRG to connect, coordinate and discuss suggestions and concepts. MMSRG management is therefore regularly informed of progress.

Beyond our own brands, the greatest challenge with regard to sustainably designing our product range lies in our limited influence on the development of new products and on manufacturers. With regard to services, we have greater room to manoeuvre as we, in part, develop them, or develop them in very close cooperation with service providers. We can develop the largest potential for sustainable development by creating joint solutions in dialogue with our business partners.

Informing our customers and appropriately labelling and presenting sustainable products and services in our stores and in the online shop likewise play a crucial role in promoting sustainable consumption.

↗ You can find more information on the inclusion of sustainability in customer communication in the Brand management and customer communication segment.

CECONOMY supports innovative product solutions and service concepts that allow for sustainable consumption. The vision of a circular economy serves as a basis for this. Today, the services we offer contribute to being able to use products for longer or recycle them correctly at the end of their life cycle. With our "SmartBars", we offer immediate repairs for faulty electronic devices such as mobile phones. More than 440,000 repairs were carried out at the SmartBars in the 2017/18 financial year. The repair service is now offered in 922 of 1,022 Saturn and Media Markt stores (reporting date: 30/09/2018). By the end of 2018, a repair island shall be set up in each store. We provide technology and repair services for customers at home in Germany through Deutsche Technikberatung (a technical consultation company) and RTS Service Group. We work with various services partners across the globe. If a functional device is no longer required, we also offer the quick and uncomplicated option of selling used electronic devices online with Flip4New. Use and product life cycles can also be improved with our offer of renting devices or sharing them with others.

We improve product life cycles with our maintenance and repair services and re-commerce concepts, and create incentives for more sustainable consumption. Furthermore, they offer interesting growth potential, combining economic success with ecological and societal progress.

Informing customers about the various options for extending the life cycles of their products is crucial for our innovative service concepts to be successful. We use our presence with more than six million daily customer interactions and over 1,000 stores in Europe to provide comprehensive information about the correct handling of old and used devices, thereby promoting responsible consumer behaviour. The specific measures in this area are a component of our strategic focal point, "Sustainability in stakeholder communication".

OUR OWN BRANDS: IMTRON GMBH SUSTAINABLE PRODUCTS

With regard to our own brands, we have the opportunity to implement new product ideas and solutions ourselves. We will make even more use of these opportunities in future. Today, selected products from the portfolio of our own-brand company Imtron are listed in the EcoTopTen criteria catalogue. The product platform of the independent eco-institute assesses both foreign and own brands according to ecological criteria. The product assessments are regularly reviewed – at present, 18 models from the TV range of our own brands for example are being assessed by EcoTopTen. In the long term, we aim to increase the number of products that meet the requirements of the criteria catalogue.

↗ You can find more information about the EcoTopTen criteria catalogue online at www.ecotopten.de.

In addition to the EcoTopTen ranking, the customer is also informed about their product through labelling. In doing this, we meet legal requirements and, where necessary, provide additional information in the product presentation.

To reduce the ecological effects in the useful life of the products, we develop our own concept for individual product groups. In Italy, for example, Imtron sells refilled and processed ink cartridges in collaboration with a partner. In the area of lighting, Imtron offers an energy cost calculator under its own brand Isy. This means the customer can calculate how much they can save when purchasing an LED lamp and when the investment in a new lamp will have been written off. Calculating the energy savings and transparency regarding the increased lifetime should promote the switch to the more energy-efficient LED lamps.

↗ The Imtron energy cost calculator can be found on the website www.imtron.eu/#exklusivmarken.

Packaging is also an important factor when manufacturing own-brand products. In order to effectively combat the significant amount of waste packaging, Imtron has issued its own packaging directive based on five values: Remove, Reduce, Reuse, Renew and Recycle. In the long term, less material is to be used and the overall packaging volume is to be reduced. To do so, we will also examine the long-term use of innovative packaging materials.

OLD ELECTRONIC DEVICES AND THEIR CONTRIBUTION TO RESOURCE EFFICIENCY

In addition to optimising product life cycles, an important driver in increasing the resource efficiency of electrical and electronic devices is handling old electrical and electronic devices. Electronic scrap is one of the fastest growing waste streams in the world. According to the Global E-Waste Monitor (2017), 2016 saw a total of 44.7 million tons of electrical and electronic devices land on rubbish heaps worldwide. Electronic scrap is often very valuable: many devices or their components are still functional and can be reprocessed before being reused. Only around 20 per cent of global electronic scrap is properly collected and recycled. Valuable raw materials are therefore lost if disposed of improperly, even though they could be returned to the value creation cycle if they were properly recycled. As a leading European platform for companies, concepts and brands in the area of consumer electronics, we are required to assume full responsibility for the electrical and electronic devices we sell.

Our concept to increase resource efficiency is based on improving product life cycles and promoting the recycling of secondary raw materials from old electrical and electronic devices. Whilst our service concepts concern the useful life of products, we also ensure the proper collection and use of old electrical and electronic devices within the framework of legal provisions. If a device cannot be reused or repaired, it must be properly collected and recycled. The return and use of old electrical and electronic devices is legally governed in the European Union by the WEEE directive (Waste of Electrical and Electronic Equipment). This directive is implemented in the national law of each member state.

As a retailer, we are therefore legally obliged to take back old devices. MMSRG companies and brands take back the old electrical and electronic devices of our customers in all EU countries in which we are active. This applies both for brick-and-mortar retail and for our online shop. The country organisations are responsible for the operative implementation, as the national implementations of the WEEE directive and national waste management systems deviate from each other in member states.

The Legal Affairs department within MMSRG, which reports to the CEO, is responsible for Group-wide support for questions regarding waste. The legal departments in the country organisations advise the stores about implementation on site.

Our customers can either return their old devices to stores or return them to the courier when they receive a new delivery to their home. In doing so, we accept old electrical and electronic devices, sometimes going beyond our legal return obligation. The submitted and collected devices are given to professional operations specialised in the treatment and use of electronic scrap. In Germany alone, MediaMarkt and Saturn took back more than 50,000 tonnes of old electrical and electronic equipment in financial year 2017/18.

IMTRON MANUFACTURER DUTIES

In addition to our duties as a retailer, Imtron is subject to further regulations as a manufacturer of electronic products. In Germany, Imtron is registered as a domestically domiciled manufacturer with the EAR foundation (foundation for the registering of old electronic devices) where it records the quantities it introduces and provides a guarantee for them accordingly to ensure they will be recycled or disposed of in an environmentally friendly way. On the instruction of the EAR foundation, Imtron collects full collection containers provided for old electrical and electronic devices from public waste management authorities, and transfers the scrap they contain to its long-term waste disposal partner. The scrap is then treated, used and disposed of in an environmentally friendly manner. The disposal or reprocessing of the devices produced by Imtron is also organised locally and is managed in the country organisations by applicable national legislation.

Two administrative offence proceedings against Imtron GmbH are currently pending due to violations of the manufacturer's take-back obligations under the Electrical and Electronic Equipment Act (ElektroG), the German implementation of the European WEEE Directive. Imtron is interested in the resolution of the two violations and has immediately eliminated possible causes.

Brand management and customer communication

In recent years, awareness for sustainable consumption in society has increased considerably. As a retail company, it is our mission and responsibility to inform our customers of the sustainability aspects of the products and services we offer through relevant communication, thereby enabling them to make a self-determined purchase decision.

MediaMarkt Saturn Marketing GmbH assumes MMSRG’s strategic trade and retail marketing within the subsidiary redblue Marketing GmbH. redblue acts as a partner and provides the support for the operative implementation of brand strategies. The Managing Director of MediaMarkt Saturn Marketing GmbH reports to the Chief Operating Officer (COO) of MMSRG on this matter.

With its two biggest brands, MediaMarkt and Saturn, MMSRG is essentially organised on a decentralised basis. This means that individual marketing campaigns are independently implemented in different countries. However, they follow the strategic goals of MMSRG and the superordinate marketing strategy. This is anchored in the so-called brand books and forwarded to the country organisations as a marketing rulebook. Responsibility for this is shared, and guarantees the freedom to make decisions within a Group-wide applicable marketing framework.

In 2017, the CECONOMY AG Management Board and MMSRG management issued the task of developing a communication concept for sustainability for the MediaMarkt and Saturn brands. The objective: Making sustainability visible at the point of sale, on websites and in communications about products and images in order to provide the customer with more information regarding sustainability and support them in being a responsible consumer.

