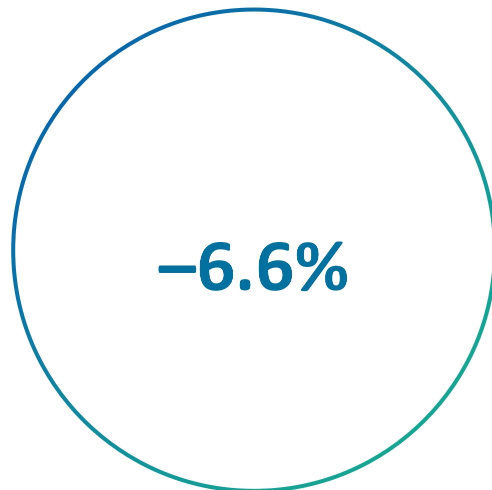
CECONOMY

Q2/H1 2019/20

HALF-YEAR FINANCIAL REPORT

SELECTED KEY FIGURES

Q2 2019/20



Significant sales decline[1]

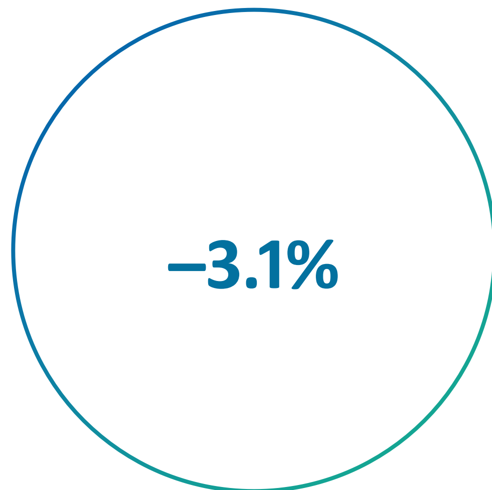
Adjusted EBIT[2,3]

€157 million below prior year

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before earnings effects in connection with the reorganization and efficiency program, associates and portfolio changes
[3] Including IFRS 16

SELECTED KEY FIGURES

H1 2019/20



Negative sales trend[1]

Adjusted EBIT[2,3]

€136 million below prior year

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before earnings effects in connection with the reorganization and efficiency program, associates and portfolio changes
[3] Including IFRS 16

THE FIRST HALF YEAR IN REVIEW

„

After considerably improving our earnings in the first quarter, most of our stationary business was affected by the outbreak of the COVID-19 pandemic towards the end of the second quarter. We immediately took the steps necessary to protect our customers and employees and secure our operating business. Our online channel helped us meet increased demand for specialist solutions, for example for equipment to allow people to work from home. For this, we also made use of our inventories in the stores. At the same time, we have carefully prepared for reopening. 2020 remains an exceptional and challenging year as the severity and duration of the crisis are unknown. Nonetheless, it also presents an opportunity to accelerate the company's transformation.

"

Dr Bernhard Düttmann,
Chief Executive Officer

„

After a sound start to the first five months of the financial year, CECONOMY is closing the first half of 2019/20 in the midst of the challenging COVID-19 crisis. The effects of the pandemic have been leaving their mark across the entire Group since mid-March and is already reflected in the figures for the second quarter. Adjusted EBIT was down substantially compared to the previous year due to sales and margins. We were able to partially offset the sales losses caused by store closures with our online business. We also introduced extensive cost and liquidity measures. With the conclusion of the new syndicated loan, we increased our existing loan agreements as a precautionary measure and thereby ensured the company's financial flexibility in these unpredictable times.

"

Karin Sonnenmoser,
Chief Financial Officer

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

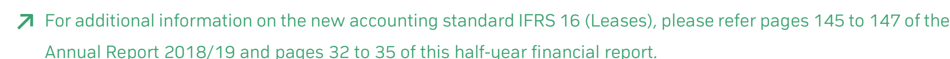
CECONOMY is generally steered on the basis of performance indicators derived from IFRS (International Financial Reporting Standards). In addition, the following key performance indicators apply: total sales growth adjusted for currency effects and portfolio changes and EBIT adjusted for portfolio changes. The transaction relating to the MediaMarkt Greece business, which was closed on 29 November 2019, constitutes a portfolio change, as it involves the disposal of a country organisation. The forecast key figures sales and EBIT are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current year or in the previous year. In financial year 2019/20, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019. This adjustment also relates to the previous year's figures, in which expenses were incurred in connection with the reorganization and efficiency program as well as top management changes. The reorganization and efficiency program aims at streamlining the group's processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The optimisation and restructuring focuses on central functions and administrative units in Germany, in particular. The program also includes the review of business activities of smaller portfolio companies. This also includes the transaction with respect to the MediaMarkt Greece business.

For more details on the management-relevant key performance indicators, please refer to pages 52 to 55 of CECONOMY's Annual Report 2018/19.

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

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

As of 1 October 2019, CECONOMY applies the new accounting standard IFRS 16 (Leases).


↗ For additional information on the new accounting standard IFRS 16 (Leases), please refer pages 145 to 147 of the Annual Report 2018/19 and pages 32 to 35 of this half-year financial report.

FINANCIAL FIGURES AT A GLANCE[1,2]

Sales and earnings

€ million	Q2 2018/19	Q2 2019/20	Change	H1 2018/19	H1 2019/20	Change
Sales	5,015	4,631	−7.7%	11,894	11,453	−3.7%
Sales development adjusted for currency effects and portfolio changes	−1.1%	−6.6%	–	1.1%	−3.1%	–
Like-for-like sales development	−1.7%	−6.2%	–	0.7%	−2.8%	–
Gross margin	19.5%	17.3%	−2.3%p.	18.9%	17.9%	−1.0%p.
EBIT	19	−368	–	253	−49	–
Adjusted EBIT	26	−131	–	295	159	−46.2%
Net financial result	14	−23	–	15	−15	–
Tax rate	40.3%	20.9%	−19.5%p.	37.7%	−36.6%	−74.4%p.
Profit or loss for the period attributable to non-controlling interests	−5	−15	<−100%	34	38	9.7%
Net result	25	−295	–	132	−125	–
Earnings per share (€)	0.07	−0.82	−0.89	0.37	−0.35	−0.72

Other operating key figures

€ million	Q2 2018/19	Q2 2019/20	Change	H1 2018/19	H1 2019/20	Change
Online sales	699	859	22.9%	1,706	1,907	11.8%
Services & Solutions sales	282	279	−1.0%	623	654	4.9%
Investments as per segment report	39	121	>100%	75	232	>100%

Cash flow

€ million	H1 2018/19	H1 2019/20	Change
Cash flow from operating activities	20	400	380
Cash flow from investing activities	−85	−103	−18
Cash flow from financing activities	−14	941	954
Change in net working capital[3]	−280	−60	221
Free cash flow	−76	286	362

Statement of financial position

€ million	31/03/2019[4]	31/03/2020	Change
Net working capital	−1,158	−938	220
Net liquidity (+) / Net debt (−)	674	−1,304	−1,977

Other operating key figures (as of 31/03)

	31/03/2019	31/03/2020	Change
Number of stores	1,027	1,025	−2
Selling space (thousand m²)	2,761	2,682	−79
Workforce by full-time equivalents	50,576[5]	47,654	−2,922

[1] Business figures represent the continuing operations of CECONOMY.
[2] Due to the first-time application of new accounting standards (especially IFRS 16), the previous year's figures are partly not comparable.
[3] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items.
[4] Adjustment of previous year due to changes in presentation and definitions (see explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements).
[5] Adjustment due to a change in the calculation basis.

INTERIM GROUP MANAGEMENT REPORT

Outlook

In light of developments in connection with COVID-19 and the expected impact on sales and earnings, the original guidance for the current financial year 2019/20 was initially withdrawn on 18 March 2020 and has now been revised with the publication of this half-year financial report. However, in view of the current uncertainties, particularly with regard to the further course of the corona pandemic and the associated duration of the closures of the stationary stores as well as the duration of the start-up phase and customer behaviour after reopening, the effects on the Company's business for the full year 2019/20 can only be predicted to a limited extent at present.

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

SALES

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

EARNINGS

For financial year 2019/20 CECONOMY expects EBIT to decline significantly, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect between €5 million to €15 million due to the introduction of IFRS 16.

Events in the first half year

On 15 October 2019, CECONOMY AG confirmed via ad hoc communication that the Supervisory Board of CECONOMY AG would discuss Management Board matters, including a possible early termination of the appointment of the CEO, Mr Jörn Werner, on Thursday, 17 October 2019. The plan was to make a decision on this matter on the same day. At this point in time, the Presidential Committee had not yet made submitted a recommended resolution to the Supervisory Board.

On 17 October 2019, CECONOMY AG announced that the Supervisory Board of CECONOMY AG and Jörn Werner, Chief Executive Officer, had in a non-scheduled meeting mutually decided to part ways with immediate effect. At the same time, the Supervisory Board appointed Dr Bernhard Düttmann, member of the Supervisory Board, as Chief Executive Officer for a period of twelve months. Dr Düttmann is also the Labour Director and, in addition to human resources, responsible for the Group's strategy. Since 17 October 2019, the Management Board of CECONOMY AG has consisted of Dr Bernhard Düttmann and Karin Sonnenmoser.

On 23 October 2019, CECONOMY AG announced the provisional figures for the past financial year 2018/19 by ad hoc communication.

On 29 November 2019 a transaction between Media-Saturn-Holding GmbH (MSH) and Olympia Group GmbH (Olympia) was closed. The transaction concerns the formation of a new company to cover the market in Greece and Cyprus, in which Olympia holds 75 per cent and MSH 25 per cent of the shares. Both organisations contributed their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the new company. The stores of the two companies will continue to operate under their respective brand names. In the first quarter of 2019/20, the deconsolidation of the MediaMarkt Greece business and the recognition of the 25 per cent investment accounted for using the equity method resulted in a non-recurring earnings effect of around €33 million, which was recognised in the segment Western/Southern Europe.

On 16 March 2020, CECONOMY AG announced that it was postponing its Investor Day due to the outbreak of COVID-19 and the related travel ban, as well as uncertainty regarding current market developments. The Investor Day, which was originally scheduled for 26 March 2020, will take place at a later date.

On 18 March 2020, CECONOMY AG issued an ad hoc announcement stating that the company expects current developments related to COVID-19 to affect sales and earnings. In light of this situation, the Management Board decided to withdraw the outlook for financial year 2019/20 that had been published on 17 December 2019. Given the pace of developments in the COVID-19 crisis, it was not possible at this time to anticipate business performance for the weeks ahead or reliably quantify the impact on the business. The Management Board chose to not issue a new outlook for financial year 2019/20 at this time.

Business performance towards the end of the second quarter of 2019/20 was determined primarily by the closure of our MediaMarkt and Saturn stores due to the spread of COVID-19. The situation towards the end of the second quarter of 2019/20 developed differently in the various countries in which MediaMarktSaturn operates, depending on local conditions and requirements. In Italy, all stores were closed as early as 12 March 2020. All stores in Poland were initially closed on 15 March 2020, although stores smaller than 2,000 square metres began to reopen on 23 March 2020. Stores in Austria, Spain and Luxembourg closed entirely on 16 March 2020, followed by closures in Switzerland from 17 March 2020 and Belgium from 18 March 2020. In Germany, stores were affected one by one depending on the federal state, before nation-wide closures were introduced on 19 March 2020. All stores in Turkey were closed as of 23 March 2020. In the Netherlands and Hungary, restricted opening hours were in operation towards the end of the second quarter of 2019/20. Portugal responded to the COVID-19 pandemic by imposing strict entry restrictions in stores. In Sweden, no measures were introduced that directly affect the stores. In total, around 87 per cent of our stores were affected by government-mandated closures as of 31 March 2020. As CECONOMY is a omnichannel provider that combines online retail with local in-store business, this results in considerable in-store sales losses, which affects earnings, as well as significantly restricting interactions with our customers.

