CECONOMY

Q2/H1 2020/21
HALF-YEAR FINANCIAL REPORT

11 May 2021

SELECTED KEY FIGURES

Q2 2020/21

–5.7%

Sales decline[1] as a result of ongoing temporary store closures in response to COVID-19

–146 €m

Adjusted EBIT[2] €15 million below previous year's level due to effects of the COVID-19 pandemic

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before non-recurring effects, associates and portfolio changes

SELECTED KEY FIGURES

H1 2020/21

+4.5%

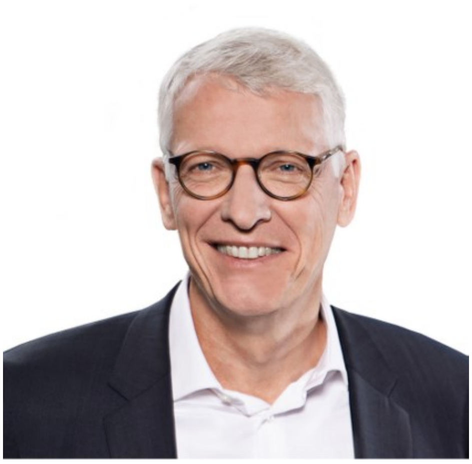
Sales growth[1] thanks to strong start in the first quarter and despite ongoing temporary store closures in response to COVID-19

199 €m

Adjusted EBIT[2] €41 million above previous year's level thanks to strong first quarter and despite effects of the COVID-19 pandemic

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before non-recurring effects, associates and portfolio changes

THE FIRST HALF YEAR IN REVIEW



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The successful first quarter was already affected by temporary restrictions and store closures in response to COVID-19. In the second quarter of 2020/21, our brick-and-mortar business was impacted by closures nearly throughout January and February 2021 and by severe restrictions in March 2021. The good news is that we continue to see high demand – in stores and online – in countries less affected by regulatory measures.
In our online business the dynamics were continuing and sales of more than €2 billion in a single quarter were generated. The strong online sales and the sales momentum seen when stores reopened in certain countries are evidence of our strong market position. We are in a good position to successfully develop our business from both channels after the pandemic.
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Dr Bernhard Düttmann,
Chief Executive Officer

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The sales and earnings development in the first half of 2020/21 is proof of the resilience of our business model. Overall, we developed positively compared with the previous year despite the severe restrictions in response to COVID-19. Due to prolonged lockdowns and store closures, we did not achieve the previous year's level of sales and earnings in the second quarter. However, thanks to increased cost efficiency, it was possible to limit the declines. The continued impact of the COVID-19 pandemic on our company's business performance remains difficult to predict. It is not possible to provide a specific forecast under the current conditions. In particular, the further extension of the lockdown in Germany confronts us with considerable challenges. Nevertheless, the past year has shown that we are well prepared to benefit from catch-up effects once our stores reopen.
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Florian Wieser,
Chief Financial Officer

Contents

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 and earnings effects from companies accounted for using the equity method. 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 organization. For the forecast key figures, the previous year's figures are adjusted accordingly. In financial year 2020/21, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with (1) COVID-19-related store closures, (2) the introduction of a harmonized group-wide organizational structure ("Operating Model") and (3) the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure. Details of the programs are explained below:

(1) The COVID-19-related store closures relate to the permanent closures of MediaMarkt and Saturn stores in several European countries which have lower footfall as a result of the COVID-19 pandemic and cannot be brought back into the profit zone from the company's point of view.

(2) The Operating Model focuses in particular on the harmonization of structures and standardized, efficient processes and procedures for the administrative functions in the country organizations of MediaMarktSaturn. In addition, the management structures in the stores will be unified throughout Europe and the relief from administrative tasks will enable employees to focus on the customer experience to the greatest extent possible.

(3) The transaction relates to CECONOMY AG's acquisition of the 21.62 per cent minority stake in Media-Saturn-Holding GmbH ("MediaMarktSaturn") held by Convergenta Invest GmbH. The parties thereby intend to reorganize their shareholdings in MediaMarktSaturn and to achieve, among other things, a stronger focus on the operating business and the realization of considerable synergies based on a simplified company structure and governance.

The adjustment also affects the previous year's figures, which in addition to (1) and (2) also include non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019.

For more details on the management-relevant key performance indicators, please refer to pages 28 to 30 of CECONOMY's Annual Report 2019/20.

Recognized 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.

FINANCIAL FIGURES AT A GLANCE[1]

Sales and earnings

€ million	Q2 2019/20	Q2 2020/21	Change	H1 2019/20	H1 2020/21	Change
Sales	4,631	4,322	−6.7%	11,453	11,786	2.9%
Sales development adjusted for currency effects and portfolio changes	−6.6%	−5.7%	–	−3.1%	4.5%	–
Like-for-like sales development	−6.2%	−4.6%	–	−2.8%	5.1%	–
Gross margin	17.3%	14.9%	−2.3%p.	17.9%	16.2%	−1.7%p.
EBIT	−368	−2	99.5%	−49	338	–
Adjusted EBIT	−131	−146	−11.6%	159	199	25.8%
Adjusted EBIT margin	−2.8%	−3.4%	−0.6%p.	1.4%	1.7%	0.3%p.
Net financial result	−23	4	–	−15	−6	59.2%
Tax rate	20.9%	<−100%	<−100%p.	−36.6%	18.5%	55.1%p.
Profit or loss for the period attributable to non-controlling interests	−15	−27	−83.6%	38	24	−36.9%
Net result	−295	94	–	−125	247	–
Earnings per share (€)	−0.82	0.26	1.08	−0.35	0.69	1.03

Other operating key figures

€ million	Q2 2019/20	Q2 2020/21	Change	H1 2019/20	H1 2020/21	Change
Online sales	859	2,119	146.5%	1,907	4,378	129.6%
Services & Solutions sales	279	199	−28.7%	654	542	−17.1%
Investments as per segment report	121	199	64.3%	232	282	21.4%

Cash flow

€ million	H1 2019/20	H1 2020/21	Change
Cash flow from operating activities	400	−346	−746
Cash flow from investing activities	−103	12	115
Cash flow from financing activities	941	−244	−1,184
Change in net working capital[2]	−60	−852	−792
Free cash flow	286	−425	−711

Statement of financial position

€ million	31/03/2020	31/03/2021	Change
Net working capital	−938	−382	556
Net liquidity (+)/Net debt (−)	−1,304	−1,462	−159

Other operating key figures (as of 31/03)

	31/03/2020	31/03/2021	Change
Number of stores	1,025	1,037	12
Total selling space (thousand m²)	2,682	2,658	−24
Workforce by full-time equivalents[3]	48,781	45,397	−3,384

[1] Business figures represent the continuing operations of CECONOMY.
[2] Change in net working capital shown from the related statement of financial position items, adjusted for non-cash items
[3] Senior executives have now been included, and there were minor adjustments regarding trainees. The previous year's figures have been adjusted accordingly.

INTERIM GROUP MANAGEMENT REPORT

Prospects in the pandemic

The outlook for the financial year 2020/21 published on 15 December 2020 was based on the assumption that the further impact of the COVID-19 pandemic on both the overall economic situation and the Group's situation would not deviate significantly from the extent known at the time of its publication. In particular, the achievement of the outlook required that during the course of the COVID-19 pandemic there would be no further prolonged, widespread temporary closures of a significant portion of CECONOMY's brick-and-mortar business or a serious deterioration in consumer confidence, and that supply chains would remain largely intact. Prolonged, widespread temporary closures of a significant portion of the brick-and-mortar business, as materialized in Germany, Austria, the Netherlands and Switzerland, were not yet foreseeable when the outlook was issued and were therefore not taken into account in the outlook. Against this backdrop – despite the strong start in the first quarter of 2020/21 – the further course of business as well as the outlook for the full year 2020/21 are subject to significantly increased uncertainties in view of the difficult-to-estimate duration of the COVID-19 pandemic and the new and extended lockdowns in a large number of countries in which CECONOMY operates.

Since mid-December 2020, the new and extended local lockdowns, especially in Germany and the Netherlands, made an increasingly substantial impact on CECONOMY's business activities. Because the German federal government – contrary to general expectations – extended the lockdown in Germany into March 2021 on 10 February 2021, and at this date the next step to relax the lockdown depended on a stable infection rate (seven-day incidence rate of no more than 35 new infections per 100,000 people), the original planning for the further course of financial year 2020/21 was subject to additional uncertainties in spring 2021. As a precaution, the Management Board therefore suspended the outlook for financial year 2020/21 on 11 February 2021.

Due to the continued lockdown extension, especially in Germany, in conjunction with unclear opening scenarios and the renewed increase in temporary store closures abroad as well as the generally high volatility of regulations in connection with COVID-19, there is very high uncertainty over the company's further business performance in the current financial year 2020/21. Especially as a result of the unknown extent of possible catch-up effects once stores reopen, a potential shift in consumer behaviour once tourist travel and other leisure activities are allowed, and the unclear strategy for opening and vaccination, particularly in Germany, the company's forecasting ability remains significantly impaired, as there are no concrete indications of how business will develop in the future.

Below, performance indicators are therefore presented in various future scenarios with their respective assumptions. Both scenarios for sales and earnings could materialize.

SALES

If the lockdown of brick-and-mortar retail in place in Germany since mid-December 2020 continues until June 2021 as a result of the nationwide emergency corona brake and only moderate catch-up effects occur, CECONOMY assumes that total sales adjusted for exchange rate effects will decline year-on-year (2019/20: €20,790 million). If the catch-up effects are higher and openings will be implemented more quickly, especially in Germany, CECONOMY assumes that total sales adjusted for exchange rate effects will increase year-on-year.