With the slogan of “Go green now”, this objective is implemented and tested at Saturn in the form of a guidance system for sustainability. Customers can quickly recognise the devices that are particularly environmentally friendly when used.

↗ Details on the criteria catalogue that shows the basis for labelling can be found in the Sustainable products and services segment and online at www.ecotopten.de.

“Go green now” was piloted in brick-and-mortar retail in the Saturn store in Freiburg. The store was modernised and certified as climate-neutral. The Saturn store in Gerngross (Austria) is also implementing the concept.

We are also currently testing a concept for sustainability communication for the MediaMarkt stores. The Austrian online shop highlights the top energy-saving products under the slogan “Green and good”, and provides tips and advice on energy saving. Measures are also planned or being implemented for brick-and-mortar retail in Austria. In Poland, Media Markt stores in Gdansk and Warsaw have implemented the concept, other stores will follow.

As part of the pilot phase, we were already able to collect a vast amount of information and identify areas of improvement which we use to further develop our communications concepts and measures in online and brick-and-mortar shops. In further development, we place the focus in particular on anchoring sustainability in the brand images. The findings from the pilot measures are valuable in order to strategically embody the sustainability aspects in our brands and communication in future.

CUSTOMER SATISFACTION

Only a satisfied customer will use our Company's products and services again, which is why customer orientation and customer satisfaction are key elements of our strategic Company objectives. The Net Promoter Score (NPS) acts as the key performance indicator here.

Our customers' needs and expectations form the starting point for all our strategic considerations. We determine and analyse customer needs, behaviour and satisfaction, and implement the findings at all customer contact points. MMSRG's Market Research & Analysis department is responsible for this. It regularly reviews our position in the market, thereby making a significant contribution to strategic decisions and operative measures in the stores. The findings are reported, inter alia, directly to MMSRG management and the CECONOMY AG Management Board.

So as to provide a well-reasoned basis for decisions, the Market Research & Analysis department together with an external partner introduced the customer satisfaction measurement via the NPS. In addition, the cross-departmental Net Promoter Score Committee was founded in order to promote dialogue about this interface topic. The Committee meets regularly to analyse the NPS development in the most recent reporting periods, to discuss the resulting measures and prepare further recommendations for action for MMSRG management and the CECONOMY AG Management Board.

The principles, directives and guidelines that arose when the NPS was introduced are compiled in an NPS framework which is divided into three important components: NPS calculation, closed loop feedback and action management.

- The NPS calculation is based on a customer survey which collects and analyses customer feedback: the amount of negative feedback is subtracted from the amount of positive feedback. This leads to cross-company comparable measures which are continuously communicated to different circles of people.

- The closed feedback loop focuses on customers that were not satisfied. The feedback loops are designed in such a way to engage with unsatisfied customers and find remedies for justified complaints. MMSRG systematically and individually addresses all critical customers regardless of whether the assessment comes from stores, the online shops or services rendered by MediaMarktSaturn.

- Action management is the necessary consequence of both upstream stages. This involves implementing feedback from customers within the company and putting them into concrete terms by way of improvement measures. Alongside this, we carry out internal web-based training within the context of action management that provides important details regarding the entire NPS survey and recording process. The target groups of these measures are primarily the sales streams of the individual holding companies, online businesses and the head of services.

At present, work is taking place to automate analysis procedures, identify drives for customer satisfaction and process larger volumes of data. At the same time, we are rolling out the satisfaction measurement via the NPS key figure to other areas of the Company.

In addition to measuring customer satisfaction, we use various customer retention tools. Good service is key here.

Loyalty programmes can not only boost customer retention but also support us in our objective of increasing customer satisfaction in the long term. MediaMarkt's loyalty programme focuses both on specific member campaigns and on selected national and local services. At Saturn, we set up a similar customer loyalty programme in the form of a customer card with several levels. How it differs compared to MediaMarkt: by collecting the so-called “bits”, the customer can work their way up the various levels of the customer card and use certain advantages as a result. In addition, it is not only online shopping or making purchases in store that are key for gaining “bits”, but product reviews, recommendations and profile details also have a positive effect. The Saturn Card also supports customer feedback.

The results of our customer satisfaction surveys at MediaMarkt and Saturn have always been at a high level in recent years. Compared to the previous year, the NPS in the 2017/18 financial year rose significantly overall – both in online and brick-and-mortar trade. This shows that we are on the right track.

Employees

Our transformation into a more customer-oriented, more flexible and more digital company is based on the abilities and skills of our 59,000 employees[1]. They are our most important asset in meeting the challenges of the future. CECONOMY therefore places high priority on ensuring good, fair and sustainable working conditions for all employees. This is the only way we can maintain and promote the motivation and commitment that we require to continue as a leading international platform in the area of consumer electronics.

Ensuring good working conditions, true diversity and the development and promotion of employees are embodied in the Group strategy as a requirement for the success of our Company. Designing the ideal framework conditions for our employees in all CECONOMY companies is therefore a top priority.

The Human Resources department of CECONOMY AG is in close contact with the subsidiaries.

MMSRG's Human Resources area coordinates all strategic personnel topics for MMSRG and supports and advises the HR departments of the country organisations and subsidiaries. The Chief Human Resources Officer (CHRO) heads up the area and reports to the CEO. The International HR Workshop is held four times per year where HR departments and heads of HR from the country organisations and subsidiaries of MMSRG and CECONOMY AG come together. In these meetings, the participants work strategically on personnel topics and set priorities. Moreover, various requirements-based expert and project committees are convened that specifically discuss individual topics which are considered important, such as working and social conditions, employee development and diversity. All key figures on the topics named are average annual values.

[1] Unless described otherwise, the average number of employees is always meant. In addition, all employee figures do not include the Russia country organisation.

Work and social conditions

CECONOMY places great value on ensuring good and fair working conditions for all employees, thereby leading to a high degree of employee satisfaction. For this reason, we are always working on measures that offer our employees a safe, attractive working environment tailored to individual needs.

In the 2018/19 financial year, we will conduct an international employee survey to record the expectations of our employees and derive improvement measures.

Measures to increase occupational safety, co-determination opportunities and to promote good health in a personnel-intensive industry sector such as retail plays an important role.

In the 2017/18 financial year, uniform indicators for occupational health and safety were defined throughout the Group for the first time and the processes for obtaining these key figures were analysed and standardised. As of financial year 2018/19, it will therefore be possible to collect the relevant key figures in a standardised manner and to use the findings to improve occupational health and safety in the future. Sick leave at CECONOMY increased slightly in the reporting period and was 3.2 per cent.

To continue to improve working and social conditions for employees, CECONOMY is in dialogue with works councils regarding social matters. In the time from March to May 2018, the Group's works councils were re-elected across Germany as part of regular works council elections at some companies. Employee representatives were elected to the Supervisory Board as part of an assembly of delegates in March this year. At the European level, the CECONOMY Euro Forum acts as a European works council.

At CECONOMY, a good work-life balance is extremely important, which is why we support our employees in better achieving a balance between their personal and professional lives. We would like to offer our employees extensive home office opportunities wherever possible and use flexible working time models. We know that not every activity allows flexible working in equal measure. Our goal is for every employee, whether in the market or in administration, to be able to reconcile their private and professional lives in the best possible way. We are therefore constantly working on improving flexible personnel deployment planning. Our employees' personal and professional lives can be in greater balance through various time-off models, such as "my day off" and sabbaticals. Working from home is common in many departments at CECONOMY. CECONOMY's part-time quota is 22 per cent – in Germany 19.1 per cent of our employees work part-time, internationally (excluding Germany) 24.1 per cent.

Among other things, these offers are intended to contribute to employee retention. The fluctuation rate[2] at CECONOMY stood at 26.5 per cent in the 2017/18 financial year. The personnel recruitment rate is 27.3 per cent.

Employee development

Development opportunities and opportunities for further training are of utmost importance at CECONOMY. They are crucial to the same extent for the qualification and personal development of our employees, our positioning as an attractive employer and for the further development and future-proofing of our Group.

[2] The stated fluctuation rate includes both voluntary resignations and resignations due to termination, retirement or death.