	Number of stores as of 31/03/2020	Open stores as of 31/03/2020	Closed stores as of 31/03/2020
Germany	428	–	428
Austria	52	–	52
Switzerland	26	–	26
Hungary	32	32	–
Belgium	27	–	27
Italy	116	–	116
Luxembourg	2	–	2
Netherlands	50	50	–
Portugal	10	10	–
Spain	88	–	88
Poland	88	13	75
Turkey	78	–	78
Sweden	28	28	–
Total	**1,025**	**133 (13%)**	**892 (87%)**

CECONOMY immediately took the steps necessary to protect its customers and employees in light of the COVID-19 crisis. For example, the company massively stepped up its hygiene measures at all administrative locations and in all stores and logistics locations. A comprehensive hygiene policy was introduced and correct practices were regularly explained to employees. CECONOMY also introduced appropriate travel restrictions to protect its employees. These were updated frequently to take account of the changing situation. In addition, the company set up inter-disciplinary crisis teams in order to ensure that decisions can be made efficiently and quickly. CECONOMY also launched large-scale cost and liquidity measures to safeguard its business. As stores began to close, CECONOMY increasingly shifted its sales activities and resources to focus on the online business, positioning itself as a reliable partner to support its customers and promote its range of products and services. As of 31 March 2020, all online shops remained in operation in the countries. To match increased demand and make use of existing inventories in stores, CECONOMY also processed online orders by shipping from local store inventories where these products were no longer in stock in online warehouses. In addition to negotiating payment deferrals with suppliers and landlords, other countermeasures included strict cost measures. Reduced working hours were introduced in many countries, both in stores and at administrative locations. The Management Board, senior executives and employees are also voluntarily waiving part of their base salary. In addition, investments in expansion and modernisation have been postponed and other costs such as marketing and consulting expenses restricted to a minimum.

Due to the sharp decline in stock markets, the investment in Fnac Darty S.A. was subject to an impairment test. This resulted in an impairment loss of around €268 million in the second quarter of 2019/20, which had a negative impact on reported EBIT.

Events after the reporting date

On 10 April 2020, Moody's downgraded CECONOMY AG's rating from Baa3 to Ba1 with a negative outlook, citing in particular the adverse effects of COVID-19 on CECONOMY AG. In addition, Scope changed the BBB- rating of CECONOMY AG from "stable" to "under review" on May 6, 2020. This was justified by the considerable uncertainty in the course of the current COVID-19 pandemic and the effects on retail activities in the consumer electronics sector in 2020.

On 17 April 2020, CECONOMY AG issued an ad hoc communication announcing the preliminary figures for the second quarter of financial year 2019/20.

On 29 April 2020, CECONOMY AG announced in an ad-hoc release that the company had received approval from the German government for the participation of the state-owned bank KfW in a revolving syndicated loan with a volume of €1.7 billion. At that time, the still to be concluded syndicated loan agreement was still subject to approval by a consortium of CECONOMY's partner banks, with whom positive talks were at an advanced stage. On 12 May 2020, CECONOMY announced the conclusion of the new syndicated loan agreement after the company had also received the corresponding approval from the consortium of CECONOMY's partner banks. The loan agreement includes a commitment from KfW in the amount of €1,360 million and loan commitments from the banking consortium in the amount of €340 million. The term of the new loan has been set until December 2021 with a one-year extension option at the discretion of KfW. One condition of the syndicated loan is that CECONOMY suspends dividend payments for the duration of the credit facility. Furthermore, the Management Board took the decision to waive its own short-term performance-based remuneration for the current financial year. Likewise, the short-term incentive for the second management level of the company will be reduced for the current financial year.

After many weeks of lockdown, the German federal government and state governments agreed on a gradual easing of COVID-19 policies and shopping restrictions. Starting on 22 April 2020, many MediaMarkt and Saturn stores reopened in various German states, restricted to smaller, clearly partitioned retail spaces not exceeding 800 square metres. Newly opened stores complied with all required and recommended hygiene and safety standards. Since 13 May 2020, the electronics stores in all German states have reopened their entire selling space. In Austria all stores resumed operations on May 2, 2020, followed by Poland on May 4, 2020. In Italy almost all stores were open again on 7 May, 2020. On 11 May, the stores in Switzerland, Spain, Belgium and Luxembourg also resumed operations. In total, around 92 per cent of our stores in all contries except Turkey have reopened by 13 May 2020.

	Number of stores as of 31/03/2020	Open stores as of 13/05/2020	Closed stores as of 13/05/2020
Germany	428	426	2
Austria	52	52	–
Switzerland	26	26	–
Hungary	32	32	–
Belgium	27	27	–
Italy	116	114	2
Luxembourg	2	2	–
Netherlands	50	50	–
Portugal	10	10	–
Spain	88	88	–
Poland	88	88	–
Turkey	78	–	78
Sweden	28	28	–
Total	**1,025**	**943 (92%)**	**82 (8%)**

Macroeconomic conditions

The first half of 2019/20 was dominated by an economic slowdown. Heightened political and economic uncertainties (including trade conflicts, Brexit and the repercussions of the COVID-19 pandemic) may further strain global economic growth in the reporting period. The economic impact of the COVID-19 pandemic also represents a source of uncertainty for the global economy. Since the start of the 2020 calendar year, the global outbreak of the COVID-19 pandemic has imposed considerable restrictions on public life in almost all corners of the world. In light of this, trade and retail is suffering a decline in economic and/or sector-specific performance as a result of COVID-19. These effects will hurt the global economy in the longer term.

A general decline in consumption is expected on account of lockdowns (legally mandated closure of businesses and restrictions on movement for the general public), falling demand for exports, supply chain disruptions and general uncertainty among the population. This is countered by expectations of an economic recovery in the second half of the calendar year, although the extent of this will be tempered by negative income effects driven by the crisis in the first half of 2020. Europe is also expected to reach its low point in the second quarter of the 2020 calendar year, seeing a noticeable recovery afterwards, in part thanks to significant fiscal stimuli (in conjunction with accompanying monetary policy) (Feri forecast update April 2020 page 8).

The DACH region had to battle with the challenges of the downturn in the global economy in 2019. Momentum slowed in all countries in the region towards the end of 2019. A sharp drop-off in private consumption and declining investing activities are anticipated for the calendar year 2020, with overall economic output thus expected to contract by between 3.3 per cent (Switzerland) and 6.3 per cent (Germany). Only government spending is shoring up economic performance. The retail industry in the DACH region therefore finds itself in a challenging environment in 2020.

In Western and Southern Europe, we continued to face structural challenges in Italy and Spain, the countries in which we generate the highest sales, in the period until 2019. Profound systemic problems such as high levels of unemployment and substantial national debt will become further exacerbated in 2020. Spain is expected to experience a sharp drop-off in private consumption and declining investing activities in 2020, too, likely causing GDP to decline by 8.3 per cent (Feri Spain Country Dossier, April 2020 page 11). GDP growth in Italy slowed in 2019, even dropping into negative territory in the fourth quarter. Given that the country is being hit hard by the current COVID-19 pandemic, we expect Italy to record significantly lower GDP in 2020 of -8.6 per cent (Feri Italy Country Dossier, April 2020 page 5). The Dutch economy also experienced weak growth in 2019 and will continue to perform poorly in 2020 due to the expected impact of the COVID-19 pandemic. Nonetheless, the -4.5 per cent predicted is a less severe downturn than that of other countries (Feri Netherlands Country Dossier, March 2020 page 5).

Despite moderate economic growth enjoyed in eastern Europe in 2019, the region is being affected by the COVID-19 pandemic in 2020. Poland recorded growth of 4.1 per cent in 2019, whereas a significant decline of 5.3 per cent is anticipated for the 2020 calendar year. Following slight economic growth in Turkey in 2019, 2020 is likely to bring a considerable economic decline of 4.8 per cent on account of the COVID-19. Current political and economic uncertainties (relatively low economic growth, fraught domestic politics, rising inflation) remain.

Development in the consumer electronics retail market

Initial market developments following the outbreak of the COVID-19 pandemic indicate regional and category-specific differences in the impact on consumer behaviour in the consumer electronics retail market. Considerable economic damage can already be observed for the economy as a whole, with this also affecting the consumer electronics industry. In general, shares of sales are shifting online, a result of changing consumer behaviour. According to initial reports, consumer caution also varies considerably by country.

DACH

Sales in the German consumer electronics retail market were positive in the first half of 2019/20. Growth in the consumer electronics retail market was supported by small appliances, telecommunications and IT during this period. No significant negative sales trends were recorded in March as a result of sales in preparation for the lockdown (GfK Blue & Yellow Charts Germany, March). Sales in Austria declined slightly on account of the measures introduced to contain the COVID-19 pandemic in March and the very negative sales trends associated with this in the first half of 2019/20 (GfK Blue & Yellow charts Austria, March). In Switzerland, the consumer electronics retail market significantly outperformed the previous year despite contracting in March, thanks primarily to strong Christmas business (GfK Blue & Yellow charts Switzerland, March). The consumer electronics retail market in Hungary continued to enjoy growth, albeit at a considerably lower level than in the previous year. The COVID-19 pandemic has not yet had any negative effects as the retail industry remains open (GfK Blue & Yellow charts Hungary, March).

Western/Southern Europe

With regard to consumer electronics retail market in Western Europe, the Netherlands reported good growth in the first half of 2019/20, which picked up again in March through a combination of retail remaining open and more people working from home (GfK Blue & Yellow charts Netherlands, March). Growth rates in Belgium remained stable, although they slowed in March in response to the negative impact of the COVID-19 pandemic (GfK Blue & Yellow charts Belgium, March). Spain failed to keep up with previous year sales levels in the first half of 2019/20. Consumer electronics retail sales slumped in March, mainly due to measures introduced to curb the COVID-19 pandemic (GfK Blue & Yellow charts Spain, March). Portugal remained on its growth trajectory, although negative sales trends in March weakened this trend slightly (GfK Blue & Yellow charts Portugal, March). Italy had already been generating slightly negative performance before the start of the COVID-19 pandemic. This worsened as strict measures were imposed to contain the COVID-19 pandemic at a relatively early stage, causing sales to slump (GfK Blue & Yellow charts Italy, March).

Eastern Europe

In Poland, the consumer electronics retail market enjoyed sustained positive growth, although this slowed in March due to low double-digit sales declines (GfK Blue & Yellow charts Poland, March). Following on from a weaker financial year 2018/19, Turkey again generated excellent growth in the first five months of 2019/20. No reliable data is yet available for the rest of the financial year 2019/20 with regard to sector-specific performance in Turkey.

Results in detail

Earnings position

Quarter	Sales (€ million)		Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	Q2 2018/19	Q2 2019/20	Q2 2019/20	Q2 2019/20	Q2 2019/20	Q2 2019/20
Total	**5,015**	**4,631**	**-7.7%**	**-0.3%**	**-6.6%**	**-6.2%**
DACH	2,945	2,771	-5.9%	0.1%	-6.0%	-5.5%
Western/Southern Europe	1,585	1,410	-11.0%	0.0%	-8.7%	-9.0%
Eastern Europe	367	349	-4.7%	-4.5%	-0.2%	-2.2%
Others	118	102	-14.2%	-1.6%	-12.6%	3.0%

Half-year	Sales (€ million)		Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	H1 2018/19	H1 2019/20	H1 2019/20	H1 2019/20	H1 2019/20	H1 2019/20
Total	**11,894**	**11,453**	**-3.7%**	**-0.1%**	**-3.1%**	**-2.8%**
DACH	7,012	6,832	-2.6%	0.1%	-2.7%	-2.2%
Western/Southern Europe	3,741	3,481	-6.9%	0.0%	-5.4%	-5.9%
Eastern Europe	849	884	4.1%	-2.1%	6.2%	3.8%
Others	292	255	-12.5%	-2.1%	-10.4%	3.1%

The transaction closed on 29 November 2019 relating to the MediaMarkt Greece business constitutes a portfolio change, as it involves the disposal of a country organisation. The forecast key figures sales and EBIT are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current financial year or in the previous year.

GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES DOWN ON PRIOR YEAR DUE TO IMPACT OF COVID-19 PANDEMIC

In the **first half of 2019/20**, CECONOMY generated Group sales of €11.5 billion, a decline of 3.7 per cent compared with the prior-year period. Adjusted for currency and portfolio change effects, sales were down 3.1 per cent year-on-year. On a like-for-like basis, Group sales recorded a decrease of 2.8 per cent compared to the prior-year period. CECONOMY had seen sales perform well in the first five months of the current financial year, with figures in line with expectations.

In the **second quarter of 2019/20** Group sales trended down considerably, at 7.7 per cent compared with the prior-year quarter, totalling €4.6 billion. Adjusted for currency and portfolio change effects, sales fell by 6.6 per cent. On a like-for-like basis, Group sales recorded a decrease of 6.2 per cent compared to the prior-year period. In the first two months of the second quarter, before the outbreak of the COVID-19 pandemic, CECONOMY's sales were still performing well.