EARNINGS

If the lockdown of brick-and-mortar retail in place in Germany since mid-December 2020 continues until at least the end of May 2021 and only moderate catch-up effects occur, CECONOMY assumes that adjusted EBIT will be lower than in the previous year (2019/20: €236 million). If the catch-up effects are higher and openings will be implemented more quickly, especially in Germany, CECONOMY assumes that adjusted EBIT for financial year 2020/21 will be higher than in the previous year.

The described scenarios do not take into account portfolio changes or earnings effects from companies accounted for using the equity method. Non-recurring earnings effects in connection with COVID-19-related store closures as well as the introduction of a harmonized group-wide organizational structure ("Operating Model") announced on 12 August

2020 are not included. Expenses in connection with the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn and the reorganization of the shareholder structure are also not taken into account.

Events in the first half year

On 12 October 2020, CECONOMY AG announced in an ad hoc release that the company expected, based on preliminary figures, adjusted Group EBIT for the financial year 2019/20 to be well above the guidance range as well as market expectations. On the basis of the business development in the first nine months, CECONOMY had anticipated an adjusted Group EBIT of between €165 million and €185 million for financial year 2019/20 in the outlook updated on 16 July 2020. The median of the analysts' consensus, which was compiled for the company by an external service provider on 11 September 2020, is €176 million for adjusted EBIT for financial year 2019/20.

On 26 November 2020, CECONOMY AG announced that the Supervisory Board of CECONOMY AG will propose Thomas Dannenfeldt to the shareholders as a new member of the Supervisory Board at the Annual General Meeting on 17 February 2021. In the event of his election, he should be subsequently elected as Chairman of the Supervisory Board. In addition, it was announced that Ms Sabine Eckhardt was court-appointed as a Supervisory Board member in October 2020. Ms Sabine Eckhardt succeeds Dr Bernhard Düttmann, who resigned from the Supervisory Board on 17 October 2020 following his appointment for another twelve months as Chairman of the Management Board of CECONOMY AG. At the CECONOMY AG Annual General Meeting on 17 February 2021, the shareholders elected Thomas Dannenfeldt as a member of the Supervisory Board. In the subsequent Supervisory Board meeting, he was appointed its Chairman. He succeeds Jürgen Fitschen, whose term in office is ending after 13 years. During the Supervisory Board elections, Karin Dohm, Sabine Eckhardt and Claudia Plath were also confirmed as Supervisory Board members at the Annual General Meeting.

On 14 December 2020, CECONOMY AG issued an ad hoc release announcing that the Management Board of CECONOMY AG, with the approval of the Supervisory Board, had concluded an agreement with Convergenta Invest GmbH ("Convergenta"), the investment company of the Kellerhals family, regarding the acquisition of the minority stake of 21.62 per cent in Media-Saturn-Holding GmbH ("MediaMarktSaturn") held by Convergenta. The parties thereby intend to reorganize their shareholdings in MediaMarktSaturn and to achieve, among other things, a stronger focus on the operating business and the realization of considerable synergies based on a simplified company structure and governance. In the course of this transaction, Convergenta will transfer its MediaMarktSaturn stake to CECONOMY, so that CECONOMY will increase its shareholding in MediaMarktSaturn to 100 per cent in total. As consideration, CECONOMY will (i) issue 125.8 million new ordinary bearer shares of CECONOMY (with full dividend entitlement from 1 October 2020) to Convergenta, under exclusion of the statutory subscription rights of the shareholders, which shall be created by increase of the registered share capital by €321,602,593.27 through contribution in kind, (ii) issue convertible bonds in the total nominal amount of €151 million (issue price: €160 million) to Convergenta with a term of five years and a 30 per cent conversion premium, at an interest rate of 0.05 per cent per annum and an initial conversion price of €5.42, initially convertible into up to around 27.9 million ordinary bearer shares of CECONOMY, under exclusion of the statutory subscription rights of the shareholders, which are secured by a new conditional capital to be created, and (iii) pay a cash component in the aggregate amount of €130 million to Convergenta, payable in two tranches. On the basis of the three-month volume-weighted average price (3M VWAP) of the CECONOMY shares of €4.17, this results in a consideration of around €815 million. As a consequence of the transaction, Convergenta will, prior to exercising the conversion right, become a shareholder with a stake of approx. 25.9 per cent of the share capital of CECONOMY. Convergenta aims at a stake of up to 29.9 per cent of the ordinary shares. Convergenta has undertaken not to acquire any further shares in CECONOMY or to take any other measures which would lead to a change of control and a mandatory offer until expiry of six months after consummation of the capital increase through contribution in kind, but until 31 December 2021 at the latest. Further, Convergenta has committed until expiry of six months after consummation of the capital increase through contribution in kind, but until 31 December 2021 at the latest, to divest at most up to four per cent of the ordinary shares issued by CECONOMY. In addition to a simplification of the company structure and related operative advantages as well as savings in administrative costs (expected to be around €4 million annually), the transaction will make CECONOMY's tax-loss carry-forwards, which amount to around €1.2 billion each for corporate and trade tax, structurally usable. Based on the budget and medium-term planning available at the time of the announcement, the transaction was expected already to increase earnings per share in the financial year in which the transaction is completed. At the CECONOMY AG Annual General Meeting on 17 February 2021, the shareholders approved the proposed capital increase and issue of convertible bonds, both against contributions in kind and under exclusion of statutory subscription rights, in connection with the acquisition of the minority shareholding in MediaMarktSaturn with 98.94 per cent of the votes cast by shareholders. The transaction is expected to be closed no later than the end of the current financial year 2020/21. In the first half of 2020/21, expenses of around €8 million were incurred in connection with the transaction, which are reflected in the reported Group EBIT.

When the figures for financial year 2019/20 were released on 15 December 2020, CECONOMY communicated a strategy update including medium-term targets. By financial year 2022/23, CECONOMY plans to increase Group sales adjusted for portfolio changes to over €22 billion. In addition, the medium-term targets focus on an adjusted EBIT margin between 2.5 per cent and 2.7 per cent.

On 13 January 2021, the Spanish MediaMarkt country organization announced that the company would acquire 17 Spanish stores from Worten Equipamentos do Lar S.A. The acquisition will strengthen MediaMarkt Spain's presence in regions such as Catalonia and Andalusia and enable market entry in cities such as Melilla, Zamora and Marbella. In addition, the expanded local presence is expected to increase online sales, including with the option of in-store collection of goods ordered online ("pick-up option"). Once the transaction is completed, MediaMarkt will have around 7,000 employees and 106 stores in Spain, which will increase the selling space in Spain by around 9 per cent. The transaction was completed on 1 March 2021. This acquisition does not constitute a portfolio change, as it will have no significant impact on the sales of the relevant segment (Western/Southern Europe). The 17 stores were successively reopened under a new name in April 2021 and have therefore not contributed to sales of the first half of 2020/21.

On 19 January 2021, CECONOMY AG announced the preliminary figures for the first quarter of 2020/21 by ad hoc communication. It was also communicated that despite the strong start in the first quarter of 2020/21, the further course of business as well as the outlook for the full year 2020/21 is subject to significantly increased uncertainties in view of the difficult-to-estimate duration of the COVID-19 pandemic and the new and extended lockdowns in a large number of countries. The outlook for the financial year 2020/21 published on 15 December 2020 was based on the assumption that the further impact of the COVID-19 pandemic on both the overall economic situation and the Group's situation would not deviate significantly from the extent known at that time. Prolonged, widespread temporary closures of a significant portion of the brick-and-mortar business, as again materialized in Germany, Austria, the Netherlands and Switzerland, were not taken into account at that time. CECONOMY will continuously reassess the impact of the COVID-19 pandemic on the business and the continuity of the company's targets for financial year 2020/21.

On 11 February 2021, CECONOMY AG announced in an ad hoc release that the original planning for the further course of CECONOMY's financial year 2020/21 was subject to additional uncertainties as the German federal government, contrary to expectations had extended the lockdown in Germany into March 2021 on the previous evening, and the next step to relax the lockdown depends on a stable infection rate (seven-day incidence rate of no more than 35 new infections per 100,000 people). For this reason, the company considered it appropriate to suspend the outlook for financial year 2020/21 as a precaution and in light of the aforementioned uncertainties refrained from providing a new forecast for financial year 2020/21 at that time.

On 7 March 2021, CECONOMY AG announced in an ad hoc release that the Management Board and Supervisory Board of CECONOMY AG held an extraordinary meeting to discuss the decision of Ferran Reverter Planet, Chief Executive Officer (CEO) of Media-Saturn-Holding GmbH (MSH), not to seek an extension of his contract (which runs until 12 October 2021). The Management Board and the Supervisory Board have agreed to the termination of Ferran Reverter Planet's contract by mutual consent as of 30 June 2021. The Presidential Committee of the Supervisory Board, under the leadership of the Chairman of the Supervisory Board, Thomas Dannenfeldt, has already started a procedure for the formation and staffing of a uniform management structure of the CECONOMY Group to be established after the completion of the Convergenta transaction. With the introduction of the new Operating Model in August 2020, CECONOMY's Management Board and MediaMarktSaturn's management have ensured that day-to-day operations are handled by the Chief Operating Officers (COOs) and the Chief Commercial Officer (CCO) of MediaMarktSaturn.