Personnel development will focus in the next few years in particular on the three strategic themes of leadership, talent development and customer orientation. The aim is for employees to participate and get involved in transformation processes. The strategic focus on customers should be accompanied and supported with targeted employee development. The respective country organisations are responsible for the operative implementation of further training and education measures at MMSRG. The leadership principles are provided for by MMSRG as part of the competence model that applies to the entire Company.

To make best use to be made of the individual strengths of our employees, we promote their personal and professional development with multi-faceted further training programmes at all career stages. From 2019 onwards, we will continue to develop our Foundation Leadership and Advanced Leadership management programmes and open them up for all country organisations. Technical solutions help us to be more efficient and effective. MMSRG's employee life cycle tool records important information on CVs, training and abilities, meaning we can find fitting CPD opportunities and e-learning courses for our employees. The tool is also useful for filling roles internally as it allows us to identify talent in our countries and select the most suitable candidate for a vacant post. As such, the tool supports individual employees in their professional development within the Group.

Employee development is based on the interaction of external and internal training as well as on-the-job training. CECONOMY offers around 17 different training opportunities and employed 2,940 trainees in 2017/18. We want to continuously improve our concept for employee development and further training. For this reason, we are also working on defining and introducing suitable control indicators for the entire Company.

Diversity

Our customers and their demands are extremely multi-faceted, which is why we need employees who bring different perspectives and solutions: the more varied our employees, the more comprehensive their abilities and knowledge in our Company. Across the Group, CECONOMY employed staff from 128 nations in the 2017/18 financial year (reporting date 30/09/2018). Promoting this diversity in the Company is an important factor for the Company's success. Through CECONOMY's Code of Conduct and MMSRG's "Style and Practice" compliance directive, we create the prerequisites for every employee to be given the same opportunities regardless of ethnic background, sexual identity and possible disabilities, religion or world views. In doing so, we consciously strengthen diversity in our Company.

↗ You can find more information on the matter of compliance in the Compliance segment.

↗ The CECONOMY Code of Conduct can be found on the website www.ceconomy.de/en/ in section Company – Compliance.

↗ MMSRG's "Style and Practice" compliance directive can be found on the website www.mediamarktsaturn.com/en/ in section Compliance.

For us, diversity means valuing societal variety. This also includes promoting a proportion of women in management positions commensurate with the employee structure. Women currently account for 39.4 per cent of the total workforce and 20.5 per cent of management positions. In order to increase this proportion in the long term, we voluntarily committed ourselves in 2011 to promoting women at the top three management levels. By the end of the 2018/19 financial year, we want to increase the proportion of women in the first two management levels under the Management Board and at the first management level to 15 per cent and at the second management level to 45 per cent at CECONOMY. In order to increase the general proportion of women at CECONOMY, we support them in junior talent programmes and in initiatives for management development. In 2017/18, 37 per cent of the trainees at MMSRG in Germany were female. In the Foundation Leadership executive development programme, the proportion was also 37 per cent.

In order to promote recognition, appreciation and inclusion of diversity in the world of work, CECONOMY signed the Diversity Charter in 2018. Almost 2,900 companies and institutions with far more than nine million employees have already signed the employer initiative to promote diversity in companies and institutions. We are convinced that a lived appreciation of diversity has a positive impact on CECONOMY and society as a whole. We are also committed to equality between men and women. MediaMarktSaturn therefore took part in the online assessment for the 'top4women' seal and successfully passed it. The basic prerequisite for the award is that we as a company have the express desire to consistently build up the female talent pool, retain women with great potential and offer them long-term career prospects.

↗ You can find more information about our employee topics in the combined management report under the Employees section.

Climate and resources

With our business activity as a retail company in the area of consumer electronics, we have an impact on the environment and the availability of resources. Our management locations, fleet of vehicles and more than 1,000 stores use energy and other resources. Climate-relevant emissions also arise in our upstream and downstream value chain, for example in the area of production and logistics. In order for growth and development to be sustainably designed, environmental protection and intelligent energy and resource management are topics which we manage with the help of our sustainability strategy. Using this strategy, we want to develop future-proof solutions for the environment, climate and shortage of resources.

Energy and resource management

Electricity purchased from the MMSRG markets accounts for a large proportion of the Group's operating energy requirements. We are therefore facing the task of systematically and sustainably reducing consumption, in particular in stores. The group of companies is committed to an efficient energy management system and to constantly modernising its stores and administrative buildings in order to reduce the energy used in these stores.

Energy consumption in thousand MWh (direct energy import by stores and administration buildings)

	2015/16	2016/17	2017/18
Total energy consumption	**702.3**	**687.9**	**680.4**
Scope 1 Energy consumption	**55.3**	**59.6**	**59.9**
Natural gas	52.6	56	56.3
Heating oil	2.7	3.6	3.6
Scope 2 Energy consumption	**647**	**628.3**	**620.5**
Electricity	610.1	590.9	575.8
District heat	35.2	34.4	42.9
District cooling	1.7	3	1.8
Energy consumption per m² of selling space in kWh	**229**	**228**	**225**
Electricity consumption per m² of selling space in kWh	**199**	**196**	**190**

Country organisations are responsible for managing their energy resources. MMSRG energy consumption is aggregated in Corporate Property Management, where potential for savings is analysed and energy and resource management further developed. In addition, setting Group-wide energy saving goals is also organised with this department. It also advises and supports country organisations and subsidiaries on implementing building and reconstruction measures. The property managers of all MMSRG country organisations meet at least twice per year at the International Corporate Property Meeting in order to coordinate strategies, measures and processes, exchange experience and discuss new legal or corporate framework conditions and their effects on property management.

Digital energy meters and sensors for temperature and air quality provide us with the comprehensive data basis necessary for efficient energy and resource management. Using smart metering systems, a store's electricity, gas, district heating/cooling and heating oil consumption is continuously measured. If necessary, direct action can be taken should consumption increase.

Building on this well-founded data basis, in 2011 MMSRG introduced the comprehensive Saving Energy 2.0 energy savings programme. The aim was to achieve a reduction of 15 per cent in the amount of electrical energy purchased directly by the stores from the base year of 2011 by the year 2020. With an actual reduction of over 23 per cent between 2011 and the end of 2017, we were able to exceed this target early. This corresponds to a reduction of some 130,000 MWh of electric power and some 65,000 tonnes of CO_2. Based on this success, we are preparing a subsequent programme that provides for a further reduction in electrical energy consumption by 15 per cent by 2025. The targets are based on a like-for-like approach, i.e. on comparable adjusted figures (correspondingly, about 700 of the more than 1,000 stores are included in this approach).

The energy-saving objectives include various measures such as the comprehensive switching to more energy-efficient lighting in stores. LED light strips have since been installed in more than 300 stores. The group of companies aims to install LED lighting systems in all of its stores.

We want to set standards in sustainable construction which preserves resources and is environmentally-friendly. To achieve this, MMSRG created the Sustainable Property Guideline (SPG) based on the Gold Standard of the LEED classification system for energy-efficient and environmentally compatible building design. In addition to energy efficiency, it includes topics such as increasing comfort and well-being, responsibly handling resources and reducing hazardous substances in materials and building materials. It aims to anchor sustainability in construction and the daily operation of the stores in all country organisations.

We likewise aim to help customers in our stores to make sustainable purchase decisions. Offering alternatives to single-use plastic bags and consistently reducing the amount of them is a specific contribution we can make. As a result, we have already completely banned single-use plastic bags from our stores in ten out of 14 countries. Of these, we offer our customers multi-use bags made of recycled PET bottles as an alternative in seven countries. Considering the entire life cycle, these bags are better for the environment compared to others, in particular with a view to the use of resources and environmental balance.

Climate protection

The federal government has set ambitious goals for combating climate change: by 2050, Germany should be broadly greenhouse-gas neutral. We support these goals as a retail company and take responsibility for the emissions that arise directly or indirectly through our Company's activities. The largest part of the CO_2 emissions we cause that have a direct influence on the environment come from our stores and logistics operations. We are currently carrying out in-depth analyses. So as to minimise the effects whilst remaining competitive, CECONOMY undertakes to reduce environmentally damaging emissions along the entire value chain. In doing so, we are not only responding to political and social expectations and rising energy prices, we also want to make an active contribution to climate protection.

