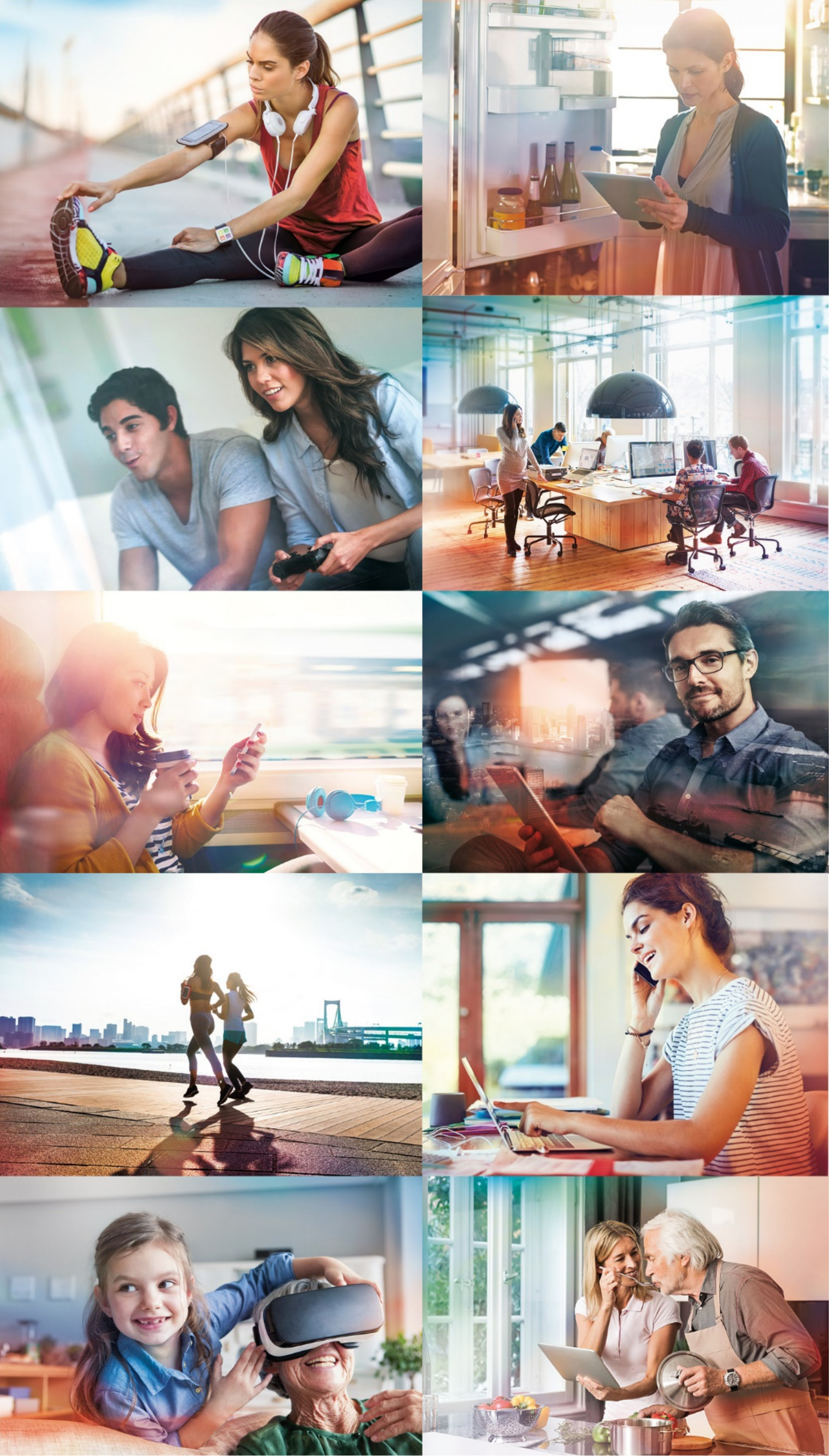

CECONOMY

Half-Year Financial Report

Q2/H1 2017/18

KEY VALUE DRIVERS

H1 2017/18

+8.6%
Online sales growth

+9.4%
Services & Solutions sales growth

+3.0 million
members in customer programmes

+20
stores opened[1] since 30/09/2017

- // **Online sales share at 11.9 per cent of total sales. High pick-up rate of around 43 per cent.**
- // **Services & Solutions sales at 6.1 per cent of total sales. SmartBars already in place in 750 stores.**
- // **Around 17.5 million members now enrolled in customer programmes. About 28 per cent of MediaMarkt sales are generated by Club members in Germany.**
- // **Average store size (excluding Shop-in-Shop) reduced by about 1.2 per cent.**

[1] Excluding Shop-in-Shop

THE HALF YEAR IN REVIEW

»

After the subdued start to the year, we had a good second quarter, in which we made progress operationally and strategically. We caught up with three-quarters of our earnings shortfall, also supported by the cost reduction measures initiated in January. However, six challenging months still lie ahead of us. Strategically important for us in the second quarter was the work we have done to prepare for the planned European Retail Alliance between MediaMarktSaturn and Fnac Darty. This alliance is the foundation for the cooperation between the two companies and an elementary building block of CECONOMY's strategy to be the leading Consumer Electronics platform in Europe.

«

Pieter Haas,
Chief Executive Officer

»

The Group result in the second quarter meets our expectations. The increase in EBITDA resulted, amongst others, from anticipated non-recurring effects in prior periods and positive effects from inventory valuation. Demand for our services & solutions offering developed positively and even accelerated in the second quarter. For the current financial year, we have initiated the necessary steps. Nevertheless, the degree of tension continues to be high. In the upcoming two quarters, we expect the Fifa soccer world championship, earnings improvements in the restructuring countries as well as an earnings increase in Italy to set important impulses to catch up the still existing earnings shortfall.

«

Mark Frese,
Chief Financial Officer

Contents

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

CECONOMY is managed on the basis of key performance indicators derived from IFRS (International Financial Reporting Standards) specifications together with other metrics: total sales growth adjusted for currency effects and portfolio changes, net working capital, EBITDA and EBIT.

For more details of the management-relevant key performance indicators, please refer to pages 49 to 52 of CECONOMY's Annual Report 2016/17.

The tax expense recognised was calculated in accordance with the regulations governing interim financial reporting using what is known as the integral approach.

The classification of items on the statement of financial position has been further detailed to enhance transparency. The current item "Receivables due from suppliers", which was formerly included under "Other financial and non-financial assets", is now stated separately. 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 prior-year figures have been adjusted accordingly.

The figures reported in this half-year financial report have been commercially rounded and may therefore not add up to the stated totals in individual instances.

FINANCIAL FIGURES AT A GLANCE[1]

Sales & earnings

€ million	Q2 2016/17[2]	Q2 2017/18	Change	H1 2016/17[2]	H1 2017/18	Change
Sales	5,258	5,249	−0.2%	12,151	12,184	0.3%
Sales development adjusted for currency and portfolio change effects[3]	–	0.8%	–	–	1.1%	–
Like-for-like sales development	0.3%	−0.1%	−0.4%p.	0.1%	0.3%	0.2%p.
Gross margin	19.9%	20.0%	0.1%p.	19.8%	19.5%	−0.4%p.
EBITDA	40	97	>100%	406	411	1.2%
of which, Fnac Darty	–	21	–	–	20	–
EBITDA margin excl. Fnac Darty	0.8%	1.4%	0.7%p.	3.3%	3.2%	−0.1%p.
EBIT	−19	38	–	289	297	2.9%
of which, Fnac Darty	–	21	–	0	20	–
Net financial result	−1	−110	<−100%	0	−108	–
Tax rate	32.8%	22.1%	−10.7%p.	49.2%	52.9%	3.7%p.
Profit or loss for the period attributable to non-controlling interests	−1	13	–	38	49	31.5%
Net result	−13	−68	<−100%	109	40	−63.5%
Earnings per share (€)	−0.04	−0.21	<−100%	0.33	0.12	−63.5%

Other operating figures

€ million	Q2 2016/17	Q2 2017/18	Change	H1 2016/17	H1 2017/18	Change
Online sales	611	639	4.5%	1,338	1,453	8.6%
Services & Solutions sales	292	334	14.6%	677	741	9.4%
Investments as per segment report	60	71	18.7%	115	131	13.9%

Cash flow

€ million	H1 2016/17	H1 2017/18	Change
Cash flow from operating activities	277	114	−163
Cash flow from investing activities	−146	−115	31
Cash flow from financing activities	−63	14	77
Change in net working capital[4]	84	−132	−216
Free cash flow	110	−15	−125

Statement of financial position

€ million	31/03/2017	31/03/2018	Change
Net working capital	−847	−681	166
Net liquidity (+)/Net debt (-)	747	197	−550

Other operating key figures (closing date 31/03)

	31/03/2017	31/03/2018	Change
Number of stores	1,034	1,147	113
Selling space (in thousand m²)	2,958	2,991	33
Workforce by full-time equivalents	58,336	57,955	−543

[1] Prior-year figures relate to continuing operations of former Metro Group, now CECONOMY; balance sheet figures were adjusted for discontinued operations to enable comparison.
[2] Starting with EBITDA, all earnings figures are stated before special items.
[3] Forecast-relevant key figures, starting from financial year 2017/18.
[4] Reported change in net working capital presented from the related statement of financial position items, adjusted for currency effects as well as investments and disinvestments.

INTERIM GROUP MANAGEMENT REPORT

Outlook

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

// SALES

For financial year 2017/18 CECONOMY expects a slight increase in total sales compared to the previous year. All segments will contribute to this. Correspondingly, we expect a slight improvement in net working capital compared with the previous year.

// EARNINGS

Both in terms of EBITDA and EBIT, CECONOMY expects 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 Western/Southern Europe region in particular will contribute to this. The comparative previous-year figures for 2016/17 have been adjusted for special items (EBITDA: €704 million, EBIT: €471 million).