As a result of national governments' measures to fight the spread of coronavirus in response to the second COVID-19-wave, the first half of 2020/21 was again characterized by local lockdowns, further temporary store closures and severe restrictions in the brick-and-mortar business. The situation developed differently in the various countries in which MediaMarktSaturn operates, depending on local conditions and requirements. Details of the restrictions in the affected countries are explained below:

– Germany: Between 16 December 2020 and 7 March 2021, all stores in Germany were temporarily closed as part of a second lockdown. The option of in-store collection of goods ordered online ("pick-up option") was largely allowed. In accordance with a resolution passed by federal and state governments, some MediaMarkt and Saturn stores in regions with a stable seven-day incidence rate of less than 50 new infections per 100,000 people were reopened on 8 March 2021. In cities and districts with a seven-day incidence rate of between 50 and 100 new infections per 100,000 people, shopping was again possible with a prior appointment ("Click & Meet"). Stores in regions with an incidence rate of over 100 new infections per 100,000 people remained temporarily closed. As of 31 March 2021, 51 stores in Germany were open, 155 stores were open for "Click & Meet" and 213 stores were temporarily closed.

- Austria: The stores in Austria were closed completely from 17 November 2020 to 6 December 2020 and after briefly reopening were again closed temporarily as part of a third lockdown between 26 December 2020 and 7 February 2021.
- Switzerland: From 2 November 2020 to 27 November 2020 and again from 21 December 2020, two stores in Switzerland were affected by a temporary closure. After the lockdown measures were tightened on 18 January 2021, all stores in Switzerland were closed until 28 February 2021.
- Hungary: All stores in Hungary have been temporarily closed since 8 March 2021.
- Belgium: All stores in Belgium were closed from 2 November 2020 to 30 November 2020. Since 27 March 2021, shopping in the stores has been possible only with a prior appointment ("Click & Meet").
- Italy: From October 2020, a large number of stores in Italy were closed at weekends and over the Christmas period, although there was no complete closure of all stores in the reporting period.
- Luxembourg: Luxembourg also had to close its two stores temporarily between 26 December 2020 and 10 January 2021.
- Netherlands: In connection with the national lockdowns, all stores in the Netherlands were also temporarily closed from 15 December 2020 to 2 March 2021. The pick-up option was initially prohibited in the Netherlands and only allowed from 10 February 2021. Since 3 March 2021, it has again been possible to shop in the stores in accordance with strict restrictions with regard to selling space and the number of customers and only with a prior appointment ("Click & Meet"), which must be arranged at least four hours beforehand.
- Spain: From mid-February 2021 to mid-March 2021, some stores in Spain were temporarily closed at weekends.
- Poland: After temporary store closures in shopping centres were decreed in Poland from 7 November 2020 to 28 November 2020, stores in shopping centres were temporarily closed again between 28 December 2020 and 31 January 2021. From mid-March 2021, a steadily growing number of stores were again affected by temporary closures. A new lockdown came into effect in Poland on 27 March 2021, which led to the temporary closure of the majority of stores.
- Turkey: Between 1 December 2020 and the end of February, all stores in Turkey were affected by a temporary closure at weekends. From the beginning of March, some stores were also allowed to open again at the weekend, but the majority of stores were still affected by a temporary closure at weekends.

There were restrictions on customer capacity in stores and on opening hours in all countries, plus product range restrictions in some countries such as Spain. In total, around 31 per cent of stores were still temporarily closed as of 31 March 2021.

	Open stores as of 01/01/2021	Closed stores as of 01/01/2021	Open stores as of 31/03/2021	Closed stores as of 31/03/2021
Germany	–	420	199	220
Austria	–	53	53	–
Switzerland	23	2	25	–
Hungary	32	–	–	32
Belgium	27	–	27	–
Italy	117	–	117	–
Luxembourg	–	2	2	–
Netherlands	–	50	50	–
Portugal	10	–	10	–
Spain	89	–	89	17[1]
Poland	36	52	34	52
Turkey	80	–	82	–
Sweden	28	–	28	–
Total	**442 (43%)**	**579 (57%)**	**716 (69%)**	**321 (31%)**

[1] 17 stores relate to the Worten acquisition and were not yet open in March regardless of the prevailing COVID-19 restrictions

In light of the positive performance of the Fnac Darty S.A. share, an assessment was made as to whether the impairment recognized on the investment in Fnac Darty S.A. in the second quarter of 2019/20 needed to be reversed. This resulted in an impairment reversal of around €150 million in the second quarter of 2020/21, which had a positive impact on the reported EBIT.

Events after the reporting date

On 19 April 2021, CECONOMY AG announced that the Supervisory Board of CECONOMY AG had decided to appoint Florian Wieser, Chief Financial Officer (CFO) of MediaMarktSaturn Retail Group (MediaMarktSaturn) since November 2018, as CFO and member of the Management Board of CECONOMY AG with effect from 1 May 2021. He is assuming the mandate of Karin Sonnenmoser, who is leaving the company on 30 April 2021. The Supervisory Board and Karin Sonnenmoser have decided to part ways by mutual agreement. In addition to his function as CFO of CECONOMY AG, Florian Wieser will continue to act as Managing Director Finance of MediaMarktSaturn. The appointment of Florian Wieser as Group CFO is an important step in establishing a uniform management structure of the CECONOMY Group in the run-up to the upcoming simplification of the governance structures.

On 6 May 2021, CECONOMY AG signed a new ESG-linked syndicated revolving credit agreement with its partner banks in order to secure the company's liquidity in the long term, including for the time after the termination of the current credit facility with the involvement of KfW (Kreditanstalt für Wiederaufbau), at an early stage. The new ESG-linked syndicated revolving credit facilities totalling €1,060 million provide for a diversification of maturities over three and five years, each with two one-year extension options. One third of the total volume is attributable to the three-year tranche, and two thirds to the five-year tranche. The new agreement also includes a price mechanism, which is tied to the achievement of sustainability targets and conforms to the CECONOMY Group's sustainability strategy. The syndicated revolving credit facility takes effect as soon as the existing syndicated credit facility under KfW is terminated. The early termination of the existing credit facility is at the sole discretion of CECONOMY AG and will only be effected if the pandemic situation suggests that this is reasonable according to prudent business judgement. The new syndicated revolving credit agreement can be implemented until the end of November. A later date is not possible, so the committed credit lines under the new syndicated revolving credit facility would expire. In this event, however, it is assumed that CECONOMY AG would then seek to extend the existing tranche with the involvement of KfW by another year on the basis of the market situation still being significantly impacted by COVID-19.

After the reporting date, the brick-and-mortar business was still influenced by local lockdowns with temporary store closures and severe restrictions. The situation in the various MediaMarktSaturn countries continued to differ depending on local conditions and requirements.

- Germany: On 21 April 2021, the German Bundestag approved the nationwide coronavirus emergency brake in Germany. The change to the law was enacted on 23 April 2021 and took effect from 24 April 2021. The amendment of the Infection Prevention Act requires closure or ongoing restrictions for most retail companies if the incidence rate exceeds 100. For our business in Germany, the nationwide coronavirus emergency brake means that in-store shopping is possible with a negative COVID-19 test if the incidence rate is below 150. In the event of more than 150 new infections per 100,000 people, stores in Germany must remain closed. The pick-up option remains allowed regardless of the incidence rate. The measures of the nationwide coronavirus emergency brake are initially in force until 30 June 2021. It is intended that the German country organisation or selected store entities file a constitutional complaint (Verfassungsbeschwerde) against the new federal law at the German Constitutional Court (Bundesverfassungsgericht). When the emergency brake was enacted on 23 April 2021, 179 stores in Germany were open. It was possible to shop in 35 of those stores without a prior appointment in accordance with restrictions on customer capacity, and 144 stores were open for "Click & Meet". The other 240 stores were temporarily closed when the coronavirus emergency brake was enacted on 23 April 2021.
- Austria: The government again imposed a hard lockdown in parts of Austria, which meant that 23 stores were temporarily closed again from 1 April 2021.
- Hungary: In Hungary, all stores resumed operations on 8 April 2021.
- Belgium: Initially, the "Click & Meet" option was still possible after the reporting date. Since 26 April 2021, all stores in Belgium have been open again and shopping is possible without prior appointment.
- Italy: After the reporting date, a large number of stores in Italy were still affected by temporary closures at weekends and public holidays until further notice.
- Netherlands: All stores remained open after the reporting date, albeit exclusively with a prior appointment for "Click & Meet". From 28 April 2021, in-store shopping was again possible without prior appointment.
- Poland: On 27 March 2021 a new lockdown was imposed in Poland, resulting in the majority of stores closing temporarily.
- Turkey: On 29 April 2021, a new lockdown came into effect in Turkey, which led to the temporary closure of all stores. The pick-up option was not allowed.

Depending on the country, there were also restrictions on customer capacity in stores and/or opening hours and product range. In total, around 42 per cent of stores were still temporarily closed as of 30 April 2021.

	Open stores as of 30/04/2021	**Closed stores as of 30/04/2021**
Germany	144	275
Austria	32	21
Switzerland	25	–
Hungary	32	–
Belgium	27	–
Italy	117	–
Luxembourg	2	–
Netherlands	50	–
Portugal	10	–
Spain	106	–
Poland	33	52
Turkey	–	82
Sweden	28	–
Total	**606 (58%)**	**430 (42%)**

Macroeconomic conditions

Around the world, economic growth in the first half of 2020/21 suffered under the uncertainties associated with the COVID-19 pandemic. Brexit, which took effect at the end of 2020, will also have an adverse effect on growth in Great Britain and the European Union. It is assumed that expansionary fiscal policies and the ongoing process of vaccination against the COVID-19 virus will have a positive impact on the further course of economic development in 2021. In the European Union, the European recovery fund will reinforce the economic recovery in the second half of 2021. With reference to US protectionism and the restrictive international trade policies of former US President Donald Trump, we expect that most major trading partners will again be cooperating more closely with the world's largest national economy, although trading relations with the European Union, China and many other states have not yet been finalized (Feri World Dossier, March 2021 p.5).