For this reason, we redesigned our carbon accounting system in the 2017/18 financial year and professionalised the accounting process. Together with an external partner, we reviewed the processes for our greenhouse gas reporting and analysed the available data. As a result, the survey processes and the overall data quality for Scope 1 and Scope 2 have been significantly improved. In this report, for the first time, we can publish our own greenhouse gas report according to the Greenhouse Gas Protocol (GHG).

Climate balance (greenhouse gas emissions in thousand tonnes CO_2 (CO_2 equivalents))[1]

	2015/16	2016/17	2017/18
Total greenhouse gas emissions[2]	**318.1**	**270.2**	**134.2**
Greenhouse gas emissions excluding fleet	**318.1**	**255.3**	**118.2**
Scope 1: Direct greenhouse gases	**11.5**	**27.3**	**28.5**
Natural gas	10.8	11.5	11.5
Heating oil	0.7	0.9	1
Fleet	–	14.9	16
Scope 2: Indirect greenhouse gas emissions (store-based)	**306.6**	**242.9**	**105.7**
Electricity[3]	293.3	229.8	89.7
District heat	12.6	12.1	15.3
District cooling	0.7	1	0.7
Greenhouse gas emissions per m² of selling space in kg excl. fleet (store-based)	**104**	**84**	**39**

[1] Emission factors: use of the 2017 updated VDA emission factors
[2] Total greenhouse gas emissions in financial year 2015/16 do not include fleet data.
[3] Store-based emissions according to GHG Protocol Scope 2 Guidance. Scope 2 emissions from electricity procurement according to location-based method for 2017/18: 275.5 thousand tonnes of CO_2 equivalents (calculated with VDA emission factors)

Our next goal is to add Scope 3 emissions to our greenhouse gas reporting. We have already begun to lay the foundations for this and will continue to do so intensively in the 2018/19 financial year. We are also working on a climate strategy with corresponding CO_2 reduction targets.

↗ Further information on the Greenhouse gas reporting for Scope 3 emissions project can be found in the Sustainable logistics segment.

CO_2 EMISSIONS IN THE STORES

We are continuously working on reducing energy consumption per square metre of selling space. This is a key contribution to preserving resources, but also to climate protection, as CO_2 emissions are created from generating energy. In the 2017/18 financial year, the total energy consumption of the stores and administration buildings amounted to 680.4 thousand MWh. This amounts to 225 kWh per square metre (2016/17: 228) In addition to the measures for saving energy that are described in the Energy and resource management segment, we are continually switching from electricity to eco-energy in stores. We also take into account economic necessities, but have already been able to convert 77 per cent of our stores (electricity purchased by MediaMarkt and Saturn).

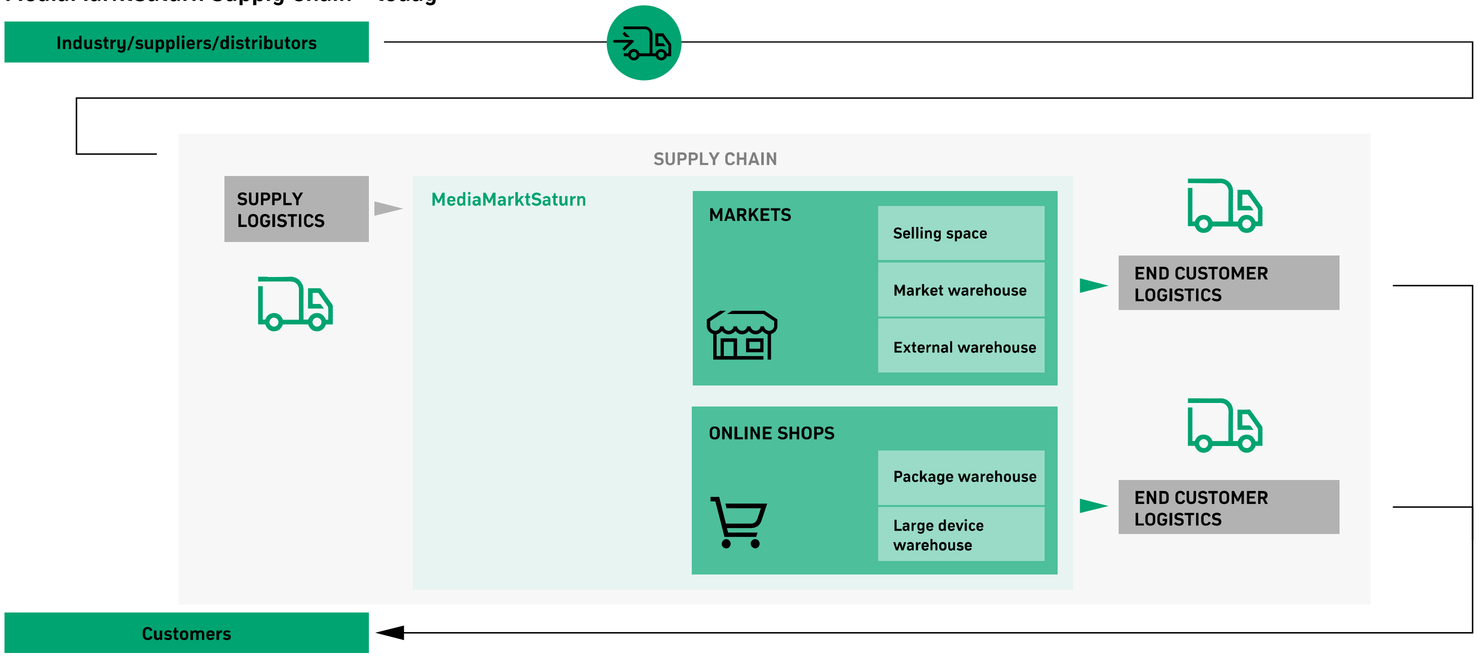
Emissions from our stores (greenhouse gas emissions excluding vehicle fleet, including administration) totalled 118.2 thousand tonnes of CO_2 in the 2017/18 financial year (2016/17: 255.3 tonnes). In relation to the selling space, this corresponds to 39 kilograms of CO_2 per square metre (2016/17: 84 kilograms). The data for Scope 2 is based on a market-based calculation. According to this method, the electricity quantities purchased are reported with the emission factor provided by the supplier. Electricity from green electricity tariffs and renewable energy sources therefore generates no emissions in Scope 2. As the majority of our stores now purchase certified green electricity, Scope 2 emissions have been significantly reduced. By comparison: in a location-based analysis using the typical energy mix of a country, total CO_2 emissions in 2017/18 (excluding the vehicle fleet) would be 304 thousand tonnes or 100 kilograms of CO_2 per square metre of selling area.

SUSTAINABLE LOGISTICS

The COO of MMSRG is the uppermost person in charge of logistics for MMSRG. Country organisations assume management of the logistics and transport streams. With regard to the transported volume of goods, the German country organisation stands out. The current supply chain is divided into online trade and brick-and-mortar retail. Brick-and-mortar retail currently has a decentralised procurement model: each store has its own stream of goods which the store manager structures independently. Our industry partner is responsible for delivering goods to the stores. It commissions its own freight forwarders, that either deliver directly to the store or the store’s rented external warehouse. The transport of goods finally ends with the customer who picks up the product from the store or orders for delivery. Each store also organises this independently.

In the area of online trade, the country organisations of MMSRG commission fulfilment partners with online warehouse locations from which the goods are directly delivered to the customer or, at the customer's request, delivered to the store for collection. In some cases, the goods for onlinetrade are taken from the store inventory and not from the online warehouses.