In addition, EBITDA and EBIT for 2017/18 include our share of the profit or loss for the period for Fnac Darty S.A. Based on current analysts’ estimates, we expect this investment to make a contribution to earnings in the low to mid double-digit millions in financial year 2017/18.

Events in the second quarter

For the first time, the result contribution from the participating interest in the French retail company, Fnac Darty S.A., contributed proportionally to the half-year result in the amount of €20 million, in which CECONOMY is the largest shareholder, with around 24 per cent.

In the second quarter of the financial year 2017/18 the dividend payment from the approximately 10 per cent participating interest in Metro AG in the amount of €25 million is also reflected in the financial result. Due to the significant decline of the Metro AG share price in the second quarter of the current financial year, a value impairment in the amount of €131 million of Metro AG occurred as of the last stock exchange trading day of our quarter period on 29 March 2018, to a price of €14.39 per ordinary share and €14.25 per preference share. This had an impact on the financial result.

Events after the second quarter

On 13 April 2018, CECONOMY AG commented on rumours about a potential transaction of the Russian retail business. With this, CECONOMY confirmed that Media-Saturn-Holding GmbH (MSH), a majority shareholder of CECONOMY, is in discussions with M.video about a potential disposal of the Russian retail business of the Media-Saturn-Group and a concurrent acquisition of a minority stake in M.video by a Media-Saturn-Group company.

On 20 April 2018, METRO AG disclosed its adjusted forecast for the financial year 2017/18 with an ad hoc report. In the subsequent two trading days, the share price of the ordinary share of METRO AG fell by around 20 per cent. Another impairment requirement may arise from this on the book value in the consolidated balance sheet of CECONOMY AG.

As of 3 May 2018, the activities of redcoon Germany, which were already integrated into the national subsidiary of MediaMarktSaturn Germany, were finally closed.

Macroeconomic conditions

The recovery of the global economy continued in the first half of 2017/18. Western Europe also continued to show moderate growth, however, in several countries, with a declining dynamic. One driver of the positive trend is the French economy, strengthened by the structural reforms. A solid export economy in combination with low unemployment rates in many Western European countries supported this growth path. Most Eastern European countries continued to show stable growth. In Russia, after two years with declining economic performance up to and including 2016, we observed moderate positive economic development in 2017. The originally expected continuation of this trend in 2018 is put into question, due to the sanctions imposed against Russia by the USA in April this year and the associated devaluation of the rouble. In China, due to the continued transformation towards a service-oriented economy, growth is at a slightly lower level than in the previous years. The Asian economic area still showed the strongest growth. Overall, the solid growth of the global economy also continued in 2018. However, this development is at risk, not least, due to the announced protectionist measures in the USA and the associated threat of trade wars.

In the first half of 2017/18, DACH showed solid development overall, whereby a growth dip is currently being observed in private consumption. In spite of global economic uncertainties, Germany offers a positive outlook. At present, Austria can profit from the economic recovery in Eastern Europe, due to is bridge function. In Switzerland, the growth expectations are supported, inter alia, by increased consumer satisfaction - however, larger growth impulses are expected from economic sectors outside of private consumption. Therefore, the environment continues to be challenging for the retail industry. Hungary continued its strong growth phase from 2017 in 2018 and continues to show real economic growth above the EU average.

In Western and Southern Europe, we continue to observe moderate, slightly slowed-down economic growth, which also goes hand-in-hand with private consumption. In Spain, economic growth is slowing down after three strong years. In spite of structural problems, e.g. the strong social and economic imbalance between Northern and Southern Italy, the high unemployment rate, very high government debt, obsolete industrial structure and political instability, Italy continues to show positive economic growth; however, it lies significantly below the EU average. In the Netherlands, we are also observing a growth slow-down in 2018.

The stabilisation in Eastern Europe is continuing in the first half of 2017/18: In 2018, Poland has been able to continue its economic growth, supported by private consumption, at a slightly lower level than 2017. The continuation of the moderately positive economic development, which was originally expected in 2018, is put into question, due to the sanctions imposed against Russia by the USA and the associated devaluation of the rouble. In Turkey, a significant decline of economic growth is anticipated in 2018, after government subsidies in various economic sectors in 2017. Within this trend, private consumption has supported the economic development in the current year.

Results In Detail

Earnings position

	Sales (€ million)		Change		Currency effects		Sales adjusted for currency and portfolio change effects[1]		Like-for-like sales (local currency)	
	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18
Total	**5,258**	**5,249**	**0.0%**	**−0.2%**	**0.5%**	**−1.0%**	**–**	**0.8%**	**0.3%**	**−0.1%**
DACH	3,028	2,956	1.5%	−2.4%	0.2%	−0.5%	–	−1.9%	2.4%	−1.6%
Western/Southern Europe	1,594	1,654	−2.3%	3.7%	0.0%	0.0%	–	3.7%	−4.1%	1.6%
Eastern Europe	520	517	5.2%	−0.5%	4.0%	−6.7%	–	6.2%	3.0%	1.9%
Others	116	122	−22.5%	5.0%	−0.5%	−5.6%	–	10.6%	−3.2%	8.4%

[1] Forecast key figures, starting from financial year 2017/18.

	Sales (€ million)		Change		Currency effects		Sales adjusted for currency and portfolio change effects[1]		Like-for-like sales (local currency)	
	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18
Total	**12,151**	**12,184**	**0.0%**	**0.3%**	**0.0%**	**−0.8%**	**–**	**1.1%**	**0.1%**	**0.3%**
DACH	7,004	6,915	0.7%	−1.3%	0.1%	−0.4%	–	−0.9%	0.5%	−0.4%
Western/Southern Europe	3,630	3,743	−0.3%	3.1%	0.0%	0.0%	–	3.1%	−2.1%	0.9%
Eastern Europe	1,218	1,223	3.4%	0.4%	0.8%	−5.2%	–	5.6%	4.5%	1.5%
Others	298	302	−20.0%	1.3%	−2.0%	−2.4%	–	3.7%	0.2%	4.4%

[1] Forecast key figures, starting from financial year 2017/18.

// SLIGHT INCREASE IN GROUP SALES IN THE FIRST HALF-YEAR

Group sales of CECONOMY increased by 0.3 per cent to around €12.2 billion in the **first half** of financial year 2017/18. Adjusted for currency effects and portfolio changes, CECONOMY showed sales growth of 1.1 per cent. However, no changes were made to the Group portfolio during the reporting period. Like-for-like, Group sales were 0.3 per cent higher compared to the value of the previous year. Christmas trading, which was only moderate, contributed to this development in the first quarter of 2017/18. The Christmas trading was characterized by a focus on promotion campaigns around "Black Friday" in November, to the detriment of sales in December.

In the **second quarter of 2017/18**, Group sales declined slightly with −0.2 per cent, in comparison to the prior-year quarter and reached a total of €5.2 billion. However, adjusted for currency effects and portfolio changes, sales grew by 0.8 per cent. Like-for-like, Group sales were nearly at the previous year's level, with −0.1 per cent.

However, it must be taken into consideration that in the same quarter in the previous year, the VAT campaign at Saturn Germany, which was deliberately not repeated this year, made a major contribution to sales. In contrast, a shift of the pre-Easter week from April last year into March this year had a positive effect, which was able to partly compensate the effect of the VAT campaign. Adjusted for both of these effects, Group sales increased in the second quarter by 0.7 per cent or1.8 per cent, adjusted for currency effects and portfolio changes.

// EXPLANATION OF SALES IN THE DACH SEGMENT

The DACH segment generated sales of around €6.9 billion in the first half of 2017/18, which corresponds to a decline by −1.3 per cent. Adjusted for currency effects and portfolio changes, sales were −0.9 per cent below the previous year's level. Declining sales in Switzerland, due to the challenging economic environment and a fall in sales at redcoon Germany, also contributed to this in 2017/18. However, both of these effects were compensated in the first quarter by the sales trend of the other units in the DACH segment.

In the second quarter of 2017/18, sales in the DACH segment were declining, with −2.4 per cent and reached total of €3.0 billion. Before currency effects and portfolio changes, sales fell by −1.9 per cent in comparison to the previous year. In Germany, the deliberately not repeated VAT campaign of the previous year at Saturn and as expected lower sales of redcoon had a negative influence on the sales trend. Furthermore, negative exchange rate effects and a decline in customer frequency burdened sales in Switzerland. In contrast, Austria and Hungary showed positive sales growth.

// EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

The Western and Southern Europe segment generated sales growth in the first half of 2017/18 of 3.1 percent to €3.7 billion. Adjusted for currency effects and portfolio changes, sales also grew by 3.1 per cent. In the first quarter, sales developed particularly positive in Spain ,also the business in Italy was slightly above the previous year.

Sales in the Western and Southern Europe segment increased by 3.7 per cent to €1.7 billion in the second quarter of 2017/2018. Adjusted for currency effects and portfolio changes, sales also rose by 3.7 per cent. In spite of the unchanged intensely competitive environment, the positive sales trend in Italy continued to contribute to this. This was supported by double-digit growth rates in the area of Online and Services & Solutions. Furthermore, sales in Spain and Belgium grew due to expansion.

// EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

Sales in the Eastern Europe segment increased by 0.4 per cent to around €1.2 billion in the first half of 2017/2018. Adjusted for currency effects and portfolio changes, sales rose by 5.6 per cent. In the first quarter, the significant devaluations of the Turkish lira and the Russian rouble burdened the segment sales. However, adjusted for currency effects, Turkey showed sales growth in the double-digit percentage range, while sales in Russia continued to decline.

Sales in the Eastern Europe segment fell slightly by −0.5 per cent to €0.5 billion in the second quarter of 2017/2018. The significant devaluation of the Turkish lira and the Russian rouble also burdened sales in the second quarter. Correspondingly, adjusted for currency effects and portfolio changes, sales show significantly more positive development, with 6.2 per cent. Before currency effects, Turkey was particularly able to continue the considerable positive trend of the last quarters.