Due to the lockdown measures imposed by numerous governments in response to the COVID-19 pandemic and the associated disruption to supply chains, global demand for goods decreased significantly in 2020. From the second half of 2021, CECONOMY anticipates a gradual relaxation of the pandemic-response measures, which will pave the way for a process of economic recovery. This recovery will be supported by continued expansionary monetary and fiscal policy. It can be assumed that the economic base level from the end of 2019 will be regained in certain Asian countries and the US by mid-2021 and in most European countries in early 2022. The greatest risk to the development described is posed by new mutations of the COVID-19 virus, as it is not yet clear whether the existing vaccines will be effective. Further waves of the pandemic and associated shutdowns could lead to more economic strain and hold the economic level below the 2019 base level even longer (Feri Forecast Update, April 2021 p.3).

The DACH region had to battle with the challenges of the COVID-19-related downturn in the global economy in 2020. Private consumption and exports declined significantly in places and resulted in falling GDP growth rates. Increasing private consumption and growing government spending are expected in the 2021 calendar year. All in all, this should lead to growth in total economic output of 2.8 per cent in Germany and up to 4.1 per cent in Austria and Hungary. Nevertheless, retail in the DACH region is still facing a challenging environment that could be worsened by further restrictions in response to COVID-19 (Feri Dossiers Germany, April 2021 p.11, Feri Dossiers Austria, March p.11, Feri Dossiers Hungary, March 2021 p.11).

In Western and Southern Europe, Spain and Italy, the countries in which we generate the highest sales, continued to face structural challenges in 2020. Both countries have a high unemployment rate, which is rising in 2021 (Feri Dossier Italy, April p.6; Spain, April p.6), and are severely affected by the current restrictions on tourism. Due to an expected relaxation of travel restrictions and significant support from the European economic recovery fund, CECONOMY expects economic activities to normalize in 2021 and associated GDP growth of 3.8 per cent in Italy (Feri Dossier Italy, April p.6) and 6.5 per cent in Spain (Feri Dossier Spain, April p.6). The Belgian and Dutch economies were less severely affected by COVID-19 than the major Southern European countries. In 2021, we expect GDP growth of 4.5 per cent in Belgium (Feri Dossier Belgium, March p.6) and a moderate increase of 2.7 per cent in the Netherlands (Feri Dossier Netherlands, March p.6).

CECONOMY also forecasts positive GDP developments in Eastern Europe in 2021, after declining or relatively weak growth rates in 2020. In Poland, after a decline of 2.7 per cent in 2020, the economy is expected to grow by 3.6 per cent and thus exceed the 2019 base level (Feri Dossier Poland, March p.6). Turkey continues to face economically uncertain times (rising inflation, currency decline, high unemployment). After relatively weak economic growth of 1.8 per cent in 2020, substantial GDP growth of 7.2 per cent is forecast in 2021 (Feri Dossier Turkey, March p.6).

Development in the consumer electronics retail market

The consumer electronics retail market in 2020 was characterized by the COVID-19 pandemic. Consumers increasingly focused on their homes and were willing to invest in innovative technology. The increase in home schooling and working from home led to a sharp rise in sales in the IT sector, but traditional consumer electronics and the market for small and large appliances also benefited from the change in conditions. This trend is continuing in financial year 2021. In general, a significant shift towards online sales can be observed (GfK Retail Panel – Blue & Yellow Charts).

DACH

Sales in the German consumer electronics retail market were extremely positive in the first half of 2020/21, until the government imposed severe restrictions in response to COVID-19. The IT, consumer electronics and small appliances sectors proved to be the mainstays of consumption (GfK Blue & Yellow Charts Germany, February 2021). Austria saw an equally significant increase in sales in the first half of the current financial year despite restrictions on retail lasting several weeks (Blue & Yellow Charts Austria, February 2021). Despite temporary closures of brick-and-mortar retailers in the first months of the 2021 calendar year, the Swiss consumer electronics retail market also saw continued growth in sales figures thanks to a shift to online business. Sales have increased significantly over the entire financial year to date (Blue & Yellow Charts Switzerland, March 2021). In Hungary, retail restrictions in response to COVID-19 were not taken until March 2021. Until these measures were implemented, sales were significantly above the previous year's figures (Blue & Yellow Charts Hungary, March 2021).

WESTERN/SOUTHERN EUROPE

Because of rather modest measures to contain the COVID-19 pandemic, the Spanish consumer electronics retail market was subject only to few restrictions in the first half of financial year 2020/21. Sales were significantly above the previous year's figures due to the country's continued enhancement of home-working rules (Blue & Yellow Charts Spain, March 2021). Like Spain, Portugal recorded extremely positive sales growth as a result of little restriction in the retail landscape (Blue & Yellow Charts Portugal, March 2021). While Italy had enacted a hard lockdown already in March 2020, less restrictive measures to contain the pandemic were implemented in the first half of 2020/21. The consumer electronics retail market, supported by brick-and-mortar stores remaining open and sustained, dynamic online growth, posted significant sales growth (Blue & Yellow Charts Italy, February 2021). In contrast to the previous year, the Dutch government placed considerable restrictions on brick-and-mortar retail in 2021. Despite this, the retail electronics sector recorded good growth rates, which were also boosted by a high level of online activity (Blue & Yellow Charts Netherlands, March 2021). In Belgium, brick-and-mortar stores were already affected by temporary closures in November 2020. Subsequently, however, restrictions were more moderate than in other EU countries. Sales in the consumer electronics retail market exceeded the previous year's figures significantly (Blue & Yellow Charts Belgium, March).

EASTERN EUROPE

The consumer electronics retail market in Poland recorded the CECONOMY Group's second-highest growth in the first half of financial year 2020/21. In January, this growth was only slightly weakened by restrictions in response to COVID-19 (Blue & Yellow Charts Poland, February). Due to inflation, Turkey is growing very dynamically in national currency, but this weakened slightly in the first two months of the calendar year (Blue & Yellow Charts Turkey, February).

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 2019/20	Q2 2020/21	Q2 2020/21	Q2 2020/21	Q2 2020/21	Q2 2020/21
Total	**4,631**	**4,322**	**−6.7%**	**−1.0%**	**−5.7%**	**−4.6%**
DACH	2,771	2,290	−17.3%	−0.3%	−17.1%	−15.5%
Western/Southern Europe	1,410	1,501	6.5%	0.0%	6.5%	7.2%
Eastern Europe	349	403	15.2%	−17.8%	33.0%	31.9%
Others	102	128	26.5%	6.7%	19.8%	21.1%

Half-year	Sales (€ million)		Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	H1 2019/20	H1 2020/21	H1 2020/21	H1 2020/21	H1 2020/21	H1 2020/21
Total	**11,453**	**11,786**	**2.9%**	**−1.2%**	**4.5%**	**5.1%**
DACH	6,832	6,714	−1.7%	−0.2%	−1.5%	−0.7%
Western/Southern Europe	3,481	3,796	9.0%	0.0%	10.3%	10.7%
Eastern Europe	884	971	9.9%	−18.9%	28.7%	28.5%
Others	255	305	19.4%	5.0%	14.3%	15.2%

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 organization. For the forecast key figures, the previous year's figures are adjusted accordingly.

GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES IN THE FIRST HALF YEAR ABOVE PRIOR YEAR DESPITE COVID-19 THANKS TO STRONG FIRST QUARTER

In the **first half of 2020/21**, CECONOMY generated Group sales of €11.8 billion, an increase of 2.9 per cent compared with the prior-year period. Adjusted for currency effects and portfolio changes, sales were up 4.5 per cent year-on-year. On a like-for-like basis, Group sales recorded an increase of 5.1 per cent compared to the prior-year period.

In the **second quarter of 2020/21**, Group sales declined by 6.7 per cent, totalling €4.3 billion. Adjusted for currency effects and portfolio changes, sales fell by 5.7 per cent. On a like-for-like basis, Group sales recorded a decrease of 4.6 per cent compared to the prior-year period. The decline in the second quarter is mainly attributable to the negative sales performance of the brick-and-mortar business in Germany and the Netherlands due to the continuing temporary closure of stores in January and February 2021 as a result of the requirements of national governments against the spread of coronavirus. Countries not affected by widespread temporary closures, such as Turkey, Italy, Sweden and Spain, developed very positively thanks to sustained, strong customer demand supported by successful marketing campaigns, while countries intermittently affected by temporary store closures, such as Austria and Poland, benefited from strong catch-up effects. In the previous year, the majority of stores were affected by temporary closures from mid-March 2020, with the brick-and-mortar business in high-sales countries like Germany, Italy, Spain and Poland most severely impacted. Online business recorded dynamic growth in the second quarter, although this did not entirely compensate for the loss of brick-and-mortar sales caused by the temporary store closures.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first half of 2020/21**, the DACH segment generated sales of €6.7 billion, which corresponds to a decline of 1.7 per cent. Adjusted for currency effects and portfolio changes, sales were 1.5 per cent below the comparable figure of the previous year.