MediaMarktSaturn Supply Chain – today



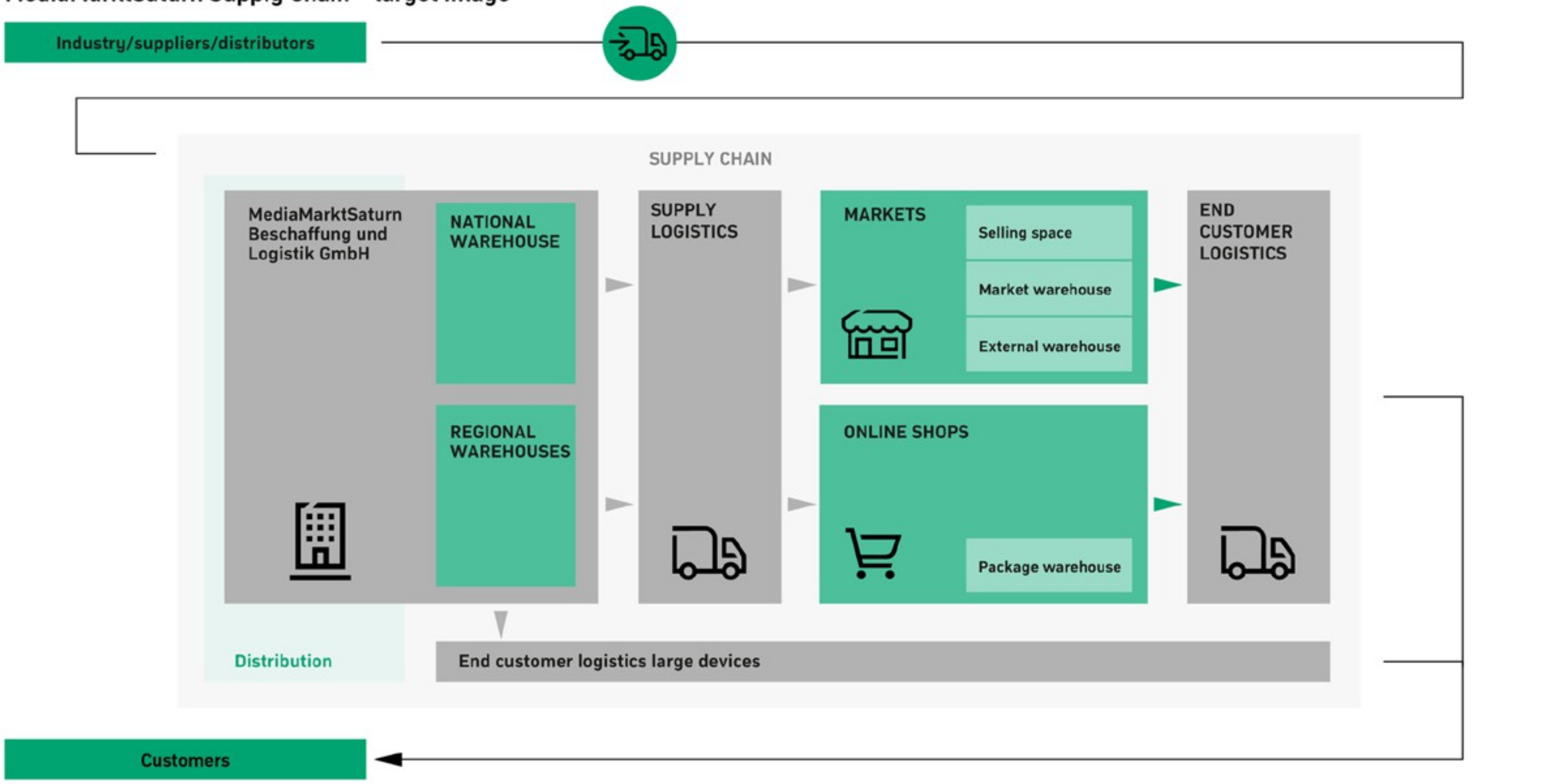
In order to design logistics activities and transport streams more efficiently and transparently in future, the Company's supply chain management is currently undergoing a transformation. The aim of this new concept is both to improve our logistics processes with regard to speed and reliability, and to increase transparency and data availability in view of our associated CO_2 emissions.

Within this strategic further development, MediaMarktSaturn Germany plays an important role. When redesigning central and regional warehouses in online and brick-and-mortar retail, it leads the way as a pilot country, is responsible for the subsequent redesign of the logistics concept and acts as an interface between the country organisations. Accordingly, certain functions and new logistics systems will be tested in selected regions of Germany in consultation with suppliers and other business partners. Both functions and test regions should be expanded gradually. As a result of the conversion, the goods should be moved as little as possible so they can arrive at the destination on time, efficiently and meet the customer's requirements. The new Company MediaMarktSaturn Beschaffung und Logistik GmbH will be responsible for this.

More specifically, the individual decentralised goods streams shall be replaced by centrally managed processes. The stock of inventory and transport that was previously decentrally organised, should be more predictable and more cost-efficient by setting up national warehouses. Stores will then be supplied from the national warehouse in organised tours. Not only the stores, but also industry partners that obtain a central point of contact and delivery benefit from this.

In addition to the national warehouse, so-called regional warehouses will also be created. They will systematically be distributed across Germany and are mainly planned for large devices requiring two-man handling. The regional warehouses will either deliver to individual stores or to the customer directly. In addition to efficient delivery, they ensure that we will be able to offer customers additional services like building, installation or taking back old devices in an even more customer-orientated manner in future. Tests have shown that a high degree of delivery precision, even with short delivery windows of three hours, can be achieved.

MediaMarktSaturn Supply Chain – target image



GREENHOUSE GAS EMISSIONS FROM LOGISTICS

As a result of the new, more centralised concept, we are expanding our direct area of responsibility in logistics and creating more transparency with regard to transport, kilometres travelled, fuel consumption and lorry filling levels. Greenhouse gases that arise can be collected better in future as a result and therefore reduced in the long term. The key figure basis obtained creates transparency on the type and amount of logistics and transport-related CO_2 emissions. It is on this basis that we can create goals and report progress. In doing so, we will base this on recognised standards (Greenhouse Gas Protocol; DIN EN 16258) and method formats (Global Logistics Emissions Council Framework). With the new recording method, we can expand our climate protection goals gradually to scope 3 emissions (logistics/transport) that previously only focused on stores' energy consumption. As an initial stage, we can focus on emissions that are within our direct area of influence. These are mainly in transport that will be rolled out on behalf of MediaMarktSaturn Beschaffung und Logistik GmbH between regional or national warehouses and stores or customers. In future, primary data on the emission intensity of transport can be collected, therefore actively helping to control emission reduction.

Transparency and integrity

The fundamental requirements for the long-term success of our Company are good corporate governance and extending our standards to the supply chain. These include transparent, reliable and secure processes that comply with regulations, responsible behaviour and integrity.

It is the responsibility and a legal requirement of the Management Board of CECONOMY AG to implement an effective governance system. This includes opportunity and risk management, the internal control system, compliance and internal audit as a component of CECONOMY's governance, risk and compliance system (GRC system).

Although our Europe-wide business activity and decentral Company structure makes implementing a Group-wide GRC system complex, it also makes it all the more important. The various corporate and legal framework conditions must be considered in the countries where we operate and partly integrated into the different corporate cultures and processes of individual companies. The central pillar of our activities is the Code of Conduct, which defines our collective value basis. We are clearly committed to transparent behaviour, integrity, fairness and respect in compliance with the law. Breaches of these values and regulations can lead to existential risks, the reputational damage for our Company, and thereby rock the trust of our stakeholders.

Compliance

Corruption and unethical corporate behaviour lead not only to economic problems, but also have concrete effects on the company and its employees. Compliance breaches can lead to fines against the Company, criminal sanctions against employees, liability actions from customers, competitors and suppliers, and enormous reputation damage and a long-term loss of trust. Severe breaches can also lead to economic losses for the national economy and fundamentally damage the trust of the people in the Company and politics.

Integrity as a driver and the goal of compliance is the guiding principle for CECONOMY's corporate behaviour and an integral component of the guiding principles. Creating the framework conditions for regulatory compliant behaviour is a task for management.

The risk-based compliance management system (CMS) is in particular based on avoiding, exposing and penalising corruption and cartel law violations and helps to protect the employees of companies belonging to CECONOMY from breaches of compliance. It should moreover protect the Company from reputational or economic damage and limit the liability of Company management should individual employees commit compliance breaches. The responsibility of the compliance function is based on preventing significant risks (prevention) and is therefore differentiated from the area of responsibility of the Group Internal Audit area (GIA; for MMSRG: Group Audit, Consulting & Security). GIA conducts regular audits and forensic investigations (detection). Sanctions are in turn given by the Human resources department (HR). CECONOMY regularly identifies compliance risks, establishes the necessary organisational structures and rigorously monitors and controls these risks through the responsible divisions. The CECONOMY AG Management Board and management of Group companies are responsible for ensuring compliance. The Group-wide compliance function supports Company management by developing and continually improving the CMS. The Supervisory Board and Audit Committee regularly discuss monitoring the Group's CMS. In the Group committee for governance, risk and compliance (GRC committee), there are regular discussions on relevant and current topics and on the further development and improvement of the CMS. The governance, risk and compliance (GRC) process within CECONOMY AG aims to present the Management Board and Supervisory Board of CECONOMY AG with a uniform and comprehensive overview of the opportunity and risk portfolio of CECONOMY and the efficacy of the individual sub-systems. It will also be presented to shareholders together with the Company report.