// EXPLANATION OF SALES IN THE OTHERS SEGMENT

The Others segment recorded sales growth in the first half of 2017/18 of 1.3 per cent to € 0.3 billion. Adjusted for currency effects and portfolio changes, sales rose by 3.7 per cent. The decline in sales in the first quarter, which mainly resulted from the planned closing of the redcoon activities, was more than compensated in the second quarter.

In the second quarter of 2017/18, sales grew by 5.0 per cent or by 10.6 per cent, after currency adjustment and portfolio adjustment. This sales growth was particularly contributed to by the further stabilising business in Sweden.

// CONTINUATION OF GROWTH IN ONLINE BUSINESS

	Sales (€ million)		Change (%)	in % of total sales
	Q2 2016/17	Q2 2017/18		
Online	611	639	4.5	12.2
Services & Solutions	292	334	14.6	6.4

	Sales (€ million)		Change (%)	in % of total sales
	H1 2016/17	H1 2017/18		
Online	1,338	1,453	8.6	11.9
Services & Solutions	677	741	9.4	6.1

The persistent success of our multi-channel strategy continued unchanged in the first half-year and also in the second quarter of the financial year 2017/18.

Total online sales grew in the first half-year by 8.6 per cent and by 4.5 per cent in the second quarter. The weakened growth in the second quarter is also due to reduced activities of redcoon in Germany and Poland. Adjusted for pure-player, the online generated sales of the MediaMarkt and Saturn retail brands in the first half year again reached double-digit sales growth of around 17 per cent and 11 per cent in the second quarter. In total, the online share of total sales in the first six months of the reporting period amounted to 11.9 per cent (previous year: 11.0 per cent) and 12.2 per cent in the second quarter (previous year: 11.6 per cent).

Our customers’ response to our closely interlinked sales channels continues to be very positive, as demonstrated, once again, by the high pick-up rate (in-store collection of goods ordered online) of around 43 per cent in the first half-year (previous year: around 42 per cent). In the second quarter, this rate was at around 42 per cent (previous year: around 41 per cent).

// HIGH DEMAND FOR SERVICES & SOLUTIONS

In the first half-year, the Services & Solutions business also developed positively, with sales growth of 9.4 per cent to €741 million (previous year: €677 million). With this, Services & Solutions reach a share of 6.1 per cent of total sales (previous year: 5.6 per cent). The sales growth compared to the previous year accelerated in the second quarter to around 14.6 per cent. With this, sales reached an amount of €334 million (previous year: €292 million), which corresponds to a sales share of 6.4 per cent (previous year: 5.5 per cent).

With our continuous roll-out of the “SmartBars”, which are now available in more than 750 stores, as well as the growing presence of “Deutsche Technikberatung” in more than 300 MediaMarkt and Saturn stores in Germany, we are emphasizing our service concept and fulfilling the demand of our customers for appropriate services. Insurance and financing, repair services and warranty extensions performed particularly well.

// DYNAMIC INCREASE IN THE NUMBER OF MEMBERS ENROLLED IN OUR CUSTOMER PROGRAMMES

Around two years after the introduction of the MediaMarkt-Club and one year after the introduction of the Saturn-Card, our customer programmes are continuing to establish themselves positively. The total number of customer programme members in both retail brands reached a new record value of around 17.5 million members as of 31 March 2018. In our home market of Germany, the number of Media Markt-Club members grew by nearly 1 million to 4.1 million members as of 31 March 2018, as compared to 31 December 2017. Furthermore, the number of Saturn-Card members in Germany increased by 270,000 to around 1.2 million in the same period.

€ million	Reported EBITDA Q2 2016/17	EBITDA before special items Q2 2016/17	EBITDA Q2 2017/18	Change Q2 2017/18	Reported EBIT Q2 2016/17	EBIT before special items Q2 2016/17	EBIT Q2 2017/18	Change Q2 2017/18
Total[1]	**27**	**40**	**97**	**56**	**−34**	**−19**	**38**	**58**
DACH	51	52	67	15	21	23	37	15
Western/Southern Europe	19	14	32	18	−1	−6	12	19
Eastern Europe	−19	−2	−2	−1	−29	−10	−10	0
Others	−24	−25	0	24	−25	−26	−2	25

[1] Including consolidation

€ million	Reported EBITDA H1 2016/17	EBITDA before special items H1 2016/17	EBITDA H1 2017/18	Change H1 2017/18	Reported EBIT H1 2016/17	EBIT before special items H1 2016/17	EBIT H1 2017/18	Change H1 2017/18
Total[1]	**398**	**406**	**411**	**5**	**280**	**289**	**297**	**8**
DACH	309	312	292	−20	251	254	233	−20
Western/Southern Europe	107	102	112	9	68	63	73	10
Eastern Europe	13	25	23	−2	−5	8	8	0
Others	−31	−33	−15	18	−34	−36	−18	18

[1] Including consolidation

// EBITDA IN H1 AND Q2 ABOVE PREVIOUS YEAR

In the **first half of 2017/18**, the Group EBITDA was at €411 million. In the comparative prior-year period, this still amounted to €406 million before special items or €398 million including special items. It must be taken into consideration that in this year, a result contribution by Fnac Darty is included for the first time, in the amount of €20 million. Excluding this contribution, the Group EBITDA in the first half of 2017/18 was at €391 million and was therefore below the previous year's level.

The Group EBITDA was also influenced by a declining gross margin in the first half of 2017/18, which was reduced by 0.4 percentage points to 19.5 per cent. The main burden on this was in particular the shift of profitable December sales into the more competitive "Black Friday" market environment in the first quarter of 2017/18. In addition to a technical effect in Italy, due to budget-related high deferrals in the previous year, the continued planned build-up of the CECONOMY AG holding company contributed to the decline of the EBITDA.

In the **first half of 2017/18**, depreciation and amortisation was €3 million below the previous year, at €114 million. Therefore, the Group EBIT amounted to €297 million. In the prior-year period, the Group EBIT still amounted to €289 million before special items or €280 million including special items. Excluding the profit contribution of Fnac Darty, the Group EBIT in the first half of 2017/18 reached €277 million and was therefore below the previous year.

In the **second quarter** of the financial year 2017/18, a Group EBITDA of €97 million was generated. In the comparative prior-year period, this amounted to €40 million before special items or €27 million including special items. Even excluding the result contribution of Fnac Darty, the Group EBITDA in the second quarter of 2017/18 was significantly above the previous year, at €76 million. More than half of the increase was due to the absence of known non-recurring effects in the previous year, such as the loss from the insolvency of a telecom provider in the Netherlands and the not repeated VAT campaign at Saturn Germany, as well as positive effects from the valuation of goods in our inventories. These positive effects resulted from an increase in the sell-off bonuses, which are not taken into account as a reduction in the cost of purchase. The winding-up of redcoon also had a positive impact on the result.

In consideration of the depreciation and amortisation in the amount of €58 million, the Group EBIT in the second quarter of 2017/18 amounted to €38 million. In the prior-year period, the consolidated EBIT amounted to €−19 million before special items or €−34 million including special items. Disregarding the result contribution of Fnac Darty, the Group EBIT in the second quarter reached €18 million.

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

// EXPLANATION OF THE RESULT FOR THE DACH SEGMENT

In the segment DACH EBITDA was €−20 million lower in the first half of 2017/18 than the previous year's period, at €292 million. Depreciation and amortisation remained constant in the first six months. The DACH segment generated EBIT of €233 million (previous year: €254 million). In the first quarter, shifts from profitable December sales to the more competitive market environment surrounding "Black Friday" in Germany burdened the segment result.

In the second quarter of 2017/18, the EBITDA of the DACH segment improved by €15 million to €67 million. This increase is essentially due to the absence of the VAT campaign at Saturn Germany, as well as positive effects on results from the valuation of goods in our inventories. The latter resulted from an increase in the sell-off bonuses, which are not taken into account as a reduction in the cost of purchase. The wind-down of redcoon also had a positive impact on the result. In spite of basically rising demand for services, the still low capacity utilisation in the service business had an opposite effect. This was also due to the start-up phase of the newly opened "SmartBars". Despite lower sales, Switzerland also contributed to the improved result. However, it must be taken into consideration here that this is mainly due to higher provisions in the previous year. With virtually constant depreciation and amortisation, the EBIT improved in the second quarter to €37 million (previous year: € 23 million).

// EXPLANATION OF THE RESULT FOR THE WESTERN AND SOUTHERN EUROPE SEGMENT

In Western and Southern Europe, the EBITDA grew in the first half of 2017/18 by €9 million to €112 million. Depreciation and amortisation remained virtually at the previous year's level. Therefore, EBIT rose to €73 million (previous year: €63 million). In the first quarter, a technical effect in Italy made contributed significantly to a decline in earnings in the Western and Southern Europe segment

In the Western and Southern Europe segment, EBITDA grew in the second quarter of 2017/18 by €18 million to €32 million. The majority of this increase resulted from non-recurring effects in the prior-year quarter, such as the loss from the insolvency of a telecom provider in the Netherlands. Depreciation and amortisation also remained virtually at the previous year's level in the second quarter. Therefore, EBIT improved to €12 million (previous year: €−6 million).

// EXPLANATION OF THE RESULT FOR THE EASTERN EUROPE SEGMENT

At €23 million, EBITDA in the Eastern Europe segment in the first half of 2017/18 was around €−2 million lower than the previous year's level. However, depreciation and amortisation also fell by €2 million, so that the EBIT remained constant at €8 million (previous year: €8 million). In the first quarter, the weaker result in Poland was virtually compensated by an improvement in Russia.

In the second quarter of 2017/18, the EBITDA in the Eastern Europe segment was at €−2 million and therefore constant with the previous year. Increased personnel expenses after a collective bargaining agreement adjustment in Poland were largely compensated by positive one-off effects at redcoon Poland and by a result improvement in Turkey. With virtually constant depreciation and amortisation, the EBIT also remained at the previous year's level at €−10 million (previous year: €−10 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 company, the result contribution of Fnac Darty as well as Sweden and activities of smaller companies. In the first half of 2017/18, the EBITDA grew, as compared to the prior-year period, by €18 million to €−15 million. With depreciation and amortisation virtually at the previous year's level, the EBIT also improved to €−18 million (previous year: €−36 million). In the first quarter, the planned build-up of the holding company led to a declining result.