The decline in the second quarter is attributable to the negative sales performance of the stationary business due to the closure of the majority of our stores in March as a result of

the requirements of national governments against the spread of coronavirus. Countries that generate high sales such as Germany, Italy, Spain and Poland were the most affected by this in March, whereas countries not affected by the closures such as Hungary, the Netherlands and Sweden performed well in March. Online business was very encouraging although this only partially made up for the losses in brick-and-mortar business caused by the store closures in March.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first half of 2019/20**, the DACH segment generated sales of €6.8 billion, a decline of 2.6 per cent. Adjusted for currency and portfolio change effects, sales also declined by 2.7 per cent.

In the **second quarter of 2019/20** sales in the DACH segment were down, at 5.9 per cent, totalling €2.8 billion. Adjusted for currency and portfolio change effects, sales fell by 6.0 per cent year-on-year. This can be attributed to declining sales in Germany, Austria and Switzerland due to store closures in response to COVID-19. By contrast, sales in Hungary continued to develop very well despite restricted opening hours, in part due to store openings during the previous year.

EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In the **first half of 2019/20**, the Western and Southern Europe segment generated sales of €3.5 billion, a decrease of 6.9 per cent. Adjusted for currency effects and portfolio changes, sales declined by 5.4 per cent.

In the **second quarter of 2019/20**, sales in the Western and Southern Europe segment dropped by 11.0 per cent compared with the prior-year period to approximately €1.4 billion. Adjusted for currency effects and portfolio changes, sales declined by 8.7 per cent. The sales dip was more pronounced in Italy and Spain, which were particularly affected by earlier nation-wide store closures in March. The sales trend was also strained in Spain by weak consumer confidence before the outbreak of the COVID-19 pandemic. Sales in the Netherlands were stable against previous quarters.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first half of 2019/20**, sales in the Eastern Europe segment rose by 4.1 per cent to €0.9 billion. Adjusted for currency effects and portfolio changes, sales were actually up 6.2 per cent above the comparable figure of the previous year.

In the **second quarter of 2019/20,** sales in the Eastern Europe segment declined by 4.7 per cent to approximately €0.3 billion. The strong depreciation of the Turkish lira also continued to negatively impact sales. Adjusted for currency effects and portfolio changes, sales in the segment were almost on previous year's level. Turkey continued its solid sales trend and again generated double-digit growth despite local stores being closed towards the end of the quarter. In Poland, sales continued to decline due to early closures, although the first two months of the quarter initially indicated a trend improvement.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first half of 2019/20**, sales in the Others segment fell by 12.5 per cent compared with the prior-year period to approximately €0.3 billion. Adjusted for currency and portfolio change effects, sales were down 10.4 per cent below the previous year's level.

In the **second quarter of 2019/20**, sales in the Others segment declined by 14.2 per cent to approximately €0.1 billion. Adjusted for currency and portfolio change effects, segment sales declined by 12.6 per cent. This decline is due to the disposal of iBood in the last financial year. Sales in Sweden were impacted by negative currency effects and came in on the prior year’s level. In local currency, however, sales in Sweden saw a positive development.

Quarter	Sales (€ million)		Change (%)	In % of total sales
	Q2 2018/19	Q2 2019/20		
Online	699	859	22.9	18.6
Services & Solutions	282	279	−1.0	6.0

Half-year	Sales (€ million)		Change (%)	In % of total sales
	H1 2018/19	H1 2019/20		
Online	1,706	1,907	11.8	16.7
Services & Solutions	623	654	4.9	5.7

STRONG GROWTH IN ONLINE BUSINESS

In the **first half of 2019/20,** online sales increased by 11.8 per cent to approximately €1.9 billion. In total, the online share of total sales amounted to 16.7 per cent in the first six months of the reporting period (H1 2018/19: 14.3 per cent).

In the **second quarter of 2019/20,** online business achieved exceptionally strong growth of 22.9 per cent. As a result, sales reached a figure of €859 million, which equates to 18.6 per cent share of total sales (Q2 2018/19: 13.9 per cent). Adjusted for the MediaMarkt Greece business, online sales in the second quarter rose by 23.7 per cent. In March, the online business even increased by 57 per cent. If we look at pure Internet sales, that is without taking into account the shipment from the store and the pick-up of goods ordered online, we even recorded an increase of 98 per cent.

This performance and the upturn in online growth in March chiefly reflects the fact that, since the COVID-19 pandemic began, we have focussed our sales activities and resources on online channels and our customers are increasingly shifting to this channel in light of store closures.

In the first six months of the reporting period, the pick-up rate was approximately 41 per cent (H1 2018/19: approximately 45 per cent). In the second quarter, this rate was approximately 34 per cent (Q2 2018/19: approximately 47 per cent). The decline in the pick-up rate in the second quarter is due to the fact that, on the one hand, the total number of online orders increased as a result of the pure Internet orders and, on the other hand, the pick-up of orders in the stores in March was only partially possible. In addition, buyers made less use of the pick-up option in some countries due to lockdowns.

SERVICES & SOLUTIONS PORTFOLIO STRAINED BY COVID-19

In the **first half of 2019/20**, sales in Services & Solutions grew by 4.9 per cent to €654 million. This equates to a Services & Solutions share of total sales of 5.7 per cent (H1 2018/19: 5.2 per cent). Adjusted for the MediaMarkt Greece business, Services & Solutions sales rose by 5.3 per cent.

Services & Solutions sales declined by 1.0 per cent to €279 million in the **second quarter of 2019/20**, after generating double-digit growth in the first two months of the quarter. Services & Solutions accounted for 6.0 per cent of total sales (Q2 2018/19: 5.6 per cent). Adjusted for the MediaMarkt Greece business, Services & Solutions sales were virtually stable at −0.4 per cent. As Services & Solutions is mostly used in combination with in-store purchases and many services are provided at our in-store “Smartbars”, this second quarter performance is a result of store closures in March during the COVID-19 pandemic. The second quarter saw a positive development in the provision of extended warranties and insurances, whereas other categories in the Services & Solutions segment declined.

€ million	Reported EBIT Q2 2018/19	Reported EBIT Q2 2019/20	Change compared to prior year Q2 2019/20	Adjusted EBIT[1] Q2 2018/19	Adjusted EBIT[2] Q2 2019/20	Change compared to prior year Q2 2019/20
Total[3]	**19**	**−368**	**−387**	**26**	**−131**	**−157**
DACH	13	−54	−67	47	−53	−100
Western/Southern Europe	-3	−34	−31	1	−33	−34
Eastern Europe	−4	−24	−20	−4	−24	−20
Others	13	−255	−268	−18	−21	-3

[1] Before earnings effects from restructuring and management changes, companies accounted for using the equity method and portfolio changes
[2] Before earnings effects from the reorganization and efficiency program, companies accounted for using the equity method and portfolio changes
[3] Including consolidation.

€ million	Reported EBIT H1 2018/19	Reported EBIT H1 2019/20	Change compared to prior year H1 2019/20	Adjusted EBIT[1] H1 2018/19	Adjusted EBIT[2] H1 2019/20	Change compared to prior year H1 2019/20
Total[3]	**253**	**−49**	**−302**	**295**	**159**	**−136**
DACH	197	190	−7	244	194	−49
Western/Southern Europe	63	48	−15	70	17	−52
Eastern Europe	11	−16	−28	11	−16	−27
Others	−18	−270	−253	−29	−36	−7

[1] Before earnings effects from restructuring and management changes, companies accounted for using the equity method and portfolio changes
[2] Before earnings effects from the reorganization and efficiency program, companies accounted for using the equity method and portfolio changes
[3] Including consolidation.

ADJUSTED GROUP EARNINGS SIGNIFICANTLY BELOW PREVIOUS YEAR DUE TO IMPACT OF COVID-19 PANDEMIC

In the **first half of 2019/20**, reported Group EBIT declined by €302 million to €−49 million (H1 2018/19: €253 million). This includes earnings effects in connection with the reorganization and efficiency program and management changes of around €27 million (H1 2018/19: €−73 million) and earnings effects from companies accounted for using the equity method of €−234 million (H1 2018/19: €33 million). Adjusted for these effects and portfolio changes, Group EBIT declined by €136 million to €159 million (adjusted Group EBIT H1 2018/19: €295 million). The Group EBIT in the first half of 2019/20 also includes a positive effect from the introduction of IFRS 16 of approximately €5 million. The Group saw earnings perform well in the first five months of the current financial year 2019/20, with figures entirely in line with expectations.

In **the second quarter of 2019/20**, Group EBIT of €−368 million was achieved. In the prior-year period this figure was €19 million. This includes earnings effects in connection with the reorganization and efficiency program of €−3 million (Q2 2018/19: €−39 million) and earnings effects from companies accounted for using the equity method of €−234 million (Q2 2018/19: €34 million). Adjusted for these effects and portfolio changes, Group EBIT declined by €157 million to €−131 million (adjusted Group EBIT Q2 2018/19: €26 million). Group EBIT in the second quarter of 2019/20 also includes a positive effect from the introduction of IFRS 16 of approximately €3 million. Adjusted Group EBIT performed in line with expectations in the first two months of the second quarter.

The decline is essentially attributable to the negative sales development of the stationary business coupled with a negative margin development resulting from the closure of the majority of its stores in March. The gross margin fell by 2.3 percentage points to 17.3 per

cent, mainly due to channel and product mix effects, higher delivery costs resulting from the strong growth in online business in March and lower year-on-year income from Services & Solutions in March. In the first two months of the quarter, the trend was still positive and the gross margin was almost stable compared to the prior-year period. Initial savings in connection with the COVID-19 cost measures introduced recently, especially in personnel and marketing, supported earnings. In addition, savings associated with the reorganization and efficiency program continued to take effect, supporting earnings for the quarter.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first half of 2019/20**, the DACH segment generated EBIT of €190 million, €7 million below the previous year's level (H1 2018/19: €197 million). This includes earnings effects in connection with the reorganization and efficiency program amounting to €–5 million (H1 2018/19: €–47 million). Adjusted for these effects, EBIT in the DACH segment fell by €49 million to €194 million (adjusted EBIT H1 2018/19: €244 million).

In the **second quarter of 2019/20**, EBIT in the DACH segment was €–54 million and therefore €67 million below the previous year (Q2 2018/19: €13 million). This includes earnings effects in connection with the reorganization and efficiency program amounting to approximately €–2 million (Q2 2018/19: €–34 million). Adjusted for these effects, EBIT in the DACH segment saw a decline of €100 million to €–53 million (adjusted EBIT Q2 2018/19: €47 million). Germany recorded a significant decrease in earnings. This can be attributed to a negative sales and margin development in March due to store closures required as a result of COVID-19. A provision for legal risks in connection with contractual penalties also weighed on earnings. Lower cost of material and personnel expenses and the first COVID-19-related savings, especially in marketing, had a positive impact in the second quarter. The introduction of short-time work in Germany and Austria had not yet affected earnings in March. A slight decline in earnings was also recorded in Austria, while earnings in Switzerland and Hungary developed slightly positively.

EXPLANATION OF THE RESULT IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In Western and Southern Europe, EBIT fell in the **first half of 2019/20** by €15 million to €48 million. This includes earnings effects in connection with the reorganization and efficiency program amounting to €31 million (H1 2018/19: €–5 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €52 million to €17 million (adjusted EBIT H1 2018/19: €70 million).

In the **second quarter of 2019/20**, the Western and Southern Europe segment generated EBIT of €–34 million, €31 million below the previous year's level (Q2 2018/19: €–3 million). This includes earnings effects in connection with the reorganization and efficiency program amounting to approximately €–1 million (Q2 2018/19: €–3 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €34 million to €–33 million (adjusted EBIT Q2 2018/19: €1 million). Spain and Italy saw earnings fall significantly as a result of sales and margins hit by the COVID-19 crisis. In the same quarter of the previous year, earnings in Italy were supported not only by the improvement in operations as a result of the initiated restructuring and repositioning, but also by a positive, non-recurring effect in connection with the settlement of claims for damages. Although our stores in the Netherlands remained open in March with shorter store opening times, earnings declined in the second quarter. This primarily reflects lower advertising subsidies from suppliers in comparison to the previous year.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first half of 2019/20**, EBIT in the Eastern Europe segment at €–16 million was approximately €27 million below the previous year's level (H1 2018/19: €11 million). There were no earnings effects in connection with the reorganization and efficiency program in either the reporting period or the same quarter of the previous year.

In the **second quarter of 2019/20**, EBIT in the Eastern Europe segment declined by €20 million to €–24 million (Q2 2018/19: €–4 million). There were no earnings effects in connection with the reorganization and efficiency program in either the reporting period or the same quarter of the previous year. This downturn was due entirely to persistently weak earnings in Poland, which were exacerbated in March in light of the COVID-19 pandemic.