In order to combat regulatory violations in the long-term, compliance culture must exist at all levels in the Company, from the Management Board to management and every individual employee. The CECONOMY AG Management Board and MMSRG management support this culture through an appropriate "tone from the top" and company-wide training and communication measures.

The CECONOMY Code of Conduct also supports compliance culture. It is internally and externally available. It applies and is binding for all employees, management and management boards. The "Style and Practice" compliance directive, which is commensurate with the Code of Conduct, also applies for all MMSRG employees.

↗ The CECONOMY Code of Conduct can be found on the website www.ceconomy.de/en/ in section Company – compliance.

↗ MMSRG's "Style and Practice" compliance directive can be found on the website www.mediamarktsaturn.com/en/ in section Compliance.

Specific CECONOMY and Group company guidelines complement this directive and put it into more concrete terms by considering local issues and business practices in various countries or subject-specific topics.

Violations of laws, the Code of Conduct or other directives and regulations are not tolerated at CECONOMY. Employees can ask management and compliance officers questions, obtain information on possible violations and ensure the necessary confidentiality.

As a central component of the compliance management system, CECONOMY has established a Group-wide compliance reporting system. It provides all employees and external third parties with a contact point for information. Compliance incidents that have been observed or that are suspected can be reported by name or anonymously via the system. In order to make all CECONOMY employees aware of this, the Group compliance area also regularly carries out in-person or online compliance training sessions. In the reporting period, no significant incidents of corruption were reported the Group compliance area.

Opportunity and Risk Management

With highly-dynamic market development, influential technological innovations, digitalisation, associated state regulations, the risk landscape has fundamentally changed in recent years. These global challenges are accompanied by climate change and a shortage in resources and, together with the rapidly rising global population, lead to completely new risks for the environment, society and the economy, but they can also open up new opportunities. Recognising, understanding and correctly assessing the challenges relevant for us in good time are important for our Company. False estimates can lead to serious Company risks or missed opportunities for CECONOMY.

Our Company's success essentially depends on if and how we can manage opportunities and risks. At CECONOMY, we ensure this through comprehensive opportunity and risk management. The CECONOMY AG Management Board, in particular the Chief Legal & Compliance Officer ensures that opportunity and risk management is appropriate and effective. Group companies identify, assess, manage and monitor the risks, supported and coordinated with CECONOMY AG and MMSRG Corporate Risk Management. Our opportunity and risk management is currently subject to an adequacy and effectiveness audit by KPMG AG Wirtschaftsprüfungsgesellschaft. Both CECONOMY AG and the MediaMarktSaturn

Retail Group are within the scope of the audit, which will be completed at the end of March 2019.

The CECONOMY AG Management Board is continuously informed by Corporate Risk Management in good time of significant developments in risk management. The same applies for MMSRG management.

In order to identify relevant opportunities and risks, we conduct macroeconomic investigations, analyse the relevant trends and assess market and competitive analyses. In addition, we analyse the critical success factors of our business models and significant cost drivers of our Company. Opportunity and risk management is an integral component of the entire organisation. Effective processes and the greatest possible transparency are achieved through a combination of top-down and bottom-up approaches in which the different departments of CECONOMY AG and Group companies are actively involved.

Today, we also identify ecological and social risks and evaluate their relevance for the Company, for example with regard to risk exposure in supplier management or with regard to potential risks from climate change.

All significant Company risks are shown in opportunity and risk report in the CECONOMY AG combined management report. In addition, no non-financial risks with a very high probability of occurrence or severely negative effects were identified.

With opportunity and risk management, we pursue the superordinate goal of recognising and assessing potential positive and negative developments for the Company early and, where necessary, introduce the necessary measures and monitor their implementation.

In order to implement our sustainability strategy effectively, we must integrate our sustainability management to an even greater extent into opportunity and risk management in future, which is why an expert from the Risk Management department is now a component of the sustainability strategy circle. We are currently working on using synergies from both areas more efficiently and define an integrated and holistic process.

↗ For more information about compliance and opportunity and risk management, see the Combined management report – Opportunity and risk report – as well as the Declaration on corporate management in the Corporate governance report. The statement is available on the website www.ceconomy.de/en/ in section Company – Corporate Governance.

Data protection and information security

As a technology platform for companies, concepts and brands, CECONOMY drives digitalisation forward and uses the intelligent networking of different data and information for its business model. Responsibly handling the data of our customers, employees, business partners and investors is therefore of great importance in our business activity and processes. We use all possible means to prevent data abuse and its associated risks.

With comprehensive IT security measures, we face failures of IT-based business processes, IT security events and cyber-attacks that are the biggest threats in retail.

↗ You can find more information on the greatest risks in the Combined management report in the Opportunity and risk report.

In doing so, we ensure protective aims of confidentiality, availability and integrity, and avoid threats and any resulting economic damage.

Data protection means protecting the individual from the interference with his or her right of personality and private sphere through the abuse of data or due to the unauthorised use of data. This principle and compliance with relevant laws, such as the EU General Data Protection Regulation [GDPR] are embodied in the top decision-making levels at CECONOMY and have top priority in all companies. As the Group's Data Protection Officer, the Vice President of Data Protection at CECONOMY AG is responsible for ensuring data protection for CECONOMY and its associated companies, and reports directly to the Management Board. They coordinate the Group's superordinate data protection strategy, govern the fundamental basis and advise individual companies on the implementation of internal and external procedures with regard to data protection.

All CECONOMY companies have appointed their own data protection officer if required by law and relevant for their Company.

CECONOMY AG's newly developed general data protective directive contains the principles of data protection and applies for all CECONOMY companies from the 2018/19 financial year. With this directive, we undertake to maintain a uniform level of data protection. We verify compliance with legal data protection regulations with internal audits. Via contact points such as central e-mail addresses for all stakeholders, incidents or potential for improvement with regard to data protection can be reported. Every report is investigated and answered promptly. In financial year 2017/18, a procedure was introduced based on data protection violations and breaches of legal regulations in this area. No sanctions were imposed in the form of fees due to data protection violations.

The Data Protection department within MMSRG is found in the Data Privacy Office (DPO). The DPO is the key contact point for all national and international MMSRG companies. So as to comply with internal and legal regulations, it supports the collecting, processing and deletion of the personal data of customers, partners and employees. In addition, the DPO advises on the necessary technical and organisational measures in order to ensure the lawful processing of the personal data collected by MMSRG. To this end, the DPO consults CECONOMY AG's general data protection directive of and MMSRG's cross-country and cross-company data protection principles. They are connected to CECONOMY AG's regulations but are put into concrete terms with regard to the business activities of MMSRG.

In addition and more specifically, there are cross-area and area-specific directives and procedural instructions for the structuring and standardisation of data processing processes at MMSRG. The data protection officer of each country organisation handles the additional national circumstances and individual decisions against the affected stores or country organisations.

In order for us to continue to ensure the trust of our customers, business partners and further stakeholders, alongside data protection, information security is of great importance at CECONOMY. Information security, in strategic collaboration with the data protection department, creates technical requirements in order to also be able to implement data protection in operations. Information security is divided into three areas of responsibility. Essentially, they are:

- maintaining the IT infrastructure,
- ensuring the confidentiality of data and information and
- the technical implementation of data protection.

The following principles apply for all known areas of responsibility:

- Protecting availability: all relevant information shall always be available when it is needed.
- Protecting confidentiality: All relevant information is only disclosed to the narrowly limited circle of authorised persons.
- Protecting integrity: All relevant information has not been falsified and is complete at all times. Changes to this information can only be made by the circle of persons authorised to do so.

The IT Management and Services department, in close coordination with the Group Security department, assumes the control of these tasks as part of information security. The aim is to ensure a holistic security concept.

At MMSRG, the Vice President of Group Audit, Consulting and Security is responsible for the departments of Corporate IT Security and Corporate Security and, therefore, the area of information security. They report to MMSRG's CEO.