In the **second quarter of 2020/21**, sales in the DACH segment declined by 17.3 per cent, totalling €2.3 billion. Adjusted for currency effects and portfolio changes, sales decreased by 17.1 per cent compared to the same quarter of the previous year. This was mainly driven by the strong sales decline in Germany in January and February 2021 due to ongoing temporary store closures in response to COVID-19. Sales likewise dropped in Switzerland as a result of temporary store closures in the second quarter, whereby a recovery began when the stores reopened in March 2021 and because the same month of the previous year was weakened by the COVID-19 pandemic. Despite the temporary store closures in Hungary in March 2021, the country's sales were level with the previous year in local currency. In Austria, by contrast, sales increased by a double-digit percentage, driven by strong catch-up effects once stores reopened in February 2021, successful marketing campaigns and extraordinarily strong online growth.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the **first half of 2020/21**, the Western/Southern Europe segment generated sales of €3.8 billion, an increase of 9.0 per cent. Adjusted for currency effects and portfolio changes, sales increased by 10.3 per cent.

In the **second quarter of 2020/21**, sales in the Western/Southern Europe segment increased by 6.5 per cent compared with the prior-year period to €1.5 billion. Adjusted for currency effects and portfolio changes, sales likewise increased by 6.5 per cent. The positive sales trend was mainly driven by growth in Italy and Spain despite ongoing COVID-19 restrictions such as weekend closures. This is attributable to sustained strong customer demand and various successful marketing campaigns. It should also be noted that, in the prior-year quarter, both countries were affected by temporary store closures in response to COVID-19 particularly early in March 2020. In the Netherlands, which were not affected by temporary store closures in the previous year, quarterly sales declined considerably due to temporary store closures in response to COVID-19 in January and February 2021 and subsequent severe restrictions in the brick-and-mortar business.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first half of 2020/21**, sales increased by 9.9 per cent to around €1.0 billion. Adjusted for currency effects and portfolio changes, sales were 28.7 per cent above the comparable figure of the previous year.

In the **second quarter of 2020/21**, sales in the Eastern Europe segment increased by 15.2 per cent to around €0.4 billion. The strong depreciation of the Turkish lira also continued to negatively impact segment sales. Adjusted for currency effects and portfolio changes, sales in the segment increased by 33.0 per cent on the same quarter of the previous year. In local currency, despite the partial COVID-19-related temporary store closures on weekends, the business in Turkey again recorded high double-digit growth rates. Turkey benefited from continuously strong customer demand, successful marketing activities and dynamic online growth. Solid sales growth, supported by catch-up effects after stores reopened in February 2021 and successful marketing campaigns, was likewise seen in Poland.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first half of 2020/21**, sales in the Others segment increased by 19.4 per cent compared with the prior-year period to €0.3 billion. Adjusted for currency effects and portfolio changes, sales were up 14.3 per cent year-on-year.

In the **second quarter of 2020/21**, sales in the Others segment grew by 26.5 per cent to €0.1 billion. Adjusted for currency effects and portfolio changes, sales improved by 19.8 per cent compared to the same quarter of the previous year. Sweden, which was not affected by temporary store closures in response to COVID-19 neither in the previous year nor in the current year, continued the positive sales trend of recent quarters driven by strong consumer confidence and dynamic online growth.

Quarter	Sales (€ million)		Change (%)	In % of total sales
	Q2 2019/20	Q2 2020/21		
Online	859	2,119	146.5	49.0
Services & Solutions	279	199	−28.7	4.6

Half-year	Sales (€ million)		Change (%)	In % of total sales
	H1 2019/20	H1 2020/21		
Online	1,907	4,378	129.6	37.1
Services & Solutions	654	542	−17.1	4.6

CONTINUING MOMENTUM IN THE ONLINE BUSINESS DRIVEN BY COVID-19

In the **first half of 2020/21**, online sales increased by 129.6 per cent to approximately €4.4 billion. The online share of total sales amounted to 37.1 per cent (H1 2019/20: 16.7 per cent). In the first six months of the reporting period, the pick-up rate was approximately 35 per cent (H1 2019/20: 41 per cent).

In the **second quarter of 2020/21**, online business likewise achieved strong growth of 146.5 per cent. As a result, sales reached a figure of €2.1 billion. The online share of total sales amounted to 49.0 per cent and thus nearly tripled compared to the prior-year period (Q2 2019/20: 18.6 per cent). The dynamic growth in the online business thus continued in the second quarter and intensified in light of the ongoing temporary store closures and retail restrictions due to COVID-19, especially in January and February 2021. The pick-up rate was around 38 per cent in the second quarter (Q2 2019/20: 34 per cent) and therefore well above the previous year's figure even though stores were still temporarily closed, resulting in lower footfall in the brick-and-mortar business. It should also be noted here that the previous year was weakened by the strong decline in the pick-up rate in March 2020 as a result of COVID-19 restrictions.

SERVICES & SOLUTIONS BUSINESS FURTHER IMPACTED BY COVID-19

In the **first half of 2020/21**, Services & Solutions sales declined by 17.1 per cent to around €542 million. This equates to a Services & Solutions share of total sales of 4.6 per cent (H1 2019/20: 5.7 per cent).

In the **second quarter of 2020/21**, the Services & Solutions business declined by 28.7 per cent to around €199 million. The share of the Services & Solutions business accounted for 4.6 per cent of total sales (Q2 2019/20: 6.0 per cent). As Services & Solutions are largely taken up in connection with in-store purchases and many services are provided at "Smartbars" in the stores, this second quarter performance is a result of ongoing temporary store closures and restrictions and the resulting reduction in footfall in stores. A slight recovery of the decline in the Services & Solutions business began towards the end of the quarter despite the ongoing restrictions in response to COVID-19. Overall, all categories in the Services & Solutions business declined in the second quarter.

Quarter € million	Reported EBIT Q2 2019/20	Reported EBIT Q2 2020/21	Change compared to prior year Q2 2020/21	Adjusted EBIT[1] Q2 2019/20	Adjusted EBIT[1] Q2 2020/21	Change compared to prior year Q2 2020/21
Total[2]	**–368**	**–2**	**366**	**–131**	**–146**	**–15**
DACH	–54	–120	–65	–53	–97	–44
Western/Southern Europe	–34	–46	–12	–33	–38	–5
Eastern Europe	–24	0	24	–24	0	24
Others	–255	165	420	–21	–11	10

[1] Before non-recurring effects, associates and portfolio changes
[2] Including consolidation

Half-year € million	Reported EBIT H1 2019/20	Reported EBIT H1 2020/21	Change compared to prior year H1 2020/21	Adjusted EBIT[1] H1 2019/20	Adjusted EBIT[1] H1 2020/21	Change compared to prior year H1 2020/21
Total[2]	**–49**	**338**	**387**	**159**	**199**	**41**
DACH	190	140	–49	194	162	–32
Western/Southern Europe	48	27	–21	17	37	19
Eastern Europe	–16	16	32	–16	16	32
Others	–270	155	425	–36	–14	22

[1] Before non-recurring effects, associates and portfolio changes
[2] Including consolidation

ADJUSTED GROUP EBIT IN THE HALF YEAR ABOVE PREVIOUS YEAR DESPITE ONGOING COVID-19 RESTRICTIONS

In the **first half of 2020/21**, reported Group EBIT increased by €387 million to €338 million (H1 2019/20: €–49 million). This includes non-recurring effects amounting to approximately €–40 million in connection with the introduction of a harmonized organizational structure (“Operating Model”), permanent store closures as a result of COVID-19 and in connection with the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure announced on 14 December 2020. In the previous year, reported Group EBIT still included positive earnings effects in connection with the reorganization and efficiency program of around €27 million. Earnings effects from companies accounted for using the equity method totalled €178 million in the reporting period (H1 2019/20: €–235 million). Adjusted for non-recurring effects, earnings effects from companies accounted for using the equity method, and portfolio changes, Group EBIT increased by €41 million to €199 million (H1 2019/20: €159 million).

In the **second quarter of 2020/21**, reported Group EBIT increased by €366 million to €–2 million (Q2 2019/20: €–368 million). This includes non-recurring effects amounting to approximately €–34 million, which mainly relate to permanent store closures as a result of COVID-19. In the same quarter of the previous year, reported Group EBIT still included earnings effects in connection with the reorganization and efficiency program of around €–3 million. Earnings effects from companies accounted for using the equity method totalled €179 million in the reporting period (Q2 2019/20: €–234 million). Adjusted for non-recurring effects, earnings effects from companies accounted for using the equity method, and portfolio changes, Group EBIT declined by €15 million to €–146 million (Q2 2019/20: €–131 million).

The decline in adjusted Group EBIT in the second quarter is mainly attributable to the negative sales performance of the brick-and-mortar business due to the temporary closure of the majority of stores in January and February 2021 coupled with a negative gross margin trend. The gross margin declined by 2.3 percentage points to 14.9 per cent, mainly due to the increased shift to the online channel as a result of COVID-19, coupled with product mix effects and higher delivery costs. Inventory-related effects and lower income from the Services & Solutions business due to the temporary COVID-19-related store closures and declining footfall contributed to the negative gross margin trend. Earnings were primarily supported by government support (especially short-time working allowance) and declining personnel expenses as a result of increased cost efficiency and in connection with the introduction of a harmonized group-wide organizational structure. This largely compensated for the sales- and margin-driven earnings decline due to the effects of the COVID-19 pandemic.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first half of 2020/21**, EBIT in the DACH segment was €140 million and therefore declined by €49 million year-on-year (H1 2019/20: €190 million). This includes non-recurring effects amounting to approximately €–22 million (H1 2019/20: €–5 million). Adjusted for these effects, EBIT in the DACH segment decreased by €32 million to €162 million (H1 2019/20: €194 million).