EXPLANATION OF THE RESULT IN THE OTHERS SEGMENT

The Others segment covers, in particular, the activities of CECONOMY AG, the earnings effects from companies accounted for using the equity method, Sweden and the activities of smaller companies. In the **first half of year 2019/20**, EBIT declined by €253 million year-on-year to €–270 million (H1 2018/19: €–18 million). In the reporting period, there were no earnings effects in connection with the reorganization and efficiency program. Expenses associated with the reorganization and efficiency program as well as management changes at CECONOMY AG amounting to approximately €21 million were incurred in the prior-year comparable period. The decrease in reported EBIT is mainly due to the negative earnings effect from companies accounted for using the equity method due to the impairment of our share in Fnac Darty S.A, which amounted to around €268 million in the first half of the year. This was offset by our share of the profit for the period generated by Fnac Darty S.A. of about €33 million, so that the total effect on earnings from companies accounted for

using the equity method amounted to about €234 million. In the previous year, the earnings effect from companies accounted for using the equity method was €33 million. Adjusted for these effects, EBIT fell by €7 million to €–36 million (adjusted EBIT H1 2018/19: €–29 million). Earnings in Sweden, at €–15 million, were €8 million lower than in the previous year (H1 2018/19: €–7 million). Other, smaller operating companies in the Others segment generated an EBIT of €0 million (H1 2018/19: €–3 million).

In the **second quarter of 2019/20**, EBIT declined by €268 million year on year to €–255 million (Q2 2018/19: €13 million). In the reporting period, there were no earnings effects in connection with the reorganization and efficiency program. The previous year included €2 million in expenses associated with the reorganization and efficiency program. Earnings effects from companies accounted for using the equity method totalled €–234 million in the second quarter (Q2 2018/19: €34 million). Adjusted for these effects, EBIT fell by €3 million to €–21 million (adjusted EBIT Q2 2018/19: €–18 million). At €–12 million, earnings in Sweden were €6 million lower than in the previous year (Q2 2018/19: €–6 million), mostly due to impairment of the country organisation's right-of-use assets. Other, smaller operating companies in the Others segment generated an EBIT of €0 million (Q2 2018/19: €–3 million).

				Q2 2018/19				**Q2 2019/20**
€ million	**Reported EBIT**	**Earnings effects from restructuring and management changes**	**Earnings effects from companies accounted for using the equity method and portfolio changes**	**Adjusted EBIT**	**Reported EBIT**	**Earnings effects from the reorganization and efficiency program**	**Earnings effects from companies accounted for using the equity method and portfolio changes**	**Adjusted EBIT**
Total[1]	**19**	**–39**	**32**	**26**	**–368**	**–3**	**–234**	**–131**
DACH	13	–34	0	47	–54	–2	0	–53
Western/Southern Europe	–3	–3	–2	1	–34	–1	0	–33
Eastern Europe	–4	0	0	–4	–24	0	0	–24
Others	13	–2	34	–18	–255	0	–234	–21

[1] Including consolidation

	H1 2018/19				H1 2019/20			
€ million	Reported EBIT	Earnings effects from restructuring and management changes	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT	Reported EBIT	Earnings effects from the reorganization and efficiency program	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**253**	**−73**	**31**	**295**	**−49**	**27**	**−235**	**159**
DACH	197	−47	0	244	190	−5	0	194
Western/Southern Europe	63	−5	−2	70	48	31	0	17
Eastern Europe	11	0	0	11	−16	0	0	−16
Others	−18	−21	33	−29	−270	0	−234	−36

[1] Including consolidation

Financial and asset position

CASH FLOW

€ million	H1 2018/19	H1 2019/20	Change
Cash flow from operating activities	20	400	380
Cash flow from investing activities	−85	−103	−18
Cash flow from financing activities	−14	941	954
Change in net working capital[1]	−280	−60	221
Free cash flow	−76	286	362

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

In the first half of financial year 2019/20, **cash flow from operating activities** from continuing operations resulted in a cash inflow of €400 million, compared to a cash inflow of €20 million in the previous year.

The €380 million higher cash flow from operating activities is primarily due to the introduction of IFRS 16, the associated change in the recognition of lease expenses and a lower cash outflow due to the change in net working capital. The **change in net working capital** improved as a result of a higher increase in trade liabilities and similar liabilities. In a half-year comparison, this reflects the higher starting basis as of 30 September 2018 but also the temporary extension of payment terms with some suppliers in response to COVID-19. This effect more than offset the higher increase in inventories. The underlying decline in earnings due to the strain caused by COVID-19 had an offsetting effect on cash flow from operating activities.

In the first half of the 2019/20 financial year, **cash flow from investing activities** amounted to €−103 million after €−85 million in the prior-year period. The higher cash outflow is due in particular to a cash investment in the joint venture in Greece in the same amount as the cash and cash equivalents disposed of, which in turn were part of the deconsolidated net assets of the Greek MediaMarkt business (€29 million). Lower expenses for expansion and modernisation had a contrary effect. In order to support the financial flexibility and stability, in view of the impact of the coronavirus on our business, planned renovations and new openings in particular were suspended in March until further notice.

In the first half of 2019/2020, **cash flow from financing activities** resulted in a cash inflow of €941 million. This compares with a cash outflow of €14 million in the prior-year period. The year-on-year change resulted primarily from higher proceeds from borrowings of €1,272 million (H1 2018/19: €154 million), chiefly due to drawing on the syndicated and bilateral credit facilities in response to COVID-19 (€1,025 million). This was offset by the redemption of borrowings, essentially a result of the higher redemption of lease liabilities under IFRS 16 in the amount of €−279 million (H1 2018/19: €−3 million).

In the first half of 2019/20, **free cash flow** amounted to €286 million and thus €362 million above the previous year's figure of €−76 million. This increase is due mainly to the introduction of IFRS 16 and a lower cash outflow from the change in net working capital.

NET WORKING CAPITAL BELOW PREVIOUS YEAR DUE TO COVID-19

Net working capital as of 31 March 2020 declined by €221 million compared with 31 March 2019. The lower net working capital in comparison with the previous year essentially reflects higher inventories as a result of the decline in sales caused by COVID-19 in March 2020. A slight rise in receivables due from suppliers was offset by lower trade receivables and similar claims. Trade liabilities and similar liabilities were on par with the previous year, although these include temporary extensions of payment terms with some suppliers in response to COVID-19.

HIGHER NET DEBT DUE TO THE APPLICATION OF IFRS 16

As of 31 March 2020, net debt amounted to €1,304 million. In the previous year a net liquidity of €674 million was reported. This development is due to the first-time application of IFRS 16 and the resulting recognition of around €2.2 billion of lease liabilities (01 October 2019: €2.3 billion) in the statement of financial position. Proceeds from long-term borrowings, due chiefly to drawing on the syndicated, bilateral credit facility, were offset by an equivalent rise in cash and cash equivalents.

INVESTMENTS ABOVE THE PREVIOUS YEAR DUE TO THE APPLICATION OF IFRS 16

Investments as per segment report totalled €232 million in the first half of 2019/20, €157 million below the previous year's level (H1 2018/19: €75 million). The sharp rise is primarily due to the first-time application of IFRS 16, according to which lease obligations now entered into must be capitalized as right-of-use assets in the statement of financial position. The additions from this item amounted to €131 million in the first half of the year. Comparable investments in intangible assets, tangible assets and investments accounted for using the equity method came to €101 million in the first half of the year, €27 million higher than in the previous year (H1 2018/19: €74 million). This also includes €31 million

in additions from investments accounted for using the equity method[1] (H1 2018/19: €0 million), mainly for the addition of the joint venture investment in Greece. The remaining investments were slightly lower due to lower expansion activities. In the second quarter of 2019/20 investments as per segment report totalled €121 million, €82 million above the previous year's level (H1 2018/19: €39 million). This includes €82 million in right-of-use assets to be capitalised for the first time under IFRS 16. At €39 million, comparable investments in intangible assets, tangible assets and investments accounted for using the equity method came in on previous year's level in the second quarter (Q2 2018/19: €39 million).

The network of stores was not expanded in the second quarter. However, in the same period, one store was closed in Germany, one in Italy and two in Poland. At the end of the second quarter, the total number of our stores was 1,025. The average **selling space per store** was 2,617 square metres as of 31 March 2020, essentially unchanged as against 31 December 2019.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 31 March 2020, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of two to seven years. For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. As of 31 March 2020, commercial paper worth €230 million were outstanding (31 March 2019: €147 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €550 million, as well as confirmed bilateral credit facilities totalling €430 million and unconfirmed bilateral credit facilities totalling €45 million. Both the syndicated credit facility and the bilateral credit facilities were drawn in full as of 31 March 2020 at a total of €1,025 million (31 March 2019: €0 million).

To strengthen its liquidity reserves, as part of the government's COVID-19 programme CECONOMY AG concluded a syndicated loan agreement in the amount of €1.7 billion on 12 May 2020 with the state-owned bank KfW (Kreditanstalt für Wiederaufbau) and a consortium of CECONOMY's partner banks. This syndicated loan, to which the KfW has committed €1,360 million and the banking consortium €340 million, complements the existing credit agreements of €980 million. The term of the new loan has been set until December 2021 with a one-year extension option at the discretion of KfW. The new syndicated loan can be drawn when required during the term. One condition of the syndicated loan is that CECONOMY suspends dividend payments for the duration of the credit facility. Furthermore, the Management Board took the decision to waive its own short-term performance-based remuneration for the current financial year. Likewise, the short-term incentive for the second management level of the company will be reduced for the current financial year. The associated total credit facility of € 2,680 million thus provides CECONOMY AG with the financial flexibility and security necessary in the current situation to deal with possible negative effects of the COVID-19 pandemic on liquidity.

CECONOMY AG is assessed by international rating agencies Moody's and Scope. As of 31 March 2020, CECONOMY was rated in the investment grade range (Moody's: Baa3, Scope: BBB-). The outlook was rated "stable" by Scope and "negative" by Moody's. On 10 April 2020, Moody's downgraded the company's rating from Baa3 to Ba1 with a negative outlook, citing in particular the adverse effects of COVID-19 on CECONOMY AG. The rating agency Scope changed the rating of CECONOMY AG from "stable" to "under review" on May 6, 2020. A downgrade to non-investment grade below Baa3/BBB- could have negative implications on our financing costs, especially for the commercial paper programme.

[1] Expenditures in investments accounted for using the equity method are included in the segment investments for the first time in the first half-year of 2019/20. The €31 million stated relates to the first quarter of 2019/20.

Opportunities and risks

The material opportunities and risks for CECONOMY as well as detailed information on the company's risk and opportunity management system are presented on pages 90 to 98 of CECONOMY AG's Annual Report 2018/19. Since the date of preparation of the consolidated financial statements on December 3, 2019, the following changes have occurred with regard to the material opportunities and risks and the expected development of the Group.

CHANGES IN THE RISK SITUATION

Significant changes in CECONOMY's risk situation as of 31 March 2020 result primarily from the global COVID-19 pandemic, which has resulted in far-reaching restrictions for public life in Europe and thus also for the economy since the beginning of the calendar year. The immediate impact of the pandemic for CECONOMY is described in the section "events in the first half of the year". In the following, the report on opportunities and risks will first address the changes in risk assessments caused by the pandemic. The effects of the COVID-19 pandemic are not listed as a single material risk, but are included in the risk assessment of other material risks already reported as of September 30, 2019. Finally, changes in risks that are not directly related to the pandemic are explained.

As of March 31, 2020, CECONOMY believes that the consequences of the government-ordered restrictions pose a significant risk from the **deterioration of the consumer sentiment** in the countries in which CECONOMY operates. The severity of the impact is not yet fully foreseeable at the present time. Nonetheless, considerable economic damage could already be observed for the economy as a whole, which also affects the consumer electronics industry, as of the closing date. The consequences are expected to burden the global economic situation in the longer term. Further waves of the pandemic and a resulting return to government-ordered store closures cannot be ruled out and will also hamper economic recovery. Initial indications of sector development at the beginning of the COVID-19 pandemic show both regional and category-specific differences in the implications for consumer behaviour in the consumer electronics segment. In principle, changing consumer behavior and the associated shift in sales shares from stationary to online business may result. CECONOMY monitors potential market changes on an ongoing basis and derives strategies for its own business from this. Particular attention is being paid to the phase of the store reopenings during the COVID-19 crisis and customer behaviour during this time. The threat of trade conflicts and increasing protectionism also continue to pose challenges to CECONOMY's operating business and could cause further deterioration of the consumer sentiment. In general, a decline in consumption due to the lockdown measures, falling demand for exports and general uncertainty among the population can be assumed.