In the second quarter of 2017/18, the EBITDA of the Others segment improved by €24 million to €0 million. In addition to the result contribution of Fnac Darty in the amount of € 21 million, among others, a result improvement in Sweden contributed to this development, as well as a slight decline in the holding company costs. With virtually constant depreciation and amortisation, the EBIT, including the result contribution of Fnac Darty, improved to €–2 million (previous year: €–26 million).

// EARNINGS PER SHARE DECLINED

In the following comments on figures by year on year comparison, the results for the prior-year period relate to continued operations before special items.

In the **first half of 2017/18**, the result before taxes reduced from €288 million to €189 million, in spite of a higher EBIT. The main reason for this was a significant loss in the financial result in the amount of €–108 million (previous year: €0 million), which was mainly due to the value impairment of our participating interest in Metro AG in the amount of €131 million. Due to the use of the integral approach, the lower result before taxes led to a lower tax expense in the amount of €100 million (previous year: €142 million). In comparison to the first quarter of 2017/18, the tax rate grew from 44.4 per cent to 52.9 per cent (H1 2016/17: 49.2 per cent). This increase resulted from the non-tax-relevant value impairment of our participating investment in Metro AG.

Therefore, the profit or loss for the period in the first half-year fell from €146 million to €89 million. In contrast, the minority shares in the profit or loss for the period grew to €49 million (previous year: €38 million). This resulted in profit or loss for the period attributable to the shareholders of €40 million (previous year: €109 million) or €0.12 per share (previous year: €0.33 per share).

The result before taxes in the **second quarter of 2017/18** fell from €–20 million to €–71 million. The EBIT, which increased by €58 million to €38 million, did not compensate the decline in the financial result in the amount of €–109 to €–110 million. The significant decline in the financial result is essentially due to the value impairment of our participating interest in Metro AG in the amount of €131 million, which is included in the other investment result. Due to the significant decline of the share price of Metro AG in the second quarter of the current financial year, this value impairment occurred to €14.39 per ordinary share and €14.25 per preference share. Together with the receipt of the dividend payment of Metro AG in the amount of €25 million, in the second quarter, an investment result was generated in the amount of €–102 million (previous year: €0 million). Furthermore, higher interest expense and higher expenses from hedging currency risks contributed to a lower financial result. Tax income increased from €7 million to €16 million.

The profit or loss for the period fell in the second quarter from €–14 million to €–55 million. The profit or loss for the period attributable to minority interests grew from €–1 million to € 13 million. This resulted in profit or loss for the period attributable to the shareholders of €–68 million (previous year: €–13 million) or €–0.21 per share (previous year: €–0.04 per share).

Financial and asset position

// CASH FLOW

€ million	H1 2016/17	H1 2017/18	Change
Cash flow from operating activities	277	114	−163
Cash flow from investing activities	−146	−115	31
Cash flow from financing activities	−63	14	77
Change in net working capital[1]	84	−132	−216
Free cash flow	110	−15	−125

[1] Reported change in net working capital presented from the related statement of financial position items, adjusted for currency effects as well as investments and disinvestments.

In the first six months of the financial year 2017/18, **cash flow from operating activities** resulted in a cash inflow of €114 million. This is compared to a cash inflow from continuing operations of €277 million in the previous year.

The €−163 million decrease in cash flow from operating activities was mainly due to the deterioration of the **change in net working capital**, by €−216 million. The change in net working capital was also influenced positively by a temporary improvement of the trade liabilities due to the weekday effects as of the closing date of 31 March 2018.

After a build-up of inventories burdened the net working capital in the first quarter, considerably reduced purchasing volume in the second quarter translated into a lower build-up of inventories over the first six months of the financial year 2017/18. However, this was considerably overcompensated by a lower accumulation of trade liabilities, which was also due to a changed product mix. Increased receivables due from suppliers burdened the net working capital in the first quarter. However, in the second quarter, a significant part of these receivables was paid, so that this resulted in a slightly positive effect on the net working capital. .

Net working capital

€ million	30/09/2016	31/03/2017	Change	30/09/2017	31/03/2018	Change
Inventories	2,393	2,956	563	2,553	2,972	419
Trade receivables	324	307	−17	498	517	19
Receivables due from suppliers[1]	1,212	1,184	−28	1,246	1,183	−63
Credit card receivables	28	24	−4	68	65	−3
Prepayments on inventories	0	1	1	0	0	0
Trade liabilities	−4,494	−5,056	−562	−4,929	−5,159	−230
Liabilities to customers	−135	−143	−8	−129	−124	5
Accrued sales from vouchers and customer loyalty programmes	−56	−70	−14	−69	−81	−12
Provisions for customer loyalty programmes and rights of return	−18	−16	2	−19	−17	2
Prepayments received on orders	−33	−34	−1	−39	−38	1
Net working capital	**−780**	**−847**	**−67**	**−820**	**−681**	**139**

[1] Includes as per 30 September 2017 €29 million and per 31 March 2017 €28 million, which were reported in the balance sheet under the other financial assets item in non-current assets.

The **cash flow from investing activities** in the first half-year amounted to €–115 million compared to €–146 million for the continuing operations in the prior-year period. The absence of company acquisitions and lower expenditures for expansion were responsible for this.

Cash flow from financing activities recorded a cash inflow of €14 million for the first half-year (previous year: cash outflow of continuing operations of €63 million). The payment of dividends to the shareholders of CECONOMY AG amounted to €85 million. In addition, dividends were paid to the store managers in the amount of €30 million. In contrast, the net raising of financing debts amounted to €99 million and a cash inflow of €25 million occurred from the dividend payment of Metro AG. In the previous year, CECONOMY paid out the total dividend prior to the demerger of the former Metro Group (€327 million).

The **free cash flow** was at €–15 million in the first half-year. As a result of the weaker trend in net working capital, free cash flow was €–125 million below the value of the continuing operations for the prior-year period.

// LOWER NET LIQUIDITY

As of 31 March 2018, the balance sheet net liquidity amounted to €197 million. The comparable value for the previous year as of 31 March 2017 for the continuing operations was at €747 million. The year-on-year decline is primarily due to the development in net working capital and to the acquisition of a share of around 24 per cent in French competitor Fnac Darty.

// INVESTMENTS GREW IN COMPARISON TO THE PREVIOUS YEAR

According to the segment report, the **investments** amounted to €131 million in the first half of the year and are €16 million above the prior-year period (previous year: €115 million). In the second quarter, €71 million was invested (previous year: €60 million). The store network was expanded in the first half of 2017/18 by 105 stores, of which, 85 were shop-in-shop stores in Russia. In contrast, eleven stores were closed in the reporting period.

At the end of the second quarter, our network comprised 1,147 **stores** in total. In the second quarter, a total of eight stores were newly opened. Most of the openings were in Turkey, with five, followed by one each in Germany and Poland. A shop-in-shop store was also opened in Russia. In contrast, six stores were closed in Russia, three stores in Poland and one store was closed in Germany in the same period.

As compared to 30 September 2017, the average **selling space per store** declined by –7.2 per cent to 2,608 square metres, mainly as a result of the smaller size of the newly opened stores, including the shop-in-shops. At the end of financial year 2016/17, the average size of stores was still 2,811 square metres.

// FINANCING

CECONOMY AG uses issues on the capital market medium- and long-term financing. A euro-denominated commercial paper programme with a maximum volume of €500 million is available to CECONOMY AG. As of 31 March 2018, commercial paper with a volume of €288 million was utilised. Furthermore, in January 2018, a short-term promissory note loan was issued by CECONOMY AG with a volume of €75 million and a term during the year.

Furthermore, a syndicated credit facility is available to CECONOMY AG in a total amount of €550 million with a term until 2023 and multi-year bilateral credit facilities totalling €490 million. Neither the syndicated credit facility nor the multi-year bilateral facilities were utilised as of 31 March 2018.

CECONOMY continues to have an investment grade rating from the international rating agencies, Moody's and Scope (Moody's: Baa3, Scope: BBB–) with a stable outlook in each case. A downgrade of our rating into the non-investment-grade range below Baa3/BBB– would have negative implications for our liquidity and Group financing. Furthermore, negative implications for the net working capital cannot be ruled out. Obtaining this investment grade rating is one of the main pillars of our balanced financial strategy.

Risks and opportunities

The main risks and opportunities for CECONOMY and detailed information about our risk and opportunity management system are presented in the 2016/17 annual report of CECONOMY AG on pages 90 to 97. Since the time of the consolidated financial statements being prepared on 29 November 2017, the following changes have occurred to the anticipated development of the Group.

// CHANGES TO THE RISK SITUATION

MediaMarktSaturn Retail Group (MMSRG), as a significant participating interest of CECONOMY, is presently in a phase of transformation from product to customer, from decentralised to agile and from analogue to digital. Transformation processes of this type are risky, as a general rule, and require a high degree of coordination, allocation of resources and support by employees and management staff. A failure of the transformation may jeopardise the long-term success of MMSRG and consequently, that of CECONOMY. To counteract this risk, we are actively driving the transformation process forward - also with external support.

We have defined a series of measures on all organisational levels to support performance, particularly of the margin-weak countries. If these measures for strengthening the country performance do not succeed in the short term, a revaluation of assets of the units concerned, including goodwill, and offsetting up provisions may be necessary. This may have a negative impact on the net assets and profit situation of CECONOMY. For this reason, we attach high priority to measures designed to strengthen country performance.

We consider the new and increasingly complex regulations on data protection; for example, for processing personal data or the use of customer-specific information, as now being a material risk for CECONOMY. CECONOMY is aware of the significant responsibility in this area and continues to place high priority to data protection. Therefore the requirements of the new EU General Data Protection Regulation are implemented without any delay. Inter alia, measures are the strengthening of awareness of the data protection requirements, the anchoring of the obligation to comply with data protection in the employment contracts, as well as training courses.