Information security is separated from other IT management functions and integrated into general company security, which allows for a holistic analysis of the Company's risk and security situation. The Central Control Committee for adopting, further developing and reviewing the IT security strategy and processing decision memos is the IT Security Board of MMSRG which is made up of all the necessary departments.

The subject of information security within MMSRG is controlled by a comprehensive information security management system (ISMS). The Corporate IT Security department controls and coordinates the ISMS and provides directives. It provides the management principles and IT security policy for MMSRG. The ISMS clearly governs the responsibilities and tasks to ensure information security. MediaMarkt Saturn Technology supports the Corporate IT Security department with the realisation and implementation and acts as a company for IT services and a service provider at MMSRG. It implements and establishes standards, processes and technical controls to realise the IT security strategy.

The IT Security departments in the country organisations and subsidiaries implement the IT security strategy in their companies, and also observes country-specific circumstances or regulations.

By continuously implementing and adapting our IT security strategy, we are positioning ourselves to meet both current and future cyber and data protection requirements. As part of this strategy, in financial year 2017/18 various technical and organisational measures for detection and prevention were implemented, in particular to increase awareness.

Within the context of the preparations for the GDPR that applied from May 2018, we have implemented a number of strategic and organisational measures. So as to be proactive, the GDPR preparation project began in autumn 2016. The focus was on the comprehensive and correct implementation of measures in order to meet the requirements of the regulation in consideration of a balance between corporate requirements and compliance challenges. Initially, weaknesses were analysed in the current system before being rectified. Relevant measures on accountability and data protection management, documentation and information obligations and the rights of affected persons are implemented.

Employee awareness of data protection requirements at all levels of the Company continues to be a focal point. New employees receive a data protection introduction as part of the onboarding process, and training and information campaigns are held on a regular basis. At the start of this year for example, we held the “Data protection and you” awareness campaign. A regularly issued newsletter explaining data protection problems and current data protection topics relevant to day-to-day life was also created. In order to embed the topic in the Company, we have also developed an e-learning programme on relevant GDPR matters. It began in mid-2018 and is obligatory for all MMSRG employees.

In addition to managing directors, employees of company departments who have access to and work with sensitive data in particular are regularly given intensive training on the subject of data protection and data security.

A data protection management system (DPMS) is also currently being introduced to further systematically embed data protection in all MMSRG business units.

MediaMarktSaturn's data protection strategy and its implementation received the “In-house Team of the Year” Juve Award in the reporting period. The further development of our Data Privacy Office as well as our concept for the implementation of the GDPR were highlighted. When selecting the award winners from legal departments or departments of a legal nature, the Cologne-based specialist publisher Juve relies on surveys of customers, competitors, junior lawyers and judges. In addition to technical competence, particular attention is paid to strategic and proactive orientation and the future potential of the measures.

Sustainability in supplier management

As the largest European retail Company for consumer electronics, we want to provide our customers with the best products and services across the board at any time through our various sales channels. Our assortment includes brand products from internationally renowned manufacturers and products from our own brand company Imtron GmbH. Long and complex supply chains are behind both of these with widely branched global production, procurement and supply networks from which we benefit economically. There are potential effects on humankind and the environment in upstream effect levels. Designing value chains in a sustainable social, ecological and economic way is associated with numerous challenges, from ensuring humane working conditions to protecting the environment and resources. We see it as our duty to improve transparency within our supply chains. Additionally, we want to gradually assume more responsibility for all of our products – own brand and third-party brands alike – for the social and ecological compatibility of the production processes. More sustainable procurement practices help us to stand out from the competition, improve our reputation with customers, partners and employees and reduce potential Company risks – we are convinced of that.

Procurement and supplier management is particularly relevant at CECONOMY for MMSRG, the largest and highest-revenue company area. MMSRG's international procurement department is currently responsible for strategic procurement and supplier management for consumer electronics. It is responsible for supplier relationships and works in close coordination with the relevant procurement departments of country organisations. The Vice President of Procurement and, above this person, the COO of MMSRG, are responsible for this. The Chief Procurement Officer Meeting acts as an international steering and decision-making committee in this context. Where necessary, MMSRG management is involved.

We also rely on partnerships to improve sustainability standards in the supply chain. Ongoing dialogue with our suppliers and business partners is necessary to systematically increase environmental and social standards along the value chain. We see our market importance here to be a great opportunity: we are one of the first retail companies to motivate third-party brands in the consumer electronics industry with regard to sustainability. Controlling and strategically developing sustainability aspects further within supplier management is also the responsibility of MMSRG. Operative implementation takes place in collaboration with suppliers and the respective procurement areas of the country organisations and, if necessary, with additional relevant departments.

Our concept for sustainable supplier management at MMSRG is comprised of various elements:

Firstly, together with other companies from the electronics industry sector, we are organised in the Responsible Business Alliance (RBA, previously: Electronic Industry Citizenship Coalition (EICC)). The RBA works on a uniform standard for social, ecological and ethical topics for the supply chain and would therefore like to improve supplier management in the industry in the long term. Our supplier management is also based on the standards of the amfori Business Social Compliance Initiative (BSCI). They form an important basis for our supplier relationships.

The MMSRG procurement directive is the highest framework and is compulsory for all Group procurement organisations. It applies for all employees, creates binding and transparent minimum standards for all procurement activities of third-party brands and establishes responsibilities, processes and documentation requirements. The significance of sustainability is documented within the directive.

In the course of fundamentally revising our management approach for sustainable supplier management, the International Supplier Sustainability Agreement was developed as an addition to the supplier agreements. We will use the agreement to formulate and communicate our sustainability expectations to suppliers with the gradual implementation from 2019 onwards. We endeavour to ensure that all suppliers confirm they are familiar with the International Supplier Sustainability Agreement and confirm the requirements it contains and provide us with relevant information concerning their sustainability performance. The Agreement inter alia covers subjects such as work and social conditions, respect of human rights, environmental protection and the duty of care of suppliers along their own supply chain.

Expectations are directly communicated via the relevant procurement agent to suppliers in order to also ensure constant dialogue regarding sustainability matters.

To support this, we are introducing the EcoVadis monitoring and rating system, a platform to analyse sustainability aspects in the supply chain. EcoVadis supports evaluating the sustainability performance of our suppliers. With this introduction, we increase transparency and visualise potential for improvement for us and our suppliers.

We can only successfully implement our goals if we work together with our business partners in the long term, which is why we initially push for dialogue with suppliers in the event of anomalies or violations in order to work on improvement measures together. The supplier should have implemented these measures after a period of time previously defined by both parties has expired. In doing so, we want to further develop non-compliant suppliers and offer them support to implement improvements. However, if no improvements are made or the company enters into what are known as “zero tolerance areas”, we may end a supplier relationship as a last option on a case-by-case basis.

CECONOMY is committed to the National Human Rights Action Plan of the Federal government and is working on implementing it. The requirements it describes should be implemented across the Group and communicated by the middle of 2019.

In future, we aim to gain more knowledge about the implementation of sustainability in our supply chain. We are already conducting analyses of our top 200 direct suppliers with the help of our partner EcoVadis. We will gradually expand the sustainability screening of our direct suppliers.

At MMSRG, we understand procurement practices, guidelines and regulations to be dynamic processes that are continually improved. This is how we aim to continue to develop as a Group.

INDIRECT SPENDING

In addition to procuring the third-party products that we offer our customers through retail, we also obtain products and services for our own business operations and management. The Indirect Spending Sourcing department coordinates the procurement of so-called non-trading goods and services separately from the Procurement department which takes care of trade goods and services. It manages the indirect procurement for MMSRG as a whole and also assumes this task for CECONOMY AG as part of a performance relationship. At the level of MMSRG, the Vice President of Sourcing, who reports to the CEO, is responsible for this.

We also commit to the principles shown in the Code of Conduct of the Responsible Business Alliance (RBA) on the topic of indirect spending. The Sustainability Strategy Circle discusses and assesses significant aspects of sustainable procurement, measures and success. These measures also include preparing our own Code of Conduct for MMSRG based on the Code of Conduct of the RBA. In future, this will be binding for all purchasing agreements in the Indirect Spending Sourcing area, provided the contractual partner does not already have its own equal or superior certification.