Political developments in individual countries may also pose risks for CECONOMY. This concerns for example Turkey, which is still affected by a tense domestic political situation, currency devaluation and rising inflation. The risk of deteriorating consumer sentiment in connection with the COVID-19 pandemic has increased once more in comparison to the time of preparing the consolidated financial statements on 3 December 2019.

In addition, the loss or **default of strategically relevant business partners** is a risk that CECONOMY continuously monitors and controls. This risk could materialise as a result of a potential strategic realignment of suppliers, a change in sales concepts, or technical problems in the product and in particular, the services. To this end, CECONOMY analyses information about business partners on a regular basis in order to promptly take protective measures to ensure the continued supply of goods and services, but also against the financial loss of outstanding receivables. The loss of strategic business partners can jeopardise the forecasted earnings through losses in sales, conditions and commissions. To compensate for such an effect, CECONOMY tries to reduce the risk by managing the sales shares of different suppliers, by establishing additional suppliers, expanding the own-brand product range, expanding the range of services from different providers, and partially selling receivables (factoring), but also by centralising the flows of goods and thus improving the planning ability of the suppliers. CECONOMY also analyses information about its business partners and their credit ratings on a regular basis in order to minimise financial risks so that protective measures can be taken promptly in relation to outstanding receivables. Considering the drop in consumer sentiment due to the COVID-19 pandemic, CECONOMY considers the risk of a loss of receivables to be particularly heightened as of the closing date.

Operating losses. particularly in low margin countries, may entail **impairment of reported goodwill and additional assets.** This may impact the net assets and earnings position of CECONOMY negatively. CECONOMY, therefore, gives high priority to measures to strengthen the operating performance. Given the outbreak of the COVID-19 pandemic and the associated temporary store closures, operating results will be significantly lower compared to the initial guidance for the financial year 2019/20. An impending economic crisis could also adversely affect growth and profitability opportunities in some countries. In the light of this, CECONOMY believes the risk of impairment of assets is more relevant as of 31 March 2020 than at the time of preparing the consolidated financial statements 2018/19. The investment in Fnac Darty S.A. was tested for impairment as of 31 March 2020 due to the severe downturn in stock markets. The investment, which was accounted for using the equity method, was impaired by around €–268 million in the second quarter of 2019/20, which had a negative impact on reported EBIT.

Another risk for CECONOMY is the possibility of a **credit rating downgrade to a non-investment grade, i.e.** below Baa3/BBB–, by banks or **lower credit assessments** by other stakeholders. Despite a minor impact on earnings, lower credit ratings could have adverse implications for liquidity and Group financing. These effects may mutually depend or reinforce each other. Negative implications for net working capital cannot be ruled out. A deterioration in net working capital would generally trigger additional financing requirements. An economic slowdown and/or a decline in the retail industry, such as caused by COVID-19, could prompt a review of the credit rating. On 10 April 2020 (after the closing date), Moody's Investors Service downgraded CECONOMY's rating to Ba1 with a negative outlook, citing in particular the negative impact of COVID-19 on CECONOMY's operating business. The rating agency Scope rates CECONOMY with BBB- (Investment Grade), but they changed the outlook on 6 May 2020 from "stable" to "under review", i.e. to review a possible downgrade by a maximum of one notch within the next three months. The specific effects of this downgrade cannot be assessed at present as the entire financial environment is directly or indirectly affected by the COVID-19 pandemic. CECONOMY drew €1,025 million of the existing credit facilities as of 31 March 2020 in order to maintain sufficient liquidity for the period of store closures and to ensure the Group's solvency. Given the current uncertainty about the duration until business will resume, CECONOMY also decided at an early stage to utilise the German federal government's special programme for direct investment for syndicate financing ("*Direktbeteiligung für Konsortialfinanzierung*"). In collaboration with the KfW, the programme provides financial support to companies that have encountered temporary financial difficulties solely as a result of the COVID-19 crisis. A €1.7 billion syndicated loan facility was approved by KfW and a banking syndicate of 15 participating banks on 12 May 2020.

Apart from the developments resulting from the COVID-19 pandemic, the following changes to the risk assessment since 3 December 2019 have been observed.

Data protection is important for CECONOMY, not only since the EU's General Data Protection Regulation came into force and the defined requirements were implemented. CECONOMY works continuously on improving processes and systems to comply with the new and increasingly complex regulations on data protection when processing personal data, especially when using customer-specific data. Due to the significant increase in regulatory and documentary requirements, there is a growing risk that these requirements will not be fully complied with, resulting in the risk of sanctions or reputational damage. In view of the increased activity of authorities, the increasing complexity of systems and issues and the higher fines introduced lately, CECONOMY now considers the occurrence of the risk to be more likely.

Within the framework of a draft law **for "fair consumer contracts"**, the German Ministry for Consumer Protection is planning to reduce contract terms for long-term agreements such as mobile communications or electricity contracts from the current two-year standard to a maximum of one year (current draft bill by the German Federal Ministry of Justice and Consumer Protection dated January 2020). This is intended to give end consumers the option to take advantage of better offers by changing providers at an earlier stage thereby preventing excessively long contractual periods. From the point of view of the consumer protectors there is the prospect that faster switching options will lead to greater competitive intensity and diversity. By contrast, providers see the risk that ultimately higher costs will incur for consumers because one-off fees, e.g. for devices and/or administrative costs, will have to be apportioned to a shorter contract term. CECONOMY favors a strong consumer protection. In practice, however, experience with mobile phone contracts shows that current standard contract durations allow consumers to choose the contract that suits best their needs from a variety of offers. For CECONOMY, the proposal contains the risk of declining commissions in connection with shorter contract terms. For this reason, the risk was included in the reporting for the first time.

Qualified employees form the basis for the success of the company. Competition for competent specialists remains high, especially in the areas relevant for digitization. To ensure that CECONOMY has sufficient **suitable employees to fill key functions** in the areas of innovation and IT, CECONOMY is consistently implementing action plans to manage and develop human resources effectively. In addition, the reorganization and efficiency program announced on 29 April 2019 was completed sucessfully. On this basis, CECONOMY has slightly reduced its risk assessment.

There are no going concern risks and at present no such risks are discernible in future either.

CHANGES IN THE OPPORTUNITY SITUATION

Since the preparation of the consolidated financial statements on 3 December 2019, there has been the following change to the opportunities portfolio of CECONOMY.

Pan-European market consolidation is no longer considered an opportunity as of the closing date, as CECONOMY's strategic realignment initially shifts focus to implementing strategic initiatives at an operational level, in particular for the key areas of category management, supply chain, online and Services & Solutions. Nonetheless, CECONOMY is always reviewing any opportunities that arise. As previously, CECONOMY intends to continue to encourage local and national market consolidation. The withdrawal of competitors would provide opportunities for further gains in market share. To this end, competitors are being

analysed continuously. Furthermore, additional potential is seen in the repositioning of country organisations and subsidiaries that are operating in a difficult economic or highly competitive environment.

Further opportunities arise, for example, from the accelerated implementation of the business model transformation. Especially for the implementation of a digitally driven omnichannel sales model, the experience gained from COVID-19 will establish the necessary processes and structures in a more targeted way.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income statement

€ million	Q2 2018/19	Q2 2019/20	H1 2018/19	H1 2019/20
Sales	**5,015**	**4,631**	**11,894**	**11,453**
Cost of sales	−4,036	−3,831	−9,649	−9,405
Gross profit on sales	**979**	**800**	**2,245**	**2,048**
Other operating income	52	34	109	121
Selling expenses	−879	−810	−1,795	−1,691
General administrative expenses	−164	−132	−332	−268
Other operating expenses	2	−21	−3	−23
Earnings share of investments accounted for using the equity method	33	−234	33	−234
Net impairments on operating financial assets and contract assets	−5	−5	−4	−1
Earnings before interest and taxes (EBIT)	**19**	**−368**	**253**	**−49**
Other investment result	55	7	53	20
Interest income	7	2	12	5
Interest expenses	−11	−17	−19	−30
Other financial result	−37	−15	−31	−9
Net financial result	**14**	**−23**	**15**	**−15**
Earnings before taxes (EBT)	**33**	**−391**	**268**	**−64**
Income taxes	−13	82	−101	−23

€ million	Q2 2018/19	Q2 2019/20	H1 2018/19	H1 2019/20
Profit or loss for the period from continuing operations	**20**	**−309**	**167**	**−87**
Profit or loss for the period from discontinued operations	4	4	4	4
Profit or loss for the period	**24**	**−306**	**171**	**−84**
Profit or loss for the period attributable to non-controlling interests	−4	−14	35	39
from continuing operations	**−5**	**−15**	**34**	**38**
from discontinued operations	1	1	1	1
Profit or loss for the period attributable to shareholders of CECONOMY AG	28	−292	135	−122
from continuing operations	**25**	**−295**	**132**	**−125**
from discontinued operations	3	3	3	3
Earnings per share in € (basic = diluted)	**0.08**	**−0.81**	**0.38**	**−0.34**
from continuing operations	**0.07**	**−0.82**	**0.37**	**−0.35**
from discontinued operations	0.01	0.01	0.01	0.01

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

€ million	Q2 2018/19	Q2 2019/20	H1 2018/19	H1 2019/20
Profit or loss for the period	**24**	**–306**	**171**	**–84**
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**–7**	**–74**	**–15**	**–16**
Remeasurement of defined benefit pension plans	–21	27	–21	46
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	17	–101	9	–62
Subsequent measurement of associates/joint ventures accounted for using the equity method	–3	0	–3	0
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	0	0	0	0
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**3**	**23**	**8**	**10**
Currency translation differences from translating the financial statements of foreign operations	2	23	7	10
Subsequent measurement of associates/joint ventures accounted for using the equity method	0	0	0	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	0	0	0
Other comprehensive income	**–4**	**–51**	**–8**	**–6**
Total comprehensive income	**19**	**–357**	**163**	**–90**
Total comprehensive income attributable to non-controlling interests	–2	–25	38	33
Total comprehensive income attributable to shareholders of CECONOMY AG	21	–331	126	–123

Statement of financial position

Assets

€ million	30/09/2019	31/03/2019	31/03/2020
Non-current assets	**2,233**	**2,260**	**3,973**
Goodwill	524	525	524
Other intangible assets	115	115	117
Property, plant and equipment	736	762	629
Right-of-use assets	–	–	2,116
Financial assets	278	271	216
Investments accounted for using the equity method	497	518	294
Other financial assets	3	4	4
Other assets	7	12	6
Deferred tax assets	73	54	68
Current assets	**5,870**	**6,435**	**7,687**
Inventories	2,548	2,909	3,161
Trade receivables and similar claims	455	528[1]	460
Receivables due from suppliers	1,295	1,240	1,277
Other financial assets	65[1]	387[1]	69
Other assets	120	177	171
Entitlements to income tax refunds	142	77	125
Cash and cash equivalents	1,184[1]	1,117[1]	2,424
Assets held for sale	61	0	0
	8,103	**8,695**	**11,660**

Equity and liabilities

€ million	30/09/2019	31/03/2019	31/03/2020
Equity	**784**	**807**	**673**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−478	−448	−632
Non-controlling interests	22	14	65
Non-current liabilities	**1,042**	**1,021**	**2,494**
Provisions for pensions and similar obligations	574	563	478
Other provisions	33	37	16
Borrowings	292	285	1,916
Other financial liabilities	53	45	39
Other liabilities	56	58	7
Deferred tax liabilities	35	33	37
Current liabilities	**6,277**	**6,868**	**8,493**
Trade liabilities and similar liabilities	5,321	5,835[1]	5,835
Provisions	165	156	139
Borrowings	10	160	1,812
Other financial liabilities	445	367[1]	358
Other liabilities	215	251	343
Income tax liabilities	51	98	6
Liabilities related to assets held for sale	70	0	0
	8,103	**8,695**	**11,660**

[1] Adjustment of previous year (see explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements).