Digitalisation and the connectivity of IT systems with the outside world, which goes hand-in-hand with this, involve the risk of attacks on the infrastructure. Critical network infrastructures and IT systems must therefore be checked continuously and adapted, in order to prevent disruptions to business procedures, which may lead to direct losses of sales. IT system malfunctions may specifically affect CECONOMY's business development with regard to the constantly rising online retail trade, as this requires constant accessibility, even outside of store opening times. Technical-organisational measures, such as encryption mechanisms or software solutions, are implemented as risk mitigation measures.

Qualified employees form the basis for the success of our company. The competition for competent specialists has increased significantly, particularly in the relevant areas for digitalisation. Therefore, a lack of appropriate employees in the key functions in the areas of Innovation and IT, may be a risk with a sustainable negative impact on the success of CECONOMY. We have implemented a series of measures, which enable effective control and further development of the personnel resources, on the one hand, and support the recruiting of new, highly qualified employees, on the other hand to ensure that CECONOMY has personnel resources at its disposal with specialist expertise and technical knowledge.

Risks that threaten the existence of the business do not exist and are not presently identifiable, also for the future.

// CHANGES TO THE OPPORTUNITY SITUATION

For the future success of CECONOMY, we increasingly see opportunities in respect to the development of new and more innovative business segments. The requirements and behaviour of our customers change constantly with advancing digitalisation and thereby open up new business segments in various areas, such as "Smart Home". We actively drive forward the development of such new and innovative business segments, by monitoring changes to customer requirements, identifying new trends and developing innovative ideas. Furthermore, we are continuously developing strategic partnerships and acquisitions, in order to adequately occupy new business segments.

Furthermore, we see another opportunity in the systematic and intensified use of our data for supporting our business activities. CECONOMY has a variety of company-internal and external data, which we consistently use within the scope of the legal requirements, in order to support and promote our business and its development in the best possible manner.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement

€ million	Q2 2016/17	Q2 2017/18	H1 2016/17	H1 2017/18
Sales	**5,258**	**5,249**	**12,151**	**12,184**
Cost of sales	−4,212	−4,198	−9,740	−9,812
Gross profit on sales	**1,046**	**1,051**	**2,411**	**2,372**
Other operating income	45	40	91	81
Selling expenses	−981	−932	−1,956	−1,902
General administrative expenses	−142	−138	−263	−271
Other operating expenses	−2	−3	−3	−4
Earnings share of operating companies recognised at equity	0	21	0	20
Earnings before interest and taxes (EBIT)	**−34**	**38**	**280**	**297**
Earnings share of non-operating companies recognised at equity	0	0	0	0
Other investment result	0	−102	0	−102
Interest income	5	6	9	15
Interest expenses	−5	−9	−10	−16
Other financial result	−1	−5	0	−6
Net financial result	**−1**	**−110**	**0**	**−108**
Earnings before taxes (EBT)	**−35**	**−71**	**279**	**189**
Income taxes	53	16	−157	−100

€ million	Q2 2016/17	Q2 2017/18	H1 2016/17	H1 2017/18
Profit or loss for the period from continuing operations	**19**	**−55**	**122**	**89**
Profit or loss for the period from discontinued operations	122	0	249	0
Profit or loss for the period	**141**	**−55**	**371**	**89**
Profit or loss for the period attributable to non-controlling interests	9	13	40	49
from continuing operations	**−2**	**13**	**25**	**49**
from discontinued operations	11	0	15	0
Profit or loss for the period attributable to shareholders of CECONOMY AG	131	−68	331	40
from continuing operations	**21**	**−68**	**98**	**40**
from discontinued operations	111	0	233	0
Earnings per share in € (basic = diluted)	**0.40**	**−0.21**	**1.01**	**0.12**
from continuing operations	**0.06**	**−0.21**	**0.30**	**0.12**
from discontinued operations	0.34	0.00	0.71	0.00

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

€ million	Q2 2016/17	Q2 2017/18	H1 2016/17	H1 2017/18
Profit or loss for the period	**141**	**–55**	**371**	**89**
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**–70**	**8**	**–24**	**8**
Remeasurement of defined benefit pension plans	21	7	88	7
Follow-up valuation of associates/joint ventures, which are accounted for according to the equity method	0	2	0	2
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	–91	0	–112	0
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**52**	**72**	**151**	**18**
Currency translation differences from translating the financial statements of foreign operations	56	12	151	13
Effective portion of gains/losses from cash flow hedges	–4	0	0	0
Gains/losses on remeasuring financial instruments in the category available for sale	0	59	0	4
Follow-up valuation of associates/joint ventures, which are accounted for according to the equity method	0	1	0	1
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	0	1	0
Other comprehensive income	**–18**	**81**	**127**	**26**
Total comprehensive income	**123**	**25**	**498**	**115**
Total comprehensive income attributable to non-controlling interests	8	15	37	52
Total comprehensive income attributable to the shareholders of CECONOMY AG	116	10	461	63

Statement of financial position

Assets

€ million	30/09/2017	31/03/2017	31/03/2018
Non-current assets	**2,144**	**1,640**	**2,145**
Goodwill	531	515	531
Other intangible assets	100	90	105
Property, plant and equipment	858	855	850
Investment properties	0	0	0
Financial assets	135	31	123
Investments accounted for using the equity method	458	0	480
Other financial assets[1]	8	36	4
Non-financial assets[1]	15	16	14
Deferred tax assets	39	98	38
Current assets	**6,136**	**24,156**	**6,411**
Inventories	2,553	2,956	2,972
Trade receivables	498	307	517
Receivables due from suppliers[1]	1,246	1,155	1,183
Other financial assets[1]	735	91	623
Non-financial assets[1]	155	192	166
Entitlements to income tax refunds	87	131	86
Cash and cash equivalents	861	1,032	863
Assets held for sale	0	18,290	0
	8,280	**25,796**	**8,556**

Equity and liabilities

€ million	30/09/2017	31/03/2017	31/03/2018
Equity	**666**	**–2,717[2]**	**667**
Share capital	835	835	835
Capital reserve	128	2,551	128
Reserves retained from earnings	–294	–6,131[2]	–336
Non-controlling interests	–2	27	41
Non-current liabilities	**1,062**	**1,102**	**1,057**
Provisions for pensions and similar obligations	640	704	627
Other provisions	51	63	43
Borrowings	278	267	296
Other financial liabilities[1]	15	11	14
Non-financial liabilities[1]	70	57	69
Deferred tax liabilities	8	0	7
Current liabilities	**6,551**	**27,411**	**6,831**
Trade liabilities	4,929	5,056	5,159
Provisions	199	152	160
Borrowings	266	18	370
Other financial liabilities[1]	517	8,626	441
Non-financial liabilities[1]	596	578	632
Income tax liabilities	44	194	69
Liabilities related to assets held for sale	0	12,787	0
	8,280	**25,796**	**8,556**

[1] Adjustment due to revised disclosures, see explanation on page 04

[2] The consolidated equity of CECONOMY was temporarily negative in the previous year due to recognition of a liability from a distribution of non-cash assets in the amount of €–8,160 million as a dividend, as part of the demerger of Metro Group (now CECONOMY) as per resolution adopted by the Annual General Meeting of Metro AG on 6 February 2017.

Statement of changes in equity

€ million	Subscribed capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments in the category "available for sale"	Currency translation differences from translating the financial statements of foreign operations	Remeasurements of defined benefit pension plans	Follow-up valuation of associates/joint ventures, which are accounted for according to the equity method
01/10/2016	**835**	**2,551**	**72**	**0**	**–576**	**–851**	**0**
Earnings after taxes	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	154	87	0
Total comprehensive income	0	0	0	0	154	87	0
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Capital transaction with a change to the ownership interest without loss of control	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
31/03/2017	**835**	**2,551**	**72**	**0**	**–422**	**–764**	**0**
01/10/2017	**835**	**128**	**0**	**–5**	**–40**	**–259**	**0**
Earnings after taxes	0	0	0	0	0	0	0
Other comprehensive income	0	0	0	4	10	7	3
Total comprehensive income	0	0	0	4	10	7	3
Capital increases	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0
Capital transaction with a change to the ownership interest without loss of control	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0
31/03/2018	**835**	**128**	**0**	**0**	**–30**	**–252**	**3**

€ million	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
01/10/2016	**193**	**3,096**	**1,934**	**5,320**	**12**	**5,332**
Earnings after taxes	0	331	331	331	40	371
Other comprehensive income	−111	0	130	130	−3	127
Total comprehensive income	−111	331	461	461	37	498
Capital increases	0	0	0	0	0	0
Dividends	0	−346[1]	−346	−346	−34[2]	−379
Capital transaction with a change to the ownership interest without loss of control	0	0	0	0	0	0
Other changes	0	−8,180[3]	−8,180	−8,180	11	−8,169
31/03/2017	**82**	**−5,098**	**−6,131[3]**	**−2,745**	**27**	**−2,717[3]**
01/10/2017	**−2**	**11**	**−294**	**668**	**−2**	**666**
Earnings after taxes	0	40	40	40	49	89
Other comprehensive income	0	0	24	24	3	26
Total comprehensive income	0	40	63	63	52	115
Capital increases	0	0	0	0	0	0
Dividends	0	−103[1]	−103	−103	−12[2]	−115
Capital transaction with a change to the ownership interest without loss of control	0	−2	−2	−2	2	0
Other changes	3	−3	0	0	0	1
31/03/2018	**2**	**−58**	**−336**	**626**	**41**	**667**

[1] The reported dividends include dividends to minority shareholders in the amount of €−18 million (H1 2016/17: €−19 million), the shareholdings of which are reported fully as debt capital, due to the sale option.
[2] The reported dividends include dividends to minority shareholders in the amount of €−5 million (H1 2016/17: €−5 million), the shareholdings of which are reported fully as debt capital, due to the sale option.
[3] The consolidated equity of CECONOMY was temporarily negative in the previous year due to recognition of a liability for distribution of non-cash assets in the amount of €−8,160 million as a dividend as part of the demerger of METRO GROUP (now CECONOMY) as per resolution adopted by the Annual General Meeting of METRO AG on 6 February 2017.