In the **second quarter of 2020/21**, EBIT in the DACH segment declined by €65 million to €–120 million (Q2 2019/20: €–54 million). This includes non-recurring effects amounting to approximately €–23 million (Q2 2019/20: €–2 million). Adjusted for these effects, EBIT in the DACH segment decreased by €44 million to €–97 million (Q2 2019/20: €–53 million). This is mainly the result of significantly negative sales and margin development in Germany, which is attributable to the temporary store closures in response to COVID-19, an associated shift to the online channel, coupled with product mix effects and higher delivery costs, and lower income from the Services & Solutions business. A significant reduction in personnel expenses, mainly relating to workforce reduction and government support (especially short-time working allowance) in the context of the COVID-19 pandemic, partially compensated for the decline in earnings. In the same quarter of the previous year, earnings in Germany were also reduced by a provision for legal risks in connection with contractual penalties. Earnings decreased slightly year-on-year in Switzerland as a result of sales and margins and in Hungary due to a slight increase in costs. In Austria, earnings improved as a result of the positive sales development.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the **first half of 2020/21**, the Western/Southern Europe segment generated EBIT of €27 million, €21 million below the previous year's level (H1 2019/20: €48 million). This includes non-recurring effects amounting to approximately €–9 million (H1 2019/20: €31 million). Adjusted for these earnings effects and portfolio changes, EBIT increased by €19 million to €37 million (H1 2019/20: €17 million).

In the **second quarter of 2020/21**, EBIT in the Western/Southern Europe segment declined by €12 million to €–46 million (Q2 2019/20: €–34 million). This includes non-recurring effects amounting to approximately €–9 million (Q2 2019/20: €–1 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €5 million to €–38 million (Q2 2019/20: €–33 million). Italy recorded a significant, sales- and margin-driven increase in earnings despite ongoing COVID-19 restrictions. In addition, segment EBIT was characterized by improved earnings in Belgium. Despite a very positive sales increase, EBIT in Spain was only slightly above the previous year's level due to higher costs. In the Netherlands, there was a sales- and margin-driven earnings decline due to temporary store closures in response to COVID-19 and subsequent severe restrictions in brick-and-mortar retail. In addition, earnings in the Netherlands were weighed down by higher risk provisions at store level.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first half of 2020/21**, EBIT in the Eastern Europe segment at €16 million was €32 million above the previous year's level (H1 2019/20: €–16 million). This includes non-recurring effects at a very low level of approximately €0 million (H1 2019/20: €0 million).

In the **second quarter of 2020/21**, EBIT in the Eastern Europe segment increased by €24 million to €0 million (Q2 2019/20: €–24 million). This includes non-recurring effects at a very low level of approximately €0 million (Q2 2019/20: €0 million). In Poland, the strong sales and margin growth and lower personnel expenses due to cost savings had a positive effect on earnings. In Turkey, earnings likewise developed very positively in light of the positive sales and margin trend and especially declining personnel expenses and additional cost-reduction measures in the context 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 2020/21**, EBIT increased by €425 million year-on-year to €155 million (H1 2019/20: €–270 million). This includes expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure amounting to around €8 million (H1 2019/20: €0 million). Other non-recurring effects are included at a low level of approximately €–1 million (H1 2019/20: €0 million). Earnings effects from companies accounted for using the equity method totalled €178 million in the reporting period (H1 2019/20: €–234 million). Adjusted for these effects, EBIT increased by €22 million to €–14 million (H1 2019/20: €–36 million). Earnings in Sweden, at €–4 million, were €12 million higher than in the previous year (H1 2019/20: €–15 million). Other, smaller operating companies in the Others segment generated an EBIT of €2 million (H1 2019/20: €0 million).

In the **second quarter of 2020/21**, EBIT in the Others segment increased by €420 million year-on-year to €165 million (Q2 2019/20: €–255 million). This includes expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure amounting to around €2 million (Q2 2019/20: €0 million). Other non-recurring effects are included at a low level of approximately €–1 million (Q2 2019/20: €0 million). Earnings effects from companies accounted for using the equity method totalled €179 million in the second quarter of 2020/21, which is mainly attributable to the reversal of impairment of the share in Fnac Darty S.A. of approximately €150 million. In the same quarter of the previous year, earnings effects from companies accounted for using the equity method amounted to €–234 million, which was mainly due to the impairment of the share in Fnac Darty S.A. of €268 million. Adjusted for these effects, EBIT increased by €10 million to €–11 million (Q2 2019/20: €–21 million). This was mainly driven by a clear earnings improvement of €7 million to €–5 million in Sweden (Q2 2019/20: €–12 million), supported by the positive sales growth and cost savings. In the same quarter of the previous year, earnings in Sweden were still reduced by impairment of the country organization's right-of-use assets. Lower headquarter costs at CECONOMY AG likewise had a positive impact on segment EBIT. Other, smaller operating companies in the Others segment generated an EBIT of €1 million (Q2 2019/20: €0 million).

				Q2 2019/20						Q2 2020/21
		Non-recurring				Non-recurring				
€ million	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	Reported EBIT	Effects of store closures	Effects of the introduction of the Operating Model	Transaction costs from minority stake acquisition	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**–368**	**–3**	**–234**	**–131**	**–2**	**–25**	**–8**	**–2**	**179**	**–146**
DACH	–54	–2	0	–53	–120	–20	–3	0	0	–97
Western/ thern Europe	–34	–1	0	–33	–46	–4	–4	0	0	–38
Eastern Europe	–24	0	0	–24	0	0	0	0	0	0
Others	–255	0	–234	–21	165	0	–1	–2	179	–11

[1] Including consolidation

				H1 2019/20						H1 2020/21
		Non-recurring				Non-recurring				
€ million	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	Reported EBIT	Effects of store closures	Effects of the introduction of the Operating Model	Transaction costs from minority stake acquisition	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**–49**	**27**	**–235**	**159**	**338**	**–25**	**–8**	**–8**	**178**	**199**
DACH	190	–5	0	194	140	–20	–2	0	0	162
Western/ thern Europe	48	31	0	17	27	–4	–5	0	0	37
Eastern Europe	–16	0	0	–16	16	0	0	0	0	16
Others	–270	0	–234	–36	155	0	–1	–8	178	–14

[1] Including consolidation

Financial and asset position

CASH FLOW

€ million	H1 2019/20	H1 2020/21	Change
Cash flow from operating activities	400	−346	−746
Cash flow from investing activities	−103	12	115
Cash flow from financing activities	941	−244	−1,184
Change in net working capital[1]	−60	−852	−792
Free cash flow	286	−425	−711

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

In the first half of financial year 2020/21, **cash flow from operating activities** of continuing operations resulted in a cash outflow of €346 million. This compares with a cash inflow of €400 million in the previous year. The €746 million lower cash flow from operating activities is primarily due to the €792 million lower **change in net working capital**, which is mainly the result of the significant reduction in trade liabilities and similar liabilities and higher inventories as of 31 March 2021. This is particularly due to the COVID-19-related lower order volume in the second quarter of 2020/21 and to temporary payment term extensions beyond 31 March 2020.

In the first half of financial year 2020/21, **cash flow from investing activities** resulted in a cash inflow of €12 million. This compares with a cash outflow of €103 million in the prior-year period. The change is mainly driven by lower net investment in financial investments and securities, while the net divestments of financial investments and securities were on a par with the previous year. The previous year's cash outflow also included a cash investment in the joint venture Retail Market Ltd. in Greece of €29 million. The expenses for expansion and modernization likewise decreased slightly compared to the prior-year period.

In the first half of 2020/21, **cash flow from financing activities** resulted in a cash outflow of €244 million, compared with a cash inflow of €941 million in the same period of the previous year. The cash inflow of the previous year resulted primarily from proceeds from borrowings of €1,272 million, mainly due to drawing on the syndicated and bilateral credit facilities in response to COVID-19 (€1,025 million). This compares with proceeds from current borrowings of €66 million (issue of commercial paper) in the current year. In the reporting period, cash outflows for the redemption of lease liabilities of €269 million had an opposite effect.

In the first six months of financial year 2020/21, **free cash flow** amounted to €−425 million and was thus €711 million below the previous year's figure of €286 million. This decline is mainly due to the much more negative change in net working capital than in the previous year.

NET WORKING CAPITAL SIGNIFICANTLY BELOW PREVIOUS YEAR DUE TO IMPACT OF COVID-19

Net working capital as of 31 March 2021 declined by €556 million compared with 31 March 2020. Net working capital therefore amounted to €−382 million as of 31 March 2021, considerably below the previous year's figure (31 March 2020: €−938 million). The year-on-year decline in net working capital resulted primarily from much lower trade liabilities and similar liabilities. This is particularly attributable to the COVID-19-related lower order volume in the second quarter of 2020/21 and to temporary extensions of payment terms in the previous year. The decline in trade receivables resulting from lower Services & Solutions sales and the lower receivables due from suppliers corresponding to the decline in trade liabilities did not countervail the decline in trade liabilities and similar liabilities. As of 31 March 2021, inventories posted an elevated level as a result of the COVID-19-induced sales decline and the deliberate build-up of inventory levels since October 2020 to ensure the availability of goods in the context of increased COVID-19 restrictions.

NET DEBT INCREASED BY DECLINE IN CASH AND CASH EQUIVALENTS

As of 31 March 2021, net debt amounted to €1,462 million. In the previous year, net debt of €1,304 million was reported. The trend was due essentially to the considerable decline in cash and cash equivalents, which resulted primarily from the high previous-year comparative basis from temporary extensions to terms of payment and in the current year to the deliberate build-up of inventory levels to ensure the availability of goods in the context of increased COVID-19 restrictions. Lower current and non-current borrowings driven primarily by paying back liabilities to banks were not able to compensate for the decline in cash and cash equivalents. Adjusted for lease liabilities, net liquidity as of 31 March 2021 amounted to €561 million (31 March 2020: €913 million).