OUR OWN BRANDS: SUPPLIER MANAGEMENT BY IMTRON

In addition to retail with brand products from internationally renowned manufacturers, MMSRG also sells products from our own brand company, Imtron GmbH. As a 100 per cent subsidiary of MMSRG, it is responsible for its own supplier management. Imtron’s business purpose is the central provision of MediaMarktSaturn country organisations with high-quality own-brand products, including ok., Koenic, Peaq and Isy. In addition, Imtron is building an area for exclusive licence brands and products.

Imtron’s own procurement directive (PD) ensures compliance with defined processes and methods in procurement and is the responsibility of Imtron GmbH’s management. The framework governs all procurement processes and minimum requirements for all products and goods-related services. In addition, it establishes responsibilities and process and documentation requirements in order to ensure a high degree of transparency in the procurement processes. The directive takes the superordinate Group directives of CECONOMY AG and MMSRG into consideration and is binding for all employees and specialist areas of Imtron GmbH and the 100 per cent subsidiary, Imtron Asia Hong Kong Limited. PD compliance is verified both by the internal control system (ICS) and at random by MMSRG’s Internal Auditing department. The earnings are reported to Imtron management and transferred into specific plans for improvement. The PD itself is subject to an annual internal plausibility check and is regularly updated and revised accordingly.

Since 2014, Imtron has been a member of the amfori Business Social Compliance Initiative (amfori BSCI) that was founded to protect employee rights in production facilities. The amfori BSCI Code of Conduct is based on the SA8000 standards of the Social Accountability International (ISA) organisation, the universal declaration of human rights of the United Nations, the UN Global Compact, the key working standards of the International Labour Organization (ILO) and OECD directives. amfori BSCI principles include the active management of operational and environmental protection, health and safety at the work place and the general prohibition on child and forced labour. These principles are summarised in a supplier's Code of Conduct and are communicated to all Imtron suppliers and business partners. The supplier's Code of Conduct is a fixed component of all agreements in connection with products, and is binding for all Imtron suppliers. All existing and new suppliers of Imtron own-brand products are bound to the sustainability criteria through this Code of Conduct.

The Sustainability, Compliance and Contract Management department carries out central monitoring on compliance with criteria and requirements. For example, it verifies whether there is a valid amfori BSCI audit for the business partner. All active Imtron suppliers (business relationships within the past two years) are obliged to sign a code of conduct based on the amfori BSCI as an appendix to the agreement. As at 30 September 2018, 100 per cent of all Imtron suppliers have signed this Code of Conduct. Every Imtron order is moreover subject to the approval requirement of this department. Imtron procurement decisions are therefore shaped by the amfori BSCI, establish a minimum standard for business partners and gain the commitment of every manufacturer.

Membership with the amfori BSCI obliges Imtron to regularly conduct audits of its suppliers. A BSCI audit is considered passed or successful if the supplier has passed with at least grade D.

Successful BSCI audits[1]

	2015/16	2016/17	2017/18
Number of audited suppliers (total number of companies)	75 of 87	104 of 116	117 of 124
Number of audited suppliers (in %)	86.2	89.7	94.4

[1] Successful social audits based on own imports (audits of all producers in defined risk countries in which Imtron manufactures import goods, demonstrate the successful implementation of the BSCI or an equivalent social standard system through the certificate of an independent third party).

Of Imtron's 124 suppliers which come from risk countries, 94.4 per cent underwent successful audits. Imtron defines risk countries as those countries that have also been classified as risk countries by the amfori BSCI. The resulting monthly overview means that the improvements and deteriorations can be reported to Imtron's management on a regular basis. In the long term, we particularly want to strengthen maintaining the audit result and preparing and implementing plans to carry out measure plans in collaboration with suppliers.

↗ You can find more information on risk classification on the amfori BSCI website at www.amfori.org under Country risk classification.

Outlook

In financial year 2018/19, we will continue to expand our sustainability activities and systematically implement our sustainability strategy. The defined focal points along our value chain and the goals set out in these focal points will provide direction.

↗ You can find more information on the sustainability strategy in section Sustainability strategy and management.

A large number of our sustainability strategy measures are already being successfully implemented in all MMSRG country organisations. We are driving this forward by developing and implementing country-specific sustainability programmes and targets based on the overarching sustainability strategy. In this way, progress and success can be continuously monitored and problems in implementation can be identified and addressed at an early stage.

By regularly conducting materiality analysis, we ensure that we always keep an eye on topics which are relevant for us and can recognise challenges early on. We take the expectations of our stakeholders seriously and have undertaken to enter into a more intensive dialogue.

Digitalisation and new technological developments shape our daily work. In order to continue to position ourselves for the future, we are placing these opportunities and challenges at the forefront of our work and will continue to intensify our efforts to promote innovation and new business models in the future.

We see ourselves as a responsible partner and guide for our customers, which is why we would like to help them to make conscious decisions. Accordingly, we will continue to develop the communication of sustainability information on our products and services and draw even more attention to criteria such as energy efficiency and resource conservation.

We will continue to develop our reporting on sustainability and non-financial information. This includes the continuous optimisation of collection and monitoring processes and thus the overall data quality.

With regard to climate change, our measures to increase resource efficiency and reduce our energy consumption in particular play an important role. Our new supply chain concept gives us more room to manoeuvre in the area of logistics emissions and can improve the efficient organisation of our transport and logistics activities.

In financial year 2018/19, we will intensify the further development of our greenhouse gas reporting and, in particular, its expansion to Scope 3. In addition, the development of our own climate strategy is high on our agenda.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT[1]

TO THE SUPERVISORY BOARD OF CECONOMY AG, DÜSSELDORF

We have performed an independent limited assurance engagement on the Separate Non-Financial Group Report (further "Report") of the CECONOMY Group (further "CECONOMY") as well as the section 'Group business model' of the Combined Management Report, which has been qualified as part of the Report by reference, according to Sections 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from October 1, 2017 to September 30, 2018.

As disclosed in the section 'Our own brands: Imtron supplier management', audits of suppliers were conducted by external firms mandated by CECONOMY to ensure compliance with the environmental, social and health standards of the amfori Business Social Compliance Initiative (BSCI). The appropriateness and accuracy of the conclusions from the audit / certification work performed was not part of our limited assurance procedures.

Management's Responsibility

The legal representatives of the entity are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

[1] Our engagement applied to the German version of the Report 2018. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.

Independence and quality assurance on the part of the auditing firm

We are independent from the entity in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Interviewing employees at Group level in order to gain an understanding of the process for determining material sustainability topics and the respective boundaries of CECONOMY.
- A risk analysis, including a media search, to identify relevant sustainability aspects for CECONOMY in the reporting period.
- Reviewing the suitability of internally developed Reporting Criteria.
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Interviewing relevant staff at Group level responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information
- Evaluation of selected internal and external documentation
- An analytical review of the data and trend explanations submitted by all sites for consolidation at Group level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample at Ingolstadt (Germany)
- Assessment of the overall presentation of the selected sustainability performance disclosures

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of CECONOMY, for the business year from October 1, 2017 to September 30, 2018, is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use / Clause on General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of CECONOMY AG, Düsseldorf, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of CECONOMY AG, Düsseldorf and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Munich, 30 November 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Laue
Wirtschaftsprüfer
[German Public Auditor]

ppa. Auer

INFORMATION AND FINANCIAL CALENDAR

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Disclaimer
This annual report includes forward-looking statements. Such forward-looking statements are based on certain assumptions and expectations at the time of publishing this report. These statements are therefore subject to risks and uncertainties, which means that actual earnings may differ substantially from the future-oriented statements made here. Many of these risks and uncertainties relate to factors that are beyond CECONOMY AG's ability to control or estimate precisely. This includes future market conditions and economic developments, the behaviour of other market participants, the achievement of expected synergy effects, and as legal and political decisions. Accordingly, CECONOMY AG does not assume any liability or guarantee (whether express or tacit) that the forward-looking statements including the estimates, expectations and assumptions underlying these statements are correct or complete. CECONOMY AG does not undertake any obligation to publicly correct or update these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this material.

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Financial calendar 2018/19

8 February 2019	Quarterly Statement Q1 2018/19
13 February 2019	Annual General Meeting
21 May 2019	Half-Year Financial Report Q2/H1 2018/19
13 August 2019	Quarterly Statement Q3/9M 2018/19
24 October 2019	Trading Statement Q4/FY 2018/19
17 December 2019	Annual Report FY 2018/19