Cash flow statement

€ million	H1 2016/17	H1 2017/18
EBIT	280	297
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	119	114
Change in provisions for pensions and other provisions	–24	–49
Change in net working capital	84	–132
Income taxes paid	–88	–73
Reclassification of gains (-) / losses (+) from the disposal of fixed assets	1	2
Other	–95	–44
Cash flow from operating activities of continuing operations	**277**	**114**
Cash flow from operating activities of discontinued operations	–141	0
Cash flow from operating activities	**136**	**114**
Acquisitions of subsidiaries	–14	0
Investments in property, plant and equipment (excl. finance leases)	–124	–106
Other investments	–29	–23
Disposal of long-term assets	21	15
Cash flow from investing activities of continuing operations	**–146**	**–115**
Cash flow from investing activities of discontinued operations	–360	0
Cash flow from investing activities	**–506**	**–115**
Dividends paid	–360	–115
of which: to shareholders of CECONOMY AG	–327	–85

€ million	H1 2016/17	H1 2017/18
Proceeds from long-term borrowings	265	109
Redemption of borrowings	0	–10
Interest paid	–4	–6
Interest received	9	13
Profit and loss transfers and other financing activities	27	24
Cash flow from financing activities of continuing operations	**–63**	**14**
Cash flow from financing activities of discontinued operations	329	0
Cash flow from financing activities	**266**	**14**
Total cash flows	**–104**	**14**
Currency effects on cash and cash equivalents	3	–12
Total change in cash and cash equivalents	**–101**	**2**
Total cash and cash equivalents as of 1 October	2,368	861
Less cash and cash equivalents shown under IFRS 5 assets	0	0
Cash and cash equivalents as of 1 October	**2,368**	**861**
Total cash and cash equivalents as of 31 March	2,267	863
Less cash and cash equivalents shown under IFRS 5 assets	1,235	0
Cash and cash equivalents as of 31 March	**1,032**	**863**

SELECTED DISCLOSURES FROM CONSOLIDATED NOTES

Segment reporting

	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
€ million	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18	Q2 2016/17	Q2 2017/18
External sales (net)	3,028	2,956	1,594	1,654	520	517	116	122	0	0	5,258	5,249
Internal sales (net)	6	5	0	0	1	0	8	5	−14	−10	0	0
Sales (net)	3,034	2,961	1,594	1,654	520	517	124	127	−14	−10	5,258	5,249
EBITDA	51	67	19	32	−19	−2	−24	0	0	0	27	97
EBITDA before special items	52	–	14	–	−2	–	−25	–	0	–	40	–
Scheduled depreciation/amortisation and impairment	29	30	21	20	9	7	1	1	0	0	61	58
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	21	37	−1	12	−29	−10	−25	−2	0	0	−34	38
EBIT before special items	23	–	−6	–	−10	–	−26	–	0	–	−19	–
Investments	35	53	17	7	7	7	1	3	0	0	60	71
Non-current segment assets	856	861	495	501	139	118	21	22	0	0	1,511	1,502

[1] Includes external sales in Q2 2017/18 for Germany in the amount of €2,479 million (Q2 2016/17: €2.548 million) and long-term segment assets as of 31/03/2018 for Germany of €745 million (31/03/2017: €746 million), for Spain of €153 million (31/03/2017: €148 million) and of Italy of €146 million (31/03/2017: €155 million).

	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
€ million	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18	H1 2016/17	H1 2017/18
External sales (net)	7,004	6,915	3,630	3,743	1,218	1,223	298	302	0	0	12,151	12,184
Internal sales (net)	10	10	2	1	1	0	13	8	−25	−18	0	0
Sales (net)	7,014	6,925	3,632	3,744	1,219	1,223	311	310	−25	−18	12,151	12,184
EBITDA	309	292	107	112	13	23	−31	−15	0	0	398	411
EBITDA before special items	312	–	102	–	25	–	-33	–	0	–	406	–
Scheduled depreciation/amortisation and impairment	58	59	40	39	18	15	3	2	0	0	119	114
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	251	233	68	73	−5	8	−34	−18	0	0	280	297
EBIT before special items	254	–	63	–	8	–	−36	–	0	–	289	–
Investments	67	91	34	22	12	13	1	4	0	0	115	131
Non-current segment assets	856	861	495	501	139	118	21	22	0	0	1,511	1,502

[1] Includes external sales in H1 2017/18 for Germany in the amount of €5,776 million (H1 2016/17: €5,841 million) and for Italy of €1,175 million (31/03/2017: €1,143 million) and long-term segment assets as of 31/03/2018 for Germany of €745 million (31/03/2017: €746 million), for Spain of €153 million (31/03/2017: €148 million) and of Italy of €146 million (31/03/2017: €155 million).

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

These abbreviated interim consolidated financial statements as of 31 March 2018 were prepared in compliance with International Accounting Standard (IAS) 34 ("interim reporting"), which regulates interim financial statements according to the International Financial Reporting Standards (IFRS). As these are abbreviated interim consolidated financial statements, not all information that is required according to the IFRS for consolidated financial statements at the end of a financial year is included. These interim consolidated financial statements are unaudited, but have been subjected to an audit review in accordance with Section 115 Subsection 2 WpHG [German Securities Trading Act].

The interim consolidated financial statements have been prepared in euros. Unless specified otherwise, all amounts are stated in millions of euros (€ million), commercially rounded. In addition, for a better overview, the display of digits after the decimal point has been partly waived. Rounding differences may occur with figures stated in the tables.

During the year, sales-dependent and cyclical circumstances may be accrued, if they are material.

In these interim consolidated financial statements, all of the valid standards and interpretations have been applied, which are published by the International Accounting Standards Board (IASB), insofar as they have been approved by the European Union. Apart from the accounting changes described below, the same accounting and measurement methods were applied as in the last consolidated financial statements as of 30 September 2017. Further details about the accounting and measurement methods are in the notes of the consolidated financial statements as at 30 September 2017 (see 2016/17 annual report pages 145 to 154.

// NEW ACCOUNTING STANDARDS

The main new standards applicable, in principle, from 1 October 2017, from the perspective of CECONOMY AG and the changes to standards, are explained below.

IAS 7 (Statement of Cash Flows)

The amendments to IAS 7 in the context of the Disclosure Initiative will require entities to provide disclosures on the following changes in liabilities arising from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Financial liabilities are defined as liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

In addition, the amendments state that changes in financial liabilities must be disclosed separately from changes in other assets and liabilities.

IAS 12 (Income taxes)

The change to IAS 12 is applicable, in principle, for the first time since 1 October 2017. However, the standard has no significant impact on the interim financial statements of CECONOMY AG and is therefore not explained further.

Additional IFRS amendments

For periods that start after 1 January 2017, there are amendments to IFRS 12 (disclosures about participating interests in other companies). In IFRS 12, it is clarified that the disclosures in accordance with IFRS 12 are basically also applicable to such shares in subsidiaries, joint ventures or associates, which are classified as being held for sale within the meaning of IFRS 5; the disclosures in accordance with IFRS 12.B10-B16 (financial information) are an exception to this. This change has no material impact on the consolidated financial statements of CECONOMY.

// CHANGE TO ACCOUNTING STANDARDS

Change of presentation

The classification of items on the balance sheet as at 1 October 2017 has been further detailed to enhance transparency. The current item “Receivables due from suppliers”, which was formerly included under "Other financial and non-financial assets”, is now stated separately. 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 prior-year figures have been adjusted accordingly.

Notes to the income statement

// SCHEDULED DEPRECIATION/AMORTISATION AND IMPAIRMENTS

Scheduled depreciation/amortisation and impairments in the amount of €128 million (H1 2016/17: €119 million) include value reductions in the amount of €14 million (H1 2016/17: €4 million). Of this, €14 million is attributable to the second quarter of 2017/18 (Q2 2016/17: €4 million).

The attribution of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

Q2 2016/17 € million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Assets held for sale	Total
Cost of sales	0	1	0	0	0	0	1
thereof depreciation/amortisation	(0)	(1)	(0)	(0)	(0)	(0)	(1)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	2	51	0	0	0	53
thereof depreciation/amortisation	(0)	(2)	(47)	(0)	(0)	(0)	(49)
thereof impairments	(0)	(0)	(4)	(0)	(0)	(0)	(4)
General administrative expenses	0	3	4	0	0	0	7
thereof depreciation/amortisation	(0)	(3)	(4)	(0)	(0)	(0)	(7)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/amortisation and impairment before impairments on financial assets	(0)	(6)	(55)	(0)	(0)	(0)	(61)
Net financial result	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total	**0**	**6**	**55**	**0**	**0**	**0**	**61**
thereof depreciation/amortisation	**(0)**	**(6)**	**(51)**	**(0)**	**(0)**	**(0)**	**(57)**
thereof impairments	**(0)**	**(0)**	**(4)**	**(0)**	**(0)**	**(0)**	**(4)**

[1] Comprised of participating interests valued at acquisition costs

Q2 2017/18 € million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Assets held for sale	Total
Cost of sales	0	1	0	0	0	0	1
thereof depreciation/amortisation	(0)	(1)	(0)	(0)	(0)	(0)	(1)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	3	46	0	0	0	49
thereof depreciation/amortisation	(0)	(3)	(45)	(0)	(0)	(0)	(48)
thereof impairments	(0)	(0)	(1)	(0)	(0)	(0)	(1)
General administrative expenses	0	4	4	0	0	0	8
thereof depreciation/amortisation	(0)	(4)	(4)	(0)	(0)	(0)	(8)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/amortisation and impairment before impairments on financial assets	(0)	(7)	(51)	(0)	(0)	(0)	(58)
Net financial result	0	0	0	0	13	0	13
thereof impairments	(0)	(0)	(0)	(0)	(13)	(0)	(13)
Total	**0**	**7**	**51**	**0**	**13**	**0**	**71**
thereof depreciation/amortisation	**(0)**	**(7)**	**(50)**	**(0)**	**(0)**	**(0)**	**(57)**
thereof impairments	**(0)**	**(0)**	**(1)**	**(0)**	**(13)**	**(0)**	**(14)**