INVESTMENTS HIGHER THAN PREVIOUS YEAR DUE TO RENTAL AGREEMENT EXTENSIONS

Investments as per segment report totalled €282 million in the first half of 2020/21, €50 million above the previous year's level (H1 2019/20: €232 million). The considerable increase is mainly attributable to the addition of rental right-of-use assets of €207 million, which was €77 million higher than in the prior-year period (H1 2019/20: €131 million). This development was driven primarily by extensions to existing rental agreements for stores and logistics centres in Germany and the Netherlands as well as the acquisition of 17 Spanish stores from Worten Equipamentos do Lar S.A. On the other hand, in the current year there were no additions from investments accounted for using the equity method, while in the previous year the key factor was the addition of the joint venture investment in Greece (H1 2019/20: €31 million). In the second quarter of 2020/21 investments as per segment report totalled €199 million, €78 million above the previous year's level (Q2 2019/20: €121 million). The increase was based primarily on the extension of existing rental agreements for stores and logistics centres in Germany and the Worten acquisition.

In the first six months of 2020/21, the store network was expanded by one store in Spain and four stores in Turkey. Furthermore, 17 stores were added in connection with the acquisition of Worten Equipamentos do Lar S.A. stores in Spain. The 17 Worten stores were successively reopened under a new name in April 2021. On the other hand, six stores in Germany and two in Poland were closed in the reporting period. In the second quarter of 2020/21, the store network was expanded by two stores in Turkey. Furthermore, the above-mentioned 17 Worten stores in Spain were added. On the other hand, one store in Germany and two in Poland were closed in the second quarter of 2020/21. At the end of the second quarter of 2020/21, the total number of stores was therefore 1,037. The average selling space per store declined by –0.8 per cent from 2,584 square meters as of 31 December 2020 to 2,563 square meters as of 31 March 2021.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 31 March 2021, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of up to five 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 2021, commercial paper of €65 million was outstanding (31 March 2020: €230 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €2,680 million. It was not utilized as of 31 March 2021. The tranche of €1,700 million with the involvement of KfW included herein and concluded in mid-May 2020 was also not utilized at any time. In the previous year, a syndicated credit facility was 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.

In addition, on 6 May 2021, CECONOMY concluded a new ESG-linked syndicated revolving credit agreement with its partner banks for a total volume of €1,060 million, which comes into effect as soon as the current syndicated revolving credit agreement with the involvement of KfW has been terminated. The early termination of the existing syndicated credit lines is at the sole discretion of CECONOMY AG. (Events after the reporting date)

CECONOMY AG is assessed by international rating agencies Moody's and Scope. As of 31 March 2021, CECONOMY had an investment grade rating (BBB–, outlook "stable") from Scope and a non-investment grade rating from Moody's (Ba1, outlook "negative").

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 60 to 69 of CECONOMY AG's Annual Report 2019/20. Since the date of preparation of the consolidated financial statements on 1 December 2020, 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 2021 result primarily from the 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 2020 calendar year.

The immediate impact of the pandemic for CECONOMY is described in the section "events in the first half of the year". The following 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 continue to be included in the risk assessment of other material risks already reported as of 30 September 2020. Risks with regard to the future development of the COVID-19 pandemic and the global macroeconomic environment, in particular due to renewed long-term closures of a significant part of the brick-and-mortar business or a severe dip in consumer confidence, are therefore included in the existing **"deterioration of consumer confidence – economic crisis – COVID-19 pandemic"** risk. Finally, changes in risks that are not directly related to the pandemic are explained.

The consequences of the international, government-ordered measures in response to the COVID-19 pandemic result in a material risk. The duration and the further impact of the COVID-19 pandemic on the global economy, international trade, the resulting recessions or a global economic crisis are not fully foreseeable or measurable. Nonetheless, considerable economic damage has already been observed for the economy as a whole, which also affects the consumer electronics segment. The consequences are expected to burden the global economic situation in the longer term. There have been further waves of the pandemic and resulting government-ordered store closures which are ongoing even after the closing date of the half-year financial report. Uncertainties in terms of governments' opening strategies for brick-and-mortar make an assessment even more difficult. In principle, the changed consumer behaviour during the COVID-19 lockdown and the associated shift in sales shares from brick-and-mortar to online business may become permanently established. 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 and customer behaviour during this time. In general, a decline in consumption due to the lockdown measures, falling demand for exports and general uncertainty among the population can be assumed. At the same time, the strong demand for consumer electronics products in the months after stores reopen could also be driven by anticipatory effects, so there is a risk of a corresponding decline in customer demand thereafter.

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. 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 1 December 2020.

In addition, the **loss of strategically relevant business partners** is a risk that CECONOMY continuously monitors and controls. This risk could materialize 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 reduce 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, 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. The continually effective implementation of these risk mitigating measures has already slightly reduced the potential loss from the risk.

Digitalization and the associated connection of IT systems with the outside world pose the risk of **attacks on the IT infrastructure**. Especially in the steadily increasing online retail market – which has further expanded during the lockdown – IT system failures could have significant effects on CECONOMY's business performance. Consequences may include substantial sales losses and reputational damage. Permanent, uninterrupted availability is an essential requirement in online retail. Critical network structures and IT systems are therefore continuously reviewed and adjusted in order to prevent interruptions to important business processes. During the COVID-19 pandemic there has been an increased level of hacker attacks. In addition, the risk of fraud attempts on the basis of electronic identity theft ("CEO fraud") has been taken up. On this basis, CECONOMY has slightly increased its risk assessment for this risk.

Apart from the developments resulting from the COVID-19 pandemic, the following changes to the risk assessment since 1 December 2020 have been observed.

Data protection is important for CECONOMY. CECONOMY works continuously on improving processes and systems to comply with the increasingly complex requirements relating to data protection, especially when using customer-specific data. The ongoing further development of regulatory and documentary requirements and the continuous further development of case law in relation to data protection carry with them the 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, particularly in combination with increasing online activities as a result of the COVID-19 pandemic, CECONOMY now considers that the risk has increased slightly.

On 16 December 2020, the **draft law for "fair consumer contracts"** assumed the status of a government draft as part of the current legislation process. Here, 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. 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. In contrast to the original framework of the draft law, if defined conditions are met, contracts with terms over twelve months should still be possible. In practice, experience with mobile phone contracts shows that current standard contract durations allow consumers to choose the contract that best suits their needs from a variety of offers. For CECONOMY, the original content of the proposal contained the risk of declining commissions in connection with shorter contract terms. The adjustments to the contents of the draft to allow the consumer to choose flexibly between short and longer terms considerably reduce the risk for CECONOMY, so that it is no longer assessed as a material risk. The further development will be observed closely so as to be able to react in due time to legislative changes.

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 1 December 2020, there has been the following change to the opportunities portfolio of CECONOMY.

As new opportunity included is a possible reversal of the impairment taken on the investment in Fnac Darty S.A.

As a result of the impairment recognized in the second quarter of 2019/20 on the investment in Fnac Darty S.A. accounted for using the equity method, there were indications of a possible impairment reversal as of the closing date. An indication of this nature occurs, for example, if fair value determined on the basis of the stock exchange price is significantly higher or higher on a sustained basis than the amortized cost of the investment accounted for using the equity method. As the stock exchange price was significantly above amortized cost on the closing date, an expert assessment was commissioned. As a result of the expert reassessment, a reversal of the impairment on the investment in Fnac Darty S.A. of €150 million was recognized. Further, future potential reversals of impairment on the investment in Fnac Darty S.A. are recognized as an opportunity.

The opportunity of reducing the tax rate as a result of the corporate reorganization of the Group was reassessed. On the basis of the agreement with Convergenta Invest GmbH on the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure, the transaction will make CECONOMY's tax-loss carry-forwards structurally usable for the first time. The accounting effects and the associated positive effect on the tax rate will be presented for the first time after the closing of the transaction.

For example, further opportunities still result from the accelerated implementation of the business model transformation. Especially for the implementation of a digitally driven omnichannel sales model, the experience gained from the COVID-19 pandemic will further establish and expand the necessary processes and structures.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income statement

€ million	Q2 2019/20	Q2 2020/21	H1 2019/20	H1 2020/21
Sales	**4,631**	**4,322**	**11,453**	**11,786**
Cost of sales	−3,831	−3,676	−9,405	−9,874
Gross profit on sales	**800**	**646**	**2,048**	**1,912**
Other operating income	34	41	121	105
Selling expenses	−810	−725	−1,691	−1,591
General administrative expenses	−132	−140	−268	−264
Other operating expenses	−21	−1	−23	−2
Earnings share of investments accounted for using the equity method	−234	179	−234	178
Net impairments on operating financial assets and contract assets	−5	−1	−1	0
Earnings before interest and taxes (EBIT)	**−368**	**−2**	**−49**	**338**
Other investment result	7	28	20	37
Interest income	2	5	5	8
Interest expenses	−17	−18	−30	−33
Other financial result	−15	−11	−9	−18
Net financial result	**−23**	**4**	**−15**	**−6**
Earnings before taxes (EBT)	**−391**	**2**	**−64**	**332**
Income taxes	82	64	−23	−61
Profit or loss for the period from continuing operations	**−309**	**66**	**−87**	**271**
Profit or loss for the period from discontinued operations	4	13	4	13
Profit or loss for the period	**−306**	**79**	**−84**	**283**
Profit or loss for the period attributable to non-controlling interests	−14	−25	39	27
from continuing operations	**−15**	**−27**	**38**	**24**
from discontinued operations	1	3	1	3
Profit or loss for the period attributable to shareholders of CECONOMY AG	−292	104	−122	257
from continuing operations	**−295**	**94**	**−125**	**247**
from discontinued operations	3	10	3	10
Earnings per share in € (basic = diluted)	**−0.81**	**0.29**	**−0.34**	**0.71**
from continuing operations	**−0.82**	**0.26**	**−0.35**	**0.69**
from discontinued operations	0.01	0.03	0.01	0.03