Condensed statement of changes in equity

€ million	Share capital	Capital reserve	Reserves retained from earnings	Total equity before non-controlling interests	Non-controlling interests	Total equity
30/09 & 01/10/2018	**919**	**321**	**−554**	**686**	**−21**	**665**
Adjustment for IFRS 9	0	0	−1	−1	0	−2
Adjustment for IFRS 15	0	0	0	0	0	1
01/10/2018 adjusted	**919**	**321**	**−554**	**685**	**−22**	**664**
Profit or loss for the period	0	0	135	135	35	171
Other comprehensive income	0	0	−10	−10	2	−8
Total comprehensive income	**0**	**0**	**126**	**126**	**38**	**163**
Dividends	0	0	−9	−9	−9[2]	−18
Capital transactions with change in equity interest without loss of control	0	0	−8	−8	8	0
Other changes	0	0	−2	−2	−1	−2
31/03/2019	**919**	**321**	**−448**	**792**	**14**	**807**
30/09 & 01/10/2019	**919**	**321**	**−478**	**762**	**22**	**784**
Profit or loss for the period	0	0	−122	−122	39	−84
Other comprehensive income	0	0	0	0	−6	−6
Total comprehensive income	**0**	**0**	**−123**	**−123**	**33**	**−90**
Dividends	0	0	−8[1]	−8	−6[2]	−14
Capital transactions with change in equity interest without loss of control	0	0	−23	−23	16	−7
Other changes	0	0	0	0	0	0
31/03/2020	**919**	**321**	**−632**	**608**	**65**	**673**

[1] The reported dividend includes dividends to minority shareholders in the amount of €−8 million (2018/19: €−9 million), whose shares are reported in full as liabilities due to put options.
[2] The reported dividend includes dividends to minority shareholders in the amount of €−2 million (2018/19: €−2 million), whose shares are reported in full as liabilities due to put options.

Cash flow statement

€ million	H1 2018/19	H1 2019/20
EBIT	253	−49
Scheduled depreciation/amortisation, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets and impairment on investments accounted for using the equity method	120	660
Change in provisions for pensions and similar obligations	−24	−60
Change in net working capital	−280[1]	−60
Income taxes paid	−61	−46
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	1	2
Other	11[1]	−47
Cash flow from operating activities of continuing operations	**20**	**400**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**20**	**400**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	−80	−64
Other investments	−16	−51
Financial investments and securities	−151	−160
Disposals of financial investments and securities	150	160
Disposals of companies	0	0
Disposal of long-term assets and other disposals	12	12
Cash flow from investing activities of continuing operations	**−85**	**−103**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**−85**	**−103**
Dividends paid	−27	−23
thereof dividends paid to the shareholders of CECONOMY AG	0	0
Payment received from capital increase	0	0
Purchase/disposal of equity instruments with change in equity interest without obtaining/relinquishing control	0	−6
Redemption of liabilities from put options of non-controlling interests	0	−1
Proceeds from long-term borrowings	154	1,272
Redemption of lease liabilities	−3	−279
Redemption of other borrowings	−148	−13
Interest paid	−12	−29
Interest received	9	5
Profit and loss transfers and other financing activities	14[1]	16
Cash flow from financing activities of continuing operations	**−14**	**941**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**−14**	**941**
Total cash flows	**−78**	**1,238**
Currency effects on cash and cash equivalents	9[1]	−12
Total change in cash and cash equivalents	**−69**	**1,225**
Total cash and cash equivalents as of 1 October	1,186[1]	1,199
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	15
Cash and cash equivalents as of 1 October	**1,186[1]**	**1,184**
Total cash and cash equivalents as of 31 March	1,117[1]	2,424
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 31 March	**1,117[1]**	**2,424**

[1] Adjustment of previous year (see explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements).

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment reporting

Continuing operations

	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
€ million	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20
External sales (net)	2,945	2,771	1,585	1,410	367	349	118	102	0	0	5,015	4,631
Internal sales (net)	5	5	1	1	0	0	2	2	–8	–8	0	0
Sales (net)	2,950	2,776	1,586	1,411	367	349	121	103	–8	–8	5,015	4,631
EBITDA	52	56	16	27	0	–3	15[2]	22[2]	0	0	83	102
EBITDA adjusted	77	58	20	29	0	–3	–16	–13	0	0	81	71
Scheduled depreciation/amortisation and impairment losses	39	110	19	62	5	21	2	277	0	0	64	470
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	13	–54	–3	–34	–4	–24	13[3]	–255[3]	0	0	19	–368
EBIT adjusted	47	–53	1	–33	–4	–24	–18	–21	0	0	26	–131
Investments	26	69	9	31	3	19	1	3	0	0	39	121
Non-current segment assets[4]	838	2,139	473	995	80	199	544	355	0	0	1,935	3,689
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(518)	(294)	(0)	(0)	(518)	(294)

[1] Includes external sales in Q2 2019/20 of €2,319 million (Q2 2018/19: €2,480 million) for Germany and of €401 million (Q2 2018/19: €467 million) for Italy, as well as non-current segment assets as of 31 March 2020 of €2,134 million (31 March 2019: €1,259 million) for Germany, €284 million (31 March 2019: €147 million) for Spain, and €360 million (31 March 2019: €142 million) for Italy
[2] In Q2 2019/20, this includes income from operating companies recognised at equity in the Others segment in the amount of €34 million (Q2 2018/19: €33 million)
[3] In Q2 2019/20, this includes expenses from operating companies recognised at equity in the Others segment in the amount of €234 million (Q2 2018/19: income of €33 million)
[4] Adjustment of previous year for investments accounted for using the equity method.

€ million	DACH		Western/Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20
External sales (net)	7,012	6,832	3,741	3,481	849	884	292	255	0	0	11,894	11,453
Internal sales (net)	12	11	2	1	0	0	6	3	−19	−15	0	0
Sales (net)	7,024	6,842	3,743	3,483	849	884	297	259	−19	−15	11,894	11,453
EBITDA	267	410	101	171	20	20	−14[2]	11[2]	0	−1	374	611
EBITDA adjusted	305	414	107	140	20	20	−26	−23	0	−1	406	550
Scheduled depreciation/amortisation and impairment losses	70	220	38	123	9	36	3	281	0	0	121	660
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	197	190	63	48	11	−16	−18[3]	−270[3]	0	−1	253	−49
EBIT adjusted	244	194	70	17	11	−16	−29	−36	0	−1	295	159
Investments	48	110	17	45	7	22	3	55[4]	0	0	75	232
Non-current segment assets[5]	838	2,139	473	995	80	199	544	355	0	0	1,935	3,689
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(518)	(294)	(0)	(0)	(518)	(294)

[1] Includes external sales in H1 2019/20 of €5,656 million (H1 2018/19: €5,875 million) for Germany and of €1,117 million (H1 2018/19: €1,189 million) for Italy, as well as non-current segment assets as of 31 March 2020 of €2,134 million (31 March 2019: €1,259 million) for Germany, €284 million (31 March 2019: €147 million) for Spain, and €360 million (31 March 2019: €142 million) for Italy
[2] In H1 2019/20, this includes income from operating companies recognised at equity in the Others segment in the amount of €34 million (H1 2018/19: €33 million)
[3] In H1 2019/20, this includes expenses from operating companies recognised at equity in the Others segment in the amount of €234 million (H1 2018/19: income of €33 million)
[4] Adjustment of previous quarter Q1 2019/20 for €31 million in additions from investments accounted for using the equity method in the Others segment.
[5] Adjustment of previous year for investments accounted for using the equity method.

Explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements

CECONOMY AG is a listed corporation based in Düsseldorf, Germany. The condensed consolidated interim financial statements for CECONOMY AG and its subsidiaries cover the period from 1 October 2019 to 31 March 2020 and were subject to an audit review in accordance with Section 115 (5) of the German Securities Trading Act (WpHG).

The condensed consolidated interim financial statements as of 31 March 2020 were prepared in accordance with International Accounting Standard (IAS) 34 ("Interim Financial Reporting"), which regulates interim financial statements in accordance with International Financial Reporting Standards (IFRS). As these are condensed consolidated interim financial statements, not all information and explanatory notes that are required according to the IFRS for consolidated financial statements at the end of a financial year are included.

The condensed consolidated interim financial statements have been prepared in euros. Unless indicated otherwise, all amounts are stated in millions of euros (€ million), applying commercial rounding. In order to provide a better overview, decimal places are not shown in the tables in some cases. Figures in the tables may contain rounding differences.

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

All applicable standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed by the European Union were applied in these condensed consolidated interim financial statements. With the exception of the changes in accounting described below, the same accounting and measurement methods were applied as in the last consolidated financial statements as of 30 September 2019. Further information on the accounting policies can be found in the notes to the consolidated financial statements as of 30 September 2019 (see Annual Report 2018/19, pages 143-174).

NEW ACCOUNTING STANDARDS

The new and amended standards that are generally to be applied for the first time from 1 October 2019 and that CECONOMY considers material are described below.

IFRS 16 (Leases)

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

The main change in IFRS 16 compared to IAS 17 relates to recognition by the lessee. For example, leases no longer have to be classified as operating or finance leases. Instead, CECONOMY now accounts for all leases as the lessee using the standardised right-of-use approach under IFRS 16. Under this approach, a liability is recognised for each lease that is equal to the present value of the future lease payments and a corresponding right to use the leased asset, known as a right-of-use asset, is also recognised for the lease. Lease payments comprise the sum of all fixed lease payments less incentives for the conclusion of the lease and plus all variable lease payments that depend on an index or a rate. Variable payments that constitute fixed payments in substance and amounts expected to be payable under residual value guarantees are also included. Lease payments based on purchase price options and extension options are included if the lessee is reasonably certain to exercise them. Contractually agreed penalties for prematurely terminating the lease are also recognised, if it can be assumed that the lessee will terminate the lease prematurely. With the exception of real estate leasing, the fee is not divided into a lease component and a non-lease component. Variable lease payments are recognised as rental expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

€ million	01/10/2019	31/03/2020
Real estate	2,247	2,072
Company vehicles	4	4
IT infrastructure	30	22
Business and office equipment	20	17
Total	**2,300**	**2,116**

As of 31 March 2020, the right-of-use asset recognised for the first time caused depreciation/amortisation and impairment losses to increase by €276 million and interest expenses by €9 million due to discounting lease liabilities for leases previously classified as operating leases.

The first-time application of IFRS 16 and the elimination of lease expenses as a result of this generated a €5.3 million rise in EBIT.

The change in presentation of lease expenses under operating leases also resulted in €283 million being transferred from cash flow from financing activities to cash flow from operating activities, as the lease payments no longer reduce operating cash flow but are instead shown as payments of interest and principal in cash flow from financing activities, provided these payments are not payments under short-term leases or leases for low-value assets.

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

Assets

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

Equity and liabilities

€ million	30/09/2019	IFRS 16	01/10/2019
Equity	**784**		**784**
Share capital	919		919
Capital reserve	321		321
Reserves retained from earnings	–478		–478
Non-controlling interests	22		22
Non-current liabilities	**1,042**	**1,728**	**2,770**
Provisions for pensions and similar obligations	574		574
Other provisions	33	–17	17
Borrowings	292	1,792	2,084
Other financial liabilities	53		53
Other liabilities	56	–47	8
Deferred tax liabilities	35		35
Current liabilities	**6,277**	**528**	**6,805**
Trade liabilities and similar liabilities	5,321		5,321
Provisions	165	–13	153
Borrowings	10	555	565
Other financial liabilities	445	–1	445
Other liabilities	215	–25	190
Income tax liabilities	51		51
Liabilities related to assets held for sale	70	10	80
	8,103	**2,255**	**10,359**

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

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

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

Other amendments to IFRS
The IFRS 9 amendment deals with the classification of financial instruments with prepayment features with negative compensation. The new regulation allows these assets to be recognised at amortised cost or at fair value through other comprehensive income under a limited set of conditions. The new interpretation relating to IAS 12 is specified in IFRIC 23 (Uncertainty over Income Tax Treatments) and regulates the accounting of current and deferred taxes in this connection. These amendments do not have any significant impact on the condensed consolidated interim financial statements of CECONOMY.

Adjustment of the previous year's figures
Continuing the adjustments already made in previous quarters, as of 31 March 2019 the key reclassifications amounted to €174 million from non-current contract liabilities and €300 million from current contract liabilities to "trade liabilities and similar liabilities".

In addition, credit card receivables of €70 million were reclassified from "Other financial assets (current)" to "Cash and cash equivalents".

Adjustments resulting from the changed definition of net working capital amount to €–305 million and relate primarily to the reclassification of credit card receivables and including liabilities from deferred sales from extended warranties.

Impact of COVID-19 on accounting
In preparing the condensed consolidated interim financial statements, estimates and assumptions were made resulting from the changed business circumstances due to the COVID-19 pandemic. Since the middle of March 2020, the overall development of sales and results has been massively impacted by the COVID-19 pandemic and the measures taken in many countries in which CECONOMY operates. However, current uncertainty, especially regarding how the COVID-19 pandemic will develop, the development of the opening-up phase and customer behaviour following reopening, mean that the impact on the

company's business for 2019/20 as a whole can be anticipated only to a limited extent at present.