[1] Comprised of participating interests valued at acquisition costs

H1 2016/17 € million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Assets held for sale	Total
Cost of sales	0	2	1	0	0	0	3
thereof depreciation/amortisation	(0)	(2)	(1)	(0)	(0)	(0)	(3)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	5	98	0	0	0	103
thereof depreciation/amortisation	(0)	(5)	(94)	(0)	(0)	(0)	(98)
thereof impairments	(0)	(0)	(4)	(0)	(0)	(0)	(4)
General administrative expenses	0	6	8	0	0	0	14
thereof depreciation/amortisation	(0)	(6)	(8)	(0)	(0)	(0)	(14)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/amortisation and impairment before impairments on financial assets	(0)	(12)	(107)	(0)	(0)	(0)	(119)
Net financial result	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total	**0**	**12**	**107**	**0**	**0**	**0**	**119**
thereof depreciation/amortisation	**(0)**	**(12)**	**(103)**	**(0)**	**(0)**	**(0)**	**(115)**
thereof impairments	**(0)**	**(0)**	**(4)**	**(0)**	**(0)**	**(0)**	**(4)**

[1] Comprised of participating interests valued at acquisition costs

H1 2017/18 € million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Assets held for sale	Total
Cost of sales	0	2	1	0	0	0	3
thereof depreciation/amortisation	(0)	(2)	(1)	(0)	(0)	(0)	(3)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	6	91	0	0	0	96
thereof depreciation/amortisation	(0)	(6)	(90)	(0)	(0)	(0)	(95)
thereof impairments	(0)	(0)	(1)	(0)	(0)	(0)	(1)
General administrative expenses	0	7	8	0	0	0	15
thereof depreciation/amortisation	(0)	(7)	(8)	(0)	(0)	(0)	(15)
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0	0
thereof impairments	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/amortisation and impairment before impairments on financial assets	(0)	(14)	(100)	(0)	(0)	(0)	(114)
Net financial result	0	0	0	0	13	0	13
thereof impairments	(0)	(0)	(0)	(0)	(13)	(0)	(13)
Total	**0**	**14**	**100**	**0**	**13**	**0**	**128**
thereof depreciation/amortisation	**(0)**	**(14)**	**(99)**	**(0)**	**(0)**	**(0)**	**(113)**
thereof impairments	**(0)**	**(0)**	**(1)**	**(0)**	**(13)**	**(0)**	**(14)**

[1] Comprised of participating interests valued at acquisition costs

Impairments of capitalised financial instruments, which are subsequently measured at the fair value recognised in equity, amount to €13 million (H1 2016/17: €0 million). Of this, €13 million is attributable to the 2nd quarter of 2016/17 (Q2 2016/17: €0 million).

Notes to the statement of financial position

// DIVIDENDS PAID

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 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 2016/17 from the reported balance sheet profit of €108 million for financial year 2016/17 and the remaining amount was carried forward to new account as a profit carried forward. The distribution occurred on 19 February 2018.

// IMPLICATIONS OF THE REVALUATION OF DEFINED BENEFIT PENSION PLANS

Within the scope of recording actuarial gains and losses, from the revaluation of defined benefit pension plans as of 31 March, a total of €7 million increased the equity capital in the six months of the financial year 2017/18 (H1 2016/17: €88 million) outside of profit and loss in the other income/expense of CECONOMY. The revaluation includes material effects from the increase of the actuarial interest rate for the majority of the German pension provisions from 1.60 per cent on 1 October 2017 to 1.70 per cent on 31 March 2018.

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

	31/03/2017					31/03/2018				
%	Germany	Netherlands	United Kingdom	Switzerland	Other countries	Germany	Netherlands	United Kingdom	Switzerland	Other countries
Actuarial interest rate	1.70	2.10	2.60	0.15	2.02	1.70–2.00	–	–	0.70	2.38
Inflation rate	1.50	0.90	2.50	0.00	1.98	1.50	–	–	0.00	1.40

// CARRYING AMOUNTS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORIES

The carrying amounts and fair values of recognised financial instruments are as follows:

					31/03/2017
		Balance sheet value			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**25,796**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,603**	**1,603**	**0**	**0**	**1,603**
Loans and advance credit granted	14	14	0	0	14
Receivables due from suppliers	1,184	1,184	0	0	1,184
Trade receivables	307	307	0	0	307
Miscellaneous financial assets	98	98	0	0	98
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments not in a hedging relationship according to IAS 39	0	0	0	0	0
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**18**	**18**	**0**	**0**	**n/a**
Investments	18	18	0	0	n/a
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**1,032**	**1,032**	**0**	**0**	**1,032**
Receivables from finance leases (amount according to IAS 17)	**0**	**n/a**	**n/a**	**n/a**	**0**
Liabilities not classified according to IFRS 7	**23,142**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**25,796**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**5**	**0**	**5**	**0**	**5**
Derivative financial instruments not in a hedging relationship according to IAS 39	5	0	5	0	5
Miscellaneous financial liabilities	0	0	0	0	0
Other financial liabilities	**13,955**	**13,955**	**0**	**0**	**13,956**
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	267	267	0	0	267
Trade liabilities	5,056	5,056	0	0	5,056
Miscellaneous financial liabilities	8,632	8,632	0	0	8,632
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Liabilities from finance leases (valuation according to IAS 17)	**18**	**n/a**	**n/a**	**n/a**	**18**
Liabilities not classified according to IFRS 7	**11,818**	**n/a**	**n/a**	**n/a**	**n/a**

€ million	31/03/2018				
		Balance sheet value			
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**8,556**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,868**	**1,868**	**0**	**0**	**1,868**
Loans and advance credit granted	13	13	0	0	13
Receivables due from suppliers	1,183	1,183	0	0	1,183
Trade receivables	517	517	0	0	517
Miscellaneous financial assets	154	154	0	0	154
Held to maturity	**0**	**0**	**0**	**0**	**0**
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**2**	**0**	**2**	**0**	**2**
Derivative financial instruments not in a hedging relationship according to IAS 39	2	0	2	0	2
Securities	0	0	0	0	0
Miscellaneous financial assets	0	0	0	0	0
Available for sale	**580**	**55**	**0**	**525**	**n/a**
Investments	110	55	0	55	n/a
Securities	470	0	0	470	470
Miscellaneous financial assets	0	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**863**	**863**	**0**	**0**	**863**
Receivables from finance leases (amount according to IAS 17)	**0**	**n/a**	**n/a**	**n/a**	**0**
Liabilities not classified according to IFRS 7	**5,242**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**8,556**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments not in a hedging relationship according to IAS 39	0	0	0	0	0
Miscellaneous financial liabilities	0	0	0	0	0
Other financial liabilities	**6,228**	**6,228**	**0**	**0**	**6,229**
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	614	614	0	0	616
Trade liabilities	5,159	5,159	0	0	5,159
Miscellaneous financial liabilities	455	455	0	0	455
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**
Liabilities from finance leases (valuation according to IAS 17)	**52**	**n/a**	**n/a**	**n/a**	**52**
Liabilities not classified according to IFRS 7	**2,276**	**n/a**	**n/a**	**n/a**	**n/a**

The class formation has been performed on the basis of similar types of risks for the respective financial instruments and is basically identical to the categories of IAS 39. A deeper sub-classification is shown in the table above for the individual financial assets and liabilities. Derivative financial instruments in a hedging relationship under IAS 39 and other financial liabilities are classified in each case to 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.

Input parameters for 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.

Input parameters for 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.

Input parameters for level 3: input parameters that are not observable for the asset or liability.

Out of the total book value of participating interests in the amount of €110 million (31/03/2017: €18 million), €55 million (31/03/2017: €18 million) are valued at cost, as it is not possible to reliably determine the fair value. These concern off-exchange financial instruments without an active market. A main component, at €51 million, is the 6.61 per cent participating interest in Metro Properties GmbH & Co. KG. The company currently does not plan to dispose of the investments recognised at cost.

Out of the subsequently valued participating interests of €55 million (31/03/2017: €0 million) subsequently measured at fair value recognised in equity, €52 million (31/03/2017: €0 million) is attributable to the listed shares of Metro AG or around one per cent of its share capital in the long-term part of the balance sheet.

Furthermore, securities in the amount of €470 million (31/03/2017: €0 million) were subsequently measured at fair value recognised in equity. This is attributable to the listed shares of Metro AG of around nine per cent of its share capital in the long-term part of the balance sheet.

In light of the share price performance of Metro AG, shares in the total amount of €131 million were derecognised through profit or loss in other investment result in the second quarter of the financial year under review.

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a three-level fair value hierarchy whose levels reflect the degree of closeness to the market of the data used in the determination of the fair values:

	31/03/2017				31/03/2018			
€ million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets	**0**	**0**	**0**	**0**	**527**	**525**	**2**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	0	0	0	0	2	0	2	0
Available for sale								
Investments	0	0	0	0	55	55	0	0
Securities	0	0	0	0	470	470	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Equity and liabilities	**5**	**0**	**5**	**0**	**0**	**0**	**0**	**0**
Held for trading								
Derivative financial instruments not in a hedging relationship according to IAS 39	5	0	5	0	0	0	0	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 according to IAS 39	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**–5**	**0**	**–5**	**0**	**527**	**525**	**2**	**0**

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.

No transfers between levels 1 and 2 were effected during the reporting period.

There were no transfers to or from level 3 during the current financial year or the previous year.

Financial instruments that are recognised at amortised cost in the balance sheet, 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 the interest prorated to the closing date.

The fair values of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date.