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

€ million	Q2 2019/20	Q2 2020/21	H1 2019/20	H1 2020/21
Profit or loss for the period	**−306**	**79**	**−84**	**283**
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**−74**	**24**	**−16**	**33**
Remeasurement of defined benefit pension plans	27	16	46	12
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	−101	12	−62	25
Subsequent measurement of associates/joint ventures accounted for using the equity method	0	−3	0	−3
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**23**	**9**	**10**	**−10**
Currency translation differences from translating the financial statements of foreign operations	23	10	10	−10
Subsequent measurement of associates/joint ventures accounted for using the equity method	0	−1	0	−1
Other comprehensive income	**−51**	**33**	**−6**	**23**
Total comprehensive income	**−357**	**112**	**−90**	**306**
Total comprehensive income attributable to non-controlling interests	−25	−20	33	29
Total comprehensive income attributable to shareholders of CECONOMY AG	−331	132	−123	276

Statement of financial position

Assets

€ million	30/09/2020	31/03/2020	31/03/2021
Non-current assets	**3,857**	**3,973**	**3,904**
Goodwill	524	524	524
Other intangible assets	102	117	109
Property, plant and equipment	567	629	522
Right-of-use assets	2,021	2,116	1,903
Financial assets	280	216	306
Investments accounted for using the equity method	266	294	441
Other financial assets	2	4	3
Other assets	11	6	6
Deferred tax assets	84	68	92
Current assets	**6,598**	**7,687**	**6,172**
Inventories	2,949	3,161	3,512
Trade receivables and similar claims	488	460	322
Receivables due from suppliers	1,302	1,277	1,094
Other financial assets	151	69	97
Other assets	154	171	185
Income tax assets	69	125	62
Cash and cash equivalents	1,484	2,424	901
	10,455	**11,660**	**10,077**

Equity and liabilities

€ million	30/09/2020	31/03/2020	31/03/2021
Equity	**548**	**673**	**812**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−753	−632	−498
Non-controlling interests	61	65	71
Non-current liabilities	**2,472**	**2,494**	**2,163**
Provisions for pensions and similar obligations	513	478	479
Other provisions	28	16	34
Borrowings	1,850	1,916	1,568
Other financial liabilities	36	39	41
Other liabilities	11	7	9
Deferred tax liabilities	33	37	31
Current liabilities	**7,435**	**8,493**	**7,101**
Trade liabilities and similar liabilities	5,996	5,835	5,310
Provisions	151	139	124
Borrowings	573	1,812	799
Other financial liabilities	378	358	415
Other liabilities	231	343	303
Income tax liabilities	106	6	150
	10,455	**11,660**	**10,077**

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 or 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
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	−23	−23	16	−7
Other changes	0	0	0	0	0	0
31/03/2020	**919**	**321**	**−632**	**608**	**65**	**673**
30/09 or 01/10/2020	**919**	**321**	**−753**	**487**	**61**	**548**
Profit or loss for the period	0	0	257	257	27	283
Other comprehensive income	0	0	20	20	3	23
Total comprehensive income	**0**	**0**	**276**	**276**	**29**	**306**
Dividends	0	0	−8[1]	−8	−17[2]	−24
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	0	0	0	0
Other changes	0	0	−13	−13	−4	−17
31/03/2021	**919**	**321**	**−498**	**742**	**71**	**812**

[1] The reported dividend includes dividends to minority shareholders in the amount of €−8 million (H1 2019/20: €−8 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 (H1 2019/20: €−2 million), whose shares are reported in full as liabilities due to put options

Cash flow statement

€ million	H1 2019/20	H1 2020/21
EBIT	−49	338
Scheduled depreciation/amortization, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets and impairment losses and reversals of impairment losses on investments accounted for using the equity method	660	237
Change in provisions for pensions and similar obligations	−60	−32
Change in net working capital	−60	−852
Income taxes paid	−46	−20
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	2	1
Other	−47	−18
Cash flow from operating activities of continuing operations	**400**	**−346**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**400**	**−346**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	−64	−58
Other investments	−51	−21
Financial investments and securities	−160	−68
Disposals of financial investments and securities	160	150
Disposals of companies	0	0
Disposal of long-term assets and other disposals	12	9
Cash flow from investing activities of continuing operations	**−103**	**12**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**−103**	**12**
Dividends paid	−23	−20
thereof dividends paid to the shareholders of CECONOMY AG	0	0
Payment received from capital increase	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	−6	0
Redemption of liabilities from put options of non-controlling interests	−1	−1
Proceeds from long-term borrowings	1,272	66
Redemption of lease liabilities	−279	−269
Redemption of other borrowings	−13	−21
Interest paid	−29	−29
Interest received	5	8
Profit and loss transfers and other financing activities	16	22
Cash flow from financing activities of continuing operations	**941**	**−244**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**941**	**−244**
Total cash flows	**1,238**	**−577**
Currency effects on cash and cash equivalents	−12	−5
Total change in cash and cash equivalents	**1,225**	**−582**
Total cash and cash equivalents as of 1 October	1,199	1,484
Less cash and cash equivalents recognized in assets in accordance with IFRS 5	15	0
Cash and cash equivalents as of 1 October	**1,184**	**1,484**
Total cash and cash equivalents as of 31 March	2,424	901
Less cash and cash equivalents recognized in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 31 March	**2,424**	**901**

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment reporting

Continuing operations

	DACH		Western/ Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
€ million	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21
External sales (net)	2,771	2,290	1,410	1,501	349	403	102	128	0	0	4,631	4,322
Internal sales (net)	5	7	1	1	0	0	2	2	−8	−10	0	0
Sales (net)	2,776	2,297	1,411	1,502	349	403	103	131	−8	−10	4,631	4,322
EBITDA	56	−1	27	24	−3	14	22[2]	18[2]	0	−1	102	54
EBITDA adjusted	58	8	29	29	−3	14	−13	−8	0	−1	71	43
Scheduled depreciation/amortization and impairment losses	110	119	62	71	21	14	277	3	0	0	470	206
Reversals of impairment losses	0	0	0	0	0	0	0	150	0	0	0	150
EBIT	−54	−120	−34	−46	−24	0	−255[3]	165[3]	0	−1	−368	−2
EBIT adjusted	−53	−97	−33	−38	−24	0	−21	−11	0	−1	−131	−146
Investments	69	117	31	62	19	18	3	1	0	0	121	199
Non-current segment assets	2,139	1,974	995	885	199	158	355	489	0	0	3,689	3,506
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(294)	(441)	(0)	(0)	(294)	(441)

[1] Includes external sales in Q2 2020/21 of €1,807 million (Q2 2019/20: €2,319 million) for Germany, of €531 million (Q2 2019/20: €401 million) for Italy, of €492 million (Q2 2019/20: €415 million) for Spain, as well as non-current segment assets as of 31 March 2021 of €2,164 million (31/03/2020: €2,134 million) for Germany, and €295 million (31/03/2020: €360 million) for Italy
[2] In Q2 2020/21, this includes income from operating companies recognized at equity in the Others segment in the amount of €29 million (Q2 2019/20: €34 million)
[3] In Q2 2020/21, this includes income from operating companies recognized at equity in the Others segment of €179 million (Q2 2019/20: expenses of €234 million), of which 150 €m relate to impairment reversals (Q2 2019/20: impairment loss of €268 million)

	DACH		Western/ Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[1]	
€ million	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21
External sales (net)	6,832	6,714	3,481	3,796	884	971	255	305	0	0	11,453	11,786
Internal sales (net)	11	13	1	1	0	0	3	4	−15	−18	0	0
Sales (net)	6,842	6,727	3,483	3,798	884	971	259	309	−15	−18	11,453	11,786
EBITDA	410	365	171	156	20	42	11[2]	12[2]	−1	−1	611	575
EBITDA adjusted	414	373	140	162	20	42	−23	−7	−1	−1	550	569
Scheduled depreciation/amortization and impairment losses	220	225	123	129	36	26	281	7	0	0	660	387
Reversals of impairment losses	0	0	0	0	0	0	0	150	0	0	0	150
EBIT	190	140	48	27	−16	16	−270[3]	155[3]	−1	−1	−49	338
EBIT adjusted	194	162	17	37	−16	16	−36	−14	−1	−1	159	199
Investments	110	167	45	90	22	23	55	2	0	0	232	282
Non-current segment assets	2,139	1,974	995	885	199	158	355	489	0	0	3,689	3,506
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(294)	(441)	(0)	(0)	(294)	(441)

[1] Includes external sales in H1 2020/21 of €5,469 million (H1 2019/20: €5,656 million) for Germany, of €1,368 million (H1 2019/20: €1,117 million) for Italy and €1,222 million (H1 2019/20: €1,015 million) for Spain as well as non-current segment assets as of 31 March 2021 of €2,164 million (31/03/2020: €2,134 million) for Germany, and €295 million (31/03/2020: €360 million) for Italy
[2] In H1 2020/21, this includes income from operating companies recognized at equity in the Others segment in the amount of €28 million (H1 2019/20: €34 million)
[3] In H1 2020/21, this includes income from operating companies recognized at