The estimates and assumptions have had an impact on the recognition and amount of assets and liabilities, as well as income and expenses. Estimates and underlying assumptions with significant effects were made, particularly for the following items:

- COVID-19 triggered an impairment test of depreciable and non-depreciable assets including goodwill and investments accounted for using the equity method

- Measurement of inventories

Although the estimates and assumptions were made with great care, actual figures may differ in individual cases, particularly in view of the imponderables resulting from taking account of COVID-19.

Despite an adverse impact on the earnings position and an adjusted weighted average cost of capital (WACC), the conduct of impairment tests did not provide any indication of impairment on the goodwill recognised.

There was also an assessment of material and depreciable assets. Overall, additional impairment of €12 million was determined, €8 million relating to property, plant and equipment and €3 million to rights of use.

The COVID-19 indicated impairment test of the investment in Fnac Darty S.A. resulted in an impairment of €268 million.

In addition, store closures meant the there was a worsening of the merchandise age structure. Beyond the resulting deductions, there are no indications for additional write-downs.

CECONOMY drew €1,025 million of its existing credit facilities as of 31 March 2020 in order to maintain sufficient liquidity for the period of store closures and to ensure the Group's solvency.

Notes to the income statement

SALES

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

Quarter	DACH	Western/ Southern Europe	Eastern Europe	Others	CECONOMY
€ million	Q2 2019/20	Q2 2019/20	Q2 2019/20	Q2 2019/20	Q2 2019/20
Product sales	2,582	1,335	338	98	4,353
Services & Solutions	188	75	12	4	279
Total sales	**2,771**	**1,410**	**349**	**102**	**4,631**

Half-year	DACH	Western/ Southern Europe	Eastern Europe	Others	CECONOMY
€ million	H1 2019/20	H1 2019/20	H1 2019/20	H1 2019/20	H1 2019/20
Product sales	6,393	3,306	853	247	10,799
Services & Solutions	439	175	31	8	654
Total sales	**6,832**	**3,481**	**884**	**255**	**11,453**

Total sales in accordance with IFRS 15 came to €11,453 million in the first half of 2019/20. Product sales came to €10,799 million, with sales from Services & Solutions totalling €654 million.

Total sales in accordance with IFRS 15 for the second quarter of 2019/20 came to €4,631 million. Product sales came to €4,353 million and sales from Services & Solutions totalled €279 million.

SCHEDULED DEPRECIATION/AMORTISATION AND IMPAIRMENT LOSSES

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

Q2 2018/19

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

Q2 2019/20

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Investments accounted for using the equity method	Total
Cost of sales	0	0	0	1	0	1
thereof scheduled depreciation/amortisation	(0)	(0)	(0)	(1)	(0)	(1)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	3	48	137	0	188
thereof scheduled depreciation/amortisation	(0)	(3)	(40)	(133)	(0)	(177)
thereof impairment losses	(0)	(0)	(8)	(3)	(0)	(12)
General administrative expenses	0	4	5	4	0	12
thereof scheduled depreciation/amortisation	(0)	(4)	(5)	(4)	(0)	(12)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of operating companies recognised at equity	0	0	0	0	268	268
thereof impairment losses	(0)	(0)	(0)	(0)	(268)	(268)
Total	**0**	**7**	**53**	**141**	**268**	**470**
thereof scheduled depreciation/amortisation	**(0)**	**(7)**	**(45)**	**(138)**	**(0)**	**(190)**
thereof impairment losses	**(0)**	**(0)**	**(8)**	**(3)**	**(268)**	**(280)**

H1 2018/19

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

H1 2019/20

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Investments accounted for using the equity method	Total
Cost of sales	0	1	0	1	0	**2**
thereof scheduled depreciation/amortisation	(0)	(1)	(0)	(1)	(0)	(2)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	6	89	270	0	**365**
thereof scheduled depreciation/amortisation	(0)	(6)	(80)	(267)	(0)	(354)
thereof impairment losses	(0)	(0)	(8)	(3)	(0)	(12)
General administrative expenses	0	9	9	7	0	**25**
thereof scheduled depreciation/amortisation	(0)	(9)	(9)	(7)	(0)	(25)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	**0**
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of operating companies recognised at equity	0	0	0	0	268	**268**
thereof impairment losses	(0)	(0)	(0)	(0)	(268)	(268)
Total	**0**	**16**	**98**	**279**	**268**	**660**
thereof scheduled depreciation/amortisation	**(0)**	**(16)**	**(90)**	**(275)**	**(0)**	**(381)**
thereof impairment losses	**(0)**	**(0)**	**(8)**	**(3)**	**(268)**	**(280)**

PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The first half of 2019/20 includes income of €4 million from discontinued operations in connection with the disposal of the Russian MediaMarkt business, mainly resulting from currency effects.

Notes to the statement of financial position

Investments accounted for using the equity method

As of 31 March 2020, investments in associates and joint ventures accounted for using the equity method of €294 million were recognised (30 September 2019: €497 million). Material investments accounted for using the equity method are the investment in the associate Fnac Darty S.A. and the investment in the Greek joint venture PMG Retail Market Ltd..

In the first half of 2019/20, as a result of the subsequent measurement of the investment in Fnac Darty S.A accounted for using the equity method initially €34 million (H1 2018/19: €33 million) was recognised in EBIT. Fnac Darty S.A. publishes information on profit or loss for the period only in the second and fourth quarters of a calendar year, with this information being the basis for the subsequent meausurent of the investment accounted for using the equity method.

It was also determined that due to the coronavirus pandemic the market value of the interest in Fnac Darty S.A. based on the stock exchange price on the reporting date of 31 March 2020 had fallen significantly below acquisition cost, so that there was objective evidence of impairment in accordance with IAS 28.

To determine the value in use in the sense of a long-term performance value, CECONOMY AG used a DCF method based on free cash flow. With this method, €265 million was determined as the recoverable amount of the investment in Fnac Darty S.A., resulting in an impairment of €268 million which was recognised in EBIT.

On 29 November 2019 a transaction between Media-Saturn-Holding GmbH (MSH) and Olympia Group GmbH (Olympia) was closed. The transaction concerns the formation of the Greek joint venture PMG Retail Market Ltd. in which Olympia holds 75 per cent and MSH 25 per cent of the shares. Both organisations contributed their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the joint venture.

Since the first quarter of 2019/20, the investment in the Greek joint venture is recognised at cost of €28 million, corresponding to the market value when joint control was obtained. Due to the non-availability of reliable information, the interest recognised using the equity method has not yet been updated.

Assets held for sale/liabilities related to assets held for sale

DISPOSAL OF THE GREEK BUSINESS

On 29 November 2019 a transaction between Media-Saturn-Holding GmbH (MSH) and Olympia Group GmbH (Olympia) was closed. The transaction concerns the formation of a new company to cover the market in Greece and Cyprus, in which Olympia holds 75 per cent and MSH 25 per cent of the shares. Both organisations contributed their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the new company. The stores of the two companies will continue to operate under their respective brand names. In the first quarter of 2019/20, the deconsolidation of the MediaMarkt Greece business and the recognition of the 25 per cent investment accounted for using the equity method resulted in a non-recurring earnings effect of around €33 million, which was recognised in the segment Western/Southern Europe.

The assets and liabilities held for sale as a result of the deconsolidation are made up of the following items:

€ million	30/11/2019
Non-current assets	**21**
Property, plant and equipment	6
Right-of-use assets	13
Deferred tax assets	1
Current assets	**82**
Inventories	36
Trade receivables and similar claims	1
Receivables due from suppliers	14
Other assets	1
Cash and cash equivalents	29
	102
Non-current liabilities	**11**
Provisions for pensions and similar obligations	1
Other provisions	3
Borrowings	7
Deferred tax liabilities	1
Current liabilities	**101**
Trade liabilities and similar liabilities	90
Provisions	1
Borrowings	7
Other financial liabilities	3
	112

DIVIDENDS PAID

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

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

IMPACT FROM THE REMEASUREMENT OF DEFINED BENEFIT PENSION PLANS

In connection with the recognition of actuarial gains and losses, equity was increased by €46 million (H1 2018/19: decreased by €21 million) recognised in CECONOMY's other comprehensive income, which arose from the remeasurement of defined benefit pension plans as of 31 March in the first six months of financial year 2019/20. The remeasurement primarily includes effects from the increase in the actuarial interest rate for the majority of German pension provisions from 0.60 per cent on 1 October 2019 to 1.50 per cent on 31 March 2020.

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

	31/03/2019			31/03/2020		
%	Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	1.20–1.50	1.05	2.03	1.50–1.70	0.20	2.35
Inflation rate	1.50	0.00	1.50	1.50	0.00	1.50

CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

In financial year 2018/19, financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate accounts.

€ million	Carrying amount	Value in statement of financial position			Fair value
		(Amortised) cost	Fair value through profit or loss	Fair value through other comprehensive income	31/03/2019
Assets					
Measured at amortised cost	**2,585**	**2,585**			**2,585**
Cash and cash equivalents[1]	1,117	1,117			1,117
Receivables due from suppliers	1,240	1,240			1,240
Trade receivables[1]	115	115			115
Loans and advance credit granted	13	13			13
Miscellaneous financial assets[1]	100	100			100
Measured at fair value through profit or loss	**291**		**291**		**291**
Equity instruments	291		291		291
Derivative financial instruments	0		0		0
Measured at fair value through other comprehensive income	**258**			**258**	**258**
Equity instruments	258			258	258
Equity and liabilities					
Measured at amortised cost	**6,136**	**6,136**			**6,137**
Financial liabilities without lease liabilities	403	403			405
Trade liabilities	5,346	5,346			5,346
Miscellaneous financial liabilities	387	387			387
Measured at fair value through profit or loss	**25**		**25**		**25**
Derivative financial instruments	25		25		25

[1] Adjustment of previous year (see explanatory notes to the accounting policies applied to the condensed consolidated interim financial statements)

	31/03/2020				
		Value in statement of financial position			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortised cost	**3,908**	**3,908**	**0**	**0**	**3,908**
Cash and cash equivalents	2,424	2,424	0	0	2,424
Receivables due from suppliers	1,277	1,277	0	0	1,277
Trade receivables	129	129	0	0	129
Loans and advance credit granted	12	12	0	0	12
Miscellaneous financial assets	65	65	0	0	65
Measured at fair value through profit or loss	**8**	**0**	**8**	**0**	**8**
Equity instruments	0	0	0	0	0
Derivative financial instruments	8	0	8	0	8
Measured at fair value through other comprehensive income	**204**	**0**	**0**	**204**	**204**
Equity instruments	204	0	0	204	204
Equity and liabilities					
Measured at amortised cost	**7,310**	**7,310**	**0**	**0**	**7,310**
Financial liabilities without lease liabilities	1,511	1,511	0	0	1,516
Trade liabilities	5,404	5,404	0	0	5,404
Miscellaneous financial liabilities	395	395	0	0	395
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**	**1**
Derivative financial instruments	1	0	1	0	1

The classes are formed on the basis of similar risks and characteristics corresponding to the nature of the respective financial instruments. Further subdivision for individual financial assets and liabilities is shown the table above.

The fair value hierarchy consists of three levels and is determined based on the market proximity of the inputs used in the measurement method. In cases where various different inputs are critical for the measurement, the fair value is allocated to the hierarchy level corresponding to the lowest-level input that is relevant for the measurement.

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs: unobservable inputs for the asset or liability

Equity instruments of €204 million are subsequently measured at fair value through other comprehensive income. €151 million of this relates to listed companies, with €122 million attributable to the 15 per cent investment in Russia's leading consumer electronics retailer M.video and €29 million attributable to the roughly 1 per cent share in METRO AG recognised in the non-current part of the statement of financial position.

Equity instruments of €53 million for which there is no active market and which are not listed on the stock exchange are recognised at fair value through other comprehensive income. These equity instruments are not planned to be sold. The main component at €51 million is the 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG.

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

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

The financial instruments measured at fair value as of 31 March 2020 in accordance with IFRS 9 are allocated as follows within the three-level fair value hierarchy:

	31/03/2020			
€ million	Total	Level 1	Level 2	Level 3
Assets	**212**	**151**	**8**	**53**
Measured at fair value through profit or loss	**8**	**0**	**8**	**0**
Equity instruments	0	0	0	0
Derivative financial instruments	8	0	8	0
Measured at fair value through other comprehensive income	**204**	**151**	**0**	**53**
Equity instruments	204	151	0	53
Equity and liabilities	**1**	**0**	**1**	**0**
Measured at fair value through profit or loss	**1**	**0**	**1**	**0**
Derivative financial instruments	1	0	1	0
Total	**211**	**151**	**7**	**53**

Securities (level 1) are measured on the basis of quoted market prices in active markets.