Other notes

Segment reporting

The segmentation corresponds to the group's internal controlling and reporting structures.

The Chief Operating Decision Maker (CODM) in accordance with IFRS-8 segment reporting of CECONOMY is the Executive Board of CECONOMY AG. The Executive Board Members are jointly responsible for the allocation of resources and for the estimation of the operational profitability. The controlling at CECONOMY generally occurs at the country level. The CODM of CECONOMY therefore controls the activities of the company on the basis of internal reporting, which is basically comprised of the key figures by country. The allocation of resources and performance measurement occur accordingly at the country level.

CECONOMY is active in a singular business segment, the electronics retail segment for consumers. In combination with a relatively homogeneous orientation, the products, services and customer groups as well as sales methods are similar in all countries. Based on identical economic parameters and business characteristics of the business activities, individual countries are aggregated into the following business segments, which are subject to mandatory reporting:

– DACH (Germany, Austria, Switzerland, Hungary)

– Western/Southern Europe

– Eastern Europe

All business segments, which are not subject to mandatory reporting, as well as business activities, which do not fulfil the defined criteria of a business segment, are combined under "Miscellaneous".

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.

– Segment EBITDA comprises EBIT before depreciation/amortisation and reversals of impairment losses of property, plant and equipment, intangible assets and investment properties.

– 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, store-related risks and impairment risks related to non-current assets are only shown in the segments where they represent group risks. This applies analogously to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.

– Transactions that did not regularly recur, such as restructurings or changes to the group portfolio were adjusted in EBITDA and EBIT before special items in the previous year.

– The segment investments are comprised of the addition (including additions to the scope of consolidation) to the long-term intangible assets, property, plant and equipment and real estate held as a financial investment. Exceptions from this are additions due to reclassifications from "Assets held for sale" as long-term 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 long-term segment assets to Group assets is shown in the following table:

€ million	31/03/2017	31/03/2018
Non-current segment assets	**1,511**	**1,502**
Non-current and current financial assets	31	123
Investments accounted for using the equity method	0	480
Cash and cash equivalents	1,032	863
Deferred tax assets	98	38
Entitlements to income tax refunds	131	86
Other tax refund claims[1]	123	98
Inventories	2,956	2,972
Trade receivables	307	517
Receivables due from suppliers	1,155	1,183
Receivables from the real estate segment[2]	2	3
Credit card receivables[2]	24	65
Prepaid expenses and deferred charges[2]	69	67
Receivables from other financial transactions[2, 3]	1	473
Assets held for sale	18,290	0
Other[1, 2, 3]	66	85
Group assets	**25,796**	**8,556**

[1] Included in the balance sheet item Other assets (current)
[2] Included in the balance sheet item Other financial assets (current)
[3] Included in the balance sheet item Other financial assets (long-term)

In principle, transfers between segments are made based on the costs incurred from the group's perspective.

Notes to the cash flow statement

The cash flows from discontinued operations relate to the segment that was demerged in the financial year 2016/17 with the sales lines, Metro Cash & Carry, Real and the associated controlling and service activities. The cash flows from discontinued operations are determined as follows:

€ million	H1 2016/17	H1 2017/18
EBIT	614	0
Scheduled depreciation and amortisation, write-ups and impairments on assets excluding financial assets	244	0
Change in provisions for pensions and other provisions	–19	0
Change in net working capital	–489	0
Income taxes paid	–103	0
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	–118	0
Other	–270	0
Cash flow from operating activities of discontinued operations	**–141**	**0**

€ million	H1 2016/17	H1 2017/18
Acquisitions of subsidiaries	–180	0
Investments in property, plant and equipment (excl. finance leases)	–281	0
Other investments	–63	0
Financial investments	–481	0
Disposal of subsidiaries	–74	0
Disposal of long-term assets	60	0
Gains (+)/losses (–) from the disposal of fixed assets	118	0
Disposal of financial investments	541	0
Cash flow from investing activities of discontinued operations	**–360**	**0**

[1] The disposals of subsidiaries include the payments for the disposal of the Galeria-Kaufhof Group in the amount of €–27 million (H1 2016/17).

€ million	H1 2016/17	H1 2017/18
Dividends paid		
to other shareholders	–19	0
Redemption of liabilities from put options of non-controlling interests	–20	0
Proceeds from long-term borrowings	1,541	0
Redemption of borrowings	–1,100	0
Interest paid	–99	0
Interest received	13	0
Profit and loss transfers and other financing activities	13	0
Cash flow from financing activities of discontinued operations	**329**	**0**

Contingent liabilities

Contingent liabilities exist at CECONOMY in the first half of 2017/18 in the amount of €1 million (H1 2016/17: €69 million from discontinued operations).

Remaining legal issues

Information about legal disputes, investigations and other legal matters, as well as the associated possible risks and implications for CECONOMY, are included in Clause 47. "Remaining legal issues" and in Clause 48. "Events after the closing date" in the notes to the consolidated financial statements of CECONOMY as of 30 September 2017.

Since the preparation of the consolidated financial statements, the following material developments have occurred with regard to legal disputes, investigations and other legal matters:

// LEGAL DISPUTES RELATED TO MEDIA-SATURN-HOLDING GMBH

With a complaint before the Ingolstadt Regional Court (Landgericht, LG) brought by the minority shareholder on 28 January 2016 for voidance and annulment as well as for a positive declarative resolution action against Media-Saturn-Holding GmbH (MSH), the object of which was the dismissive resolution of the shareholders' meeting of MSH in December 2015, and for which the minority shareholder demanded the dismissal and suspension of the managing director of MSH appointed by CECONOMY Retail GmbH (CE Retail), which was at that time still operating under the name Metro Kaufhaus und Fachmarkt Holding GmbH (Metro KFH). The Higher Regional Court (Oberlandesgericht, OLG) Munich rejected the minority shareholder's appeal in its ruling of 29 November 2017, thus making the appeal inadmissible. The minority shareholder appealed to the Federal Court of Justice (Bundesgerichtshof, BGH) on 22 December 2017 against the inadmissibility of the 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 another complaint 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 damage claims, which in the opinion of the minority shareholder exist against the management of MSH for alleged breach of duties. With respect to the appeal against the inadmissibility of the appeal filed by the minority shareholder 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.

Furthermore, please see the management report – risk and opportunity report – in the consolidated financial statements of CECONOMY AG as at 30 September 2017.

// LEGAL DISPUTES IN RELATION TO THE CECONOMY AG ANNUAL GENERAL MEETING

On 6 February 2017 the Annual General Meeting of CECONOMY AG (at the time operating as Metro AG), 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.

In connection with the split of the former Metro Group, several shareholders, including the minority shareholder of MSH filed voidance, 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 under agenda items 9 and 10 regarding the amendment of sec. 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 of 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 Dusseldorf LG. The Dusseldorf LG dismissed all of these actions in its ruling of 24 January 2018. Appeals were filed in all proceedings. The proceedings are therefore continued. From CECONOMY's point of view, the likelihood of the appeals succeeding is low.

Some shareholders also attempted to hinder the entry of the hive-down and spin-off through entry with the judge of the court of registry responsible for CECONOMY AG and the current Metro AG, or at least delay them, and have therefore requested a suspension of the registration procedure. The requests were rejected by the Dusseldorf Local Court (Amtsgericht, AG) in each case. Two shareholders filed an immediate appeal with the Dusseldorf OLG against the resolution regarding the commercial registry matter of CECONOMY AG. The AG Dusseldorf did not remedy the appeals and submitted them to the Dusseldorf OLG for a decision. In its ruling of 2 February 2018, the OLG Dusseldorf dismissed the immediate appeals as being inadmissible. The ruling passed is legally binding.

//FURTHER REMAINING LEGAL ISSUES

CECONOMY companies are parties to other judicial and arbitral court proceedings as well as antitrust proceedings in various countries. This also includes investigations by the European Commission against redcoon GmbH, initiated with searches related to suspected anti-competitive agreements with suppliers in 2015. Insofar as the liability has been sufficiently specified, appropriate risk provisions have been formed for these proceedings.

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.

CECONOMY is exposed to increasing regulatory trends in value added tax law in certain countries, particularly those associated with the fiscalisation of the cash register systems and the electronic transfer of tax-relevant data.

CECONOMY companies are claiming damages against companies that behave anti-competitively and have damaged CECONOMY; for example, specific credit card companies or manufacturers of cathode ray tubes.

On 3 November 2017, the Dusseldorf 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 Dusseldorf 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. 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. At the beginning of February 2018, it was extensively substantiated to the Dusseldorf public prosecutor by a law firm that the capital market communication made in connection with the hive-down and spin-off conformed to the law at all times.

EVENTS AFTER THE SECOND QUARTER

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

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial reporting of the interim consolidated financial statement gives a true and fair view of the asset, financial and earnings position of the group, and the interim consolidated 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.

Dusseldorf, 15 May 2018

The Management Board

Pieter Haas Mark Frese Dr. Dieter Haag Molkenteller

REVIEW REPORT

TO CECONOMY AG, DUSSELDORF

We have reviewed the condensed interim consolidated financial statements of CECONOMY AG, Düsseldorf, – comprising the statement of financial position, the income statement, the reconciliation from profit or loss for the period to total comprehensive income, the statement of changes in equity, the cash flow statement and selected disclosures from consolidated notes – together with the interim group management report of CECONOMY AG, Düsseldorf, for the period from October 1, 2017 to March 31, 2018 that are part of the semi annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Cologne, May 15, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Lurweg	Bornhofen
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

Quarterly statement Q3/9M 2017/18	Tuesday	14 August 2018	7:00 a.m.
Trading Statement Q4/FY 2017/18	Thursday	25 October 2018	7:00 a.m.
Financial Year 2017/18 results	Wednesday	19 December 2018	tbd.

All time specifications are CET

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Visit our website at www.ceconomy.de, the primary source for comprehensive publications and information about CECONOMY.

GENERAL INFORMATION

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Disclaimer

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

Please note in case of doubt the German version shall prevail.