For interest rate swaps and currency transactions (all level 2), there is a mark-to-market measurement on the basis of quoted exchange rates and yield curves available on the market.

The non-listed equity instruments without an active market reported as assets totalling €53 million as of 31 March 2020 are allocated to fair value level 3.

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

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

Financial instruments that are recognised at amortised cost in the statement of financial position, but whose fair values are stated in the notes, are also classified within a three-level fair value hierarchy.

Due to their generally short terms, the fair values of receivables due from suppliers, trade receivables and trade payables, and cash and cash equivalents largely correspond to their carrying amounts.

The fair values of bonds, liabilities to banks and promissory note loans are calculated based on the market interest curve in line with the zero-coupon method, taking account of credit spreads (level 2). The values include accrued interest as of the closing date.

The fair values of all miscellaneous financial assets and financial liabilities that are not listed on the stock exchange correspond to the net present values of the payments associated with these items of the statement of financial position. The country-specific yield curves applicable as of the closing date (level 2) were used in the calculation.

Other notes

Segment reporting

Segmentation is in line with the Group's internal management and reporting.

CECONOMY's chief operating decision maker (CODM) in accordance with IFRS 8 (operating segments) is the Management Board of CECONOMY AG. The Management Board members have joint responsibility for allocating resources and assessing the Group's operating profitability. At CECONOMY, management is generally performed at a national level. The CODM of CECONOMY therefore manages the company's activities on the basis of internal reporting that generally includes key figures for each country. Resource allocation and performance measurement accordingly take place at a national level.

CECONOMY operates in a single business sector, the electronics sector. Combined with a relatively homogeneous alignment, its products, services and customer groups and its sales methods are similar in all countries. Based on similar economic conditions and business activities of the operations, individual countries are aggregated to form the following reportable operating segments:

- DACH (Germany, Austria, Switzerland, Hungary)

- Western/Southern Europe (Belgium, Italy, Luxembourg, Netherlands, Portugal, Spain)

- Eastern Europe (Poland, Turkey)

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

The main components of segment reporting are described below:

- External sales represent the operating segments' sales with non-Group parties

- Internal sales show sales with other operating segments.

- Segment EBIT refers to the earnings for the period before net financial result and income taxes. Intragroup rental contracts are presented as operating leases in the segments. The properties are leased at market terms. Location-related risks and impairment risks of non-current assets are generally shown in the segments only if they represent risks for the Group. The same applies to deferred assets and liabilities, which are shown at segment level only if this would also be required in the consolidated statement of financial position.

- Segment EBITDA comprises EBIT before depreciation, amortisation, impairment losses and reversals of impairment losses on property, plant and equipment, intangible assets, right-of-use assets and investments accounted for using the equity method.

- In adjusted EBIT and adjusted EBITDA, earnings effects in connection with the reorganization and efficiency program, associates and portfolio changes are adjusted. The reorganization and efficiency program aims at streamlining the group's processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The optimisation and restructuring focuses on central functions and administrative units in Germany, in particular. The program also includes the review of business activities of smaller portfolio companies. In the second quarter of 2019/20, EBIT includes expenses of €237 million (Q2 2018/19: €7 million) and EBITDA includes income of €2 million (Q2 2018/19: €31 million). In H1 2019/20, EBIT included expenses of €208 million (H1 2018/19: €42 million) and EBITDA income of €61 million (H1 2018/19: €33 million expenses).

The reconciliations of adjusted EBIT to EBIT and of adjusted EBITDA to EBITDA are presented below:

€ million	Q2 2018/19	Q2 2019/20
Adjusted EBIT	**26**	**−131**
Top management changes	–	–
Reorganization and efficiency program	−39	−3
Companies accounted for using the equity method and portfolio changes	32	−234
EBIT	**19**	**−368**

€ million	H1 2018/19	H1 2019/20
Adjusted EBIT	**295**	**159**
Top management changes	−34	–
Reorganization and efficiency program	−39	27
Companies accounted for using the equity method and portfolio changes	31	−235
EBIT	**253**	**−49**

€ million	Q2 2018/19	Q2 2019/20
Adjusted EBITDA	**81**	**71**
Top management changes	–	–
Reorganization and efficiency program	−31	−3
Companies accounted for using the equity method and portfolio changes	32	34
EBITDA	**83**	**102**

€ million	H1 2018/19	H1 2019/20
Adjusted EBITDA	**406**	**550**
Top management changes	−34	–
Reorganization and efficiency program	−31	27
Companies accounted for using the equity method and portfolio changes	32	34
EBITDA	**374**	**611**

- Segment investments comprises additions (including additions to consolidation group) to non-current intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method. Excluded here are additions as a result of reclassifying assets held for sale as non-current assets.

- Non-current segment assets comprise non-current assets. They particularly do not include financial assets or tax items.

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

€ million	31/03/2019	31/03/2020
Non-current segment assets	**1,935**	**3,689**
Financial assets	271	216
Cash and cash equivalents	1,117	2,424
Deferred tax assets	54	68
Entitlements to income tax refunds	77	125
Other entitlements to tax refunds[1]	118	113
Inventories	2,909	3,161
Trade receivables and similar claims	528	460
Receivables due from suppliers	1,240	1,277
Prepaid expenses and deferred charges[1]	59	53
Receivables from other financial transactions[2, 3]	292	8
Other[1, 2, 3, 4]	96	66
Group assets	**8,695**	**11,660**

[1] Included in the "Other assets (current)" balance sheet item
[2] Included in the "Other financial assets (current)" balance sheet item
[3] Included in the "Other financial assets (non-current)" balance sheet item
[4] Included in the "Other assets (non-current)" balance sheet item

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

Contingent liabilities

CECONOMY had contingent liabilities of €2 million in the first half of 2019/20 (H1 2018/19: €1 million).

Other legal matters

Information on legal disputes, investigations and other legal matters and on the associated potential risks and implications on CECONOMY is provided in note 46. "Other legal matters" and note 47. "Events after the reporting date" in the notes to the consolidated financial statements of CECONOMY AG as of 30 September 2019.

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

LEGAL DISPUTES IN RELATION TO THE GENERAL MEETING OF CECONOMY AG

On 6 February 2017, the General Meeting of CECONOMY AG (operating as METRO AG at the time) approved the hive-down and spin-off agreement between CECONOMY AG, which was still operating as METRO AG at the time, and the current METRO AG, then still operating as METRO Wholesale & Food Specialist AG. The hive-down and the spin-off were entered into the commercial register of CECONOMY AG – which was operating as METRO AG at the time – on 12 July 2017 and thus became legally effective. The legal proceedings described below and their outcome do not have any impact on the effectiveness of the hive-down and the spin-off.

In connection with the split of the former METRO GROUP, several shareholders, including the minority shareholder of MSH, filed avoidance, annulment and/or declaratory actions due to the resolutions adopted by the Annual General Meeting of CECONOMY AG – which was operating as METRO AG at the time – on 6 February 2017 under items 3 and 4 of the agenda regarding granting discharge of the members of the Management Board and the Supervisory Board for the 2015/16 financial year, the resolutions adopted under items 9 and 10 of the agenda regarding the amendment of Article 1 of the articles of association (Company name) as well as other amendments to the articles of association, and because of the resolution adopted under item 11 of the agenda regarding the approval of the hive-down and spin-off agreement. Furthermore, several shareholders filed general declaratory actions against CECONOMY AG and requested to have the hive-down and spin-off agreement declared null and void, or at least provisionally invalid. All the actions were pending before the Düsseldorf Regional Court (LG). The LG Düsseldorf dismissed all these actions in its rulings of 24 January 2018. Appeals were filed in all proceedings. By way of rulings of 4 April 2019, the Higher Regional Court of Düsseldorf (OLG) rejected all appeals. In the appeal ruling in the action for annulment of the resolutions by the General Meeting, an appeal to the Federal Court was allowed and filed. In the proceedings for the declaration of avoidance or to have the hive-down and spin-off agreement declared provisionally invalid, the Düsseldorf Higher Regional Court refused further leave to appeal. The claimants have filed an appeal with the Federal Court against one of these proceedings for declaratory judgement. The judgement in the other proceedings for declaratory judgement is final. In the reporting period, there were no material new developments in relation to the appeal pending at the Federal Court and the appeal against the refusal of further leave to appeal. CECONOMY is of the opinion that the appeal and the appeal against the refusal of further leave to appeal have little chance of success.

On 13 February 2019, the General Meeting granted formal approval for the actions of the members of the Management Board for the 2017/18 financial year under item 2 of the agenda. Several shareholders brought an action for annulment before the Düsseldorf Regional Court against the individual approval for the actions of the former members of the Management Board Pieter Haas and Mark Frese. By way of a ruling of 17 December 2019, the Higher Regional Court of Düsseldorf dismissed the action for annulment. All claimants have appealed against the ruling. CECONOMY is of the opinion that the appeal has little chance of success.

ASSERTION OF ANTITRUST CLAIMS FOR DAMAGES

CECONOMY companies had brought an action against Toshiba and Panasonic companies before a London court. They are claiming damages on the basis of the EU Commission's ruling that seven manufacturers of cathode ray tubes (CRTs), including Toshiba and Panasonic, engaged in price fixing, divided up markets and customers amongst themselves and limited their production, thereby violating European antitrust law. These CRTs were installed in televisions and computer monitors that were also sold to CECONOMY companies. The proceedings have since been terminated as part of settlements.

OTHER LEGAL ISSUES

On 3 November 2017, the Düsseldorf public prosecutor's office conducted a search of the business premises of what is today METRO AG. The search was based on suspected violations of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) against former and current members of corporate bodies at what was then METRO AG (now CECONOMY AG). The Düsseldorf public prosecutor's office's investigations concern the suspicion

that the former METRO AG should have released the ad hoc disclosure on the break-up of the former METRO AG published on 30 March 2016 at an earlier date. By way of letter dated 21 November 2018, the Düsseldorf public prosecutor's office informed CECONOMY AG that it is initiating non-compliance procedures against CECONOMY AG on the basis of suspicions concerning an offence by (former) corporate bodies of CECONOMY AG. By way of letter dated 25 June 2019, the Düsseldorf public prosecutor's office informed the relevant parties of its intention to suspend the proceedings against the former members of the Management Board in question in return for payment of monetary fines in the mid-four-figure and the low five-figure range and to fine CECONOMY AG €100,000. Accordingly the proceedings against the former members of the Management Board were discontinued. By way of a ruling of 9 March 2020, the Higher Regional Court of Düsseldorf imposed a corresponding fine for CECONOMY AG. We are still of the opinion that METRO GROUP acted in accordance with the statutory provisions at all times when it was divided into two independent companies. However, after an extensive examination of the options for action, on the basis of pragmatic and procedurally economic considerations the CECONOMY AG Management Board decided to waive legal remedies in the interest of the company and to accept the court ruling which concludes the case against the imposition of a fine of €100,000.

EVENTS AFTER THE REPORTING DATE

↗ Information on events after the second quarter can be found on page 10.

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

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

Düsseldorf, 13 May 2020

The Management Board

Dr Bernhard Düttmann

Karin Sonnenmoser

REVIEW REPORT

TO CECONOMY AG, DÜSSELDORF

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, the reconciliation from profit or loss for the period to total comprehensive income, the statement of financial position, the condensed statement of changes in equity, the cash flow statement and selected notes to the consolidated financial statements – together with the interim group management report of the CECONOMY AG, Düsseldorf, for the period from October 1, 2019 to March 31, 2020 that are part of the semi annual according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and in accordance with International Accounting Standards IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), 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 consolidated interim financial statements and on the interim group management report based on our review.

We performed our review of the condensed consolidated interim 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 Institut der Wirtschaftsprüfer (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 consolidated interim financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and in accordance with IAS 34, "Interim Financial Reporting Standard" as issued by the IASB, 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 consolidated interim financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and in accordance with IAS 34, "Interim Financial Reporting" as issued by the IASB, 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.

Düsseldorf, 13 May 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German Version signed by:]

Bornhofen	Schröder
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

FINANCIAL CALENDAR

Quarterly statement Q3/9M 2019/20	Thursday	13 August 2020	7:00 a.m.
Annual report FY 2019/20	Tuesday	15 December 2020	7:00 a.m.

All time specifications are CET/CEST.

Investor Relations

Phone +49 211 5408–7222
Email IR@ceconomy.de

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

GENERAL INFORMATION

CECONOMY AG

Kaistrasse 3
40221 Düsseldorf

www.ceconomy.de/en/

Published: 14 May 2020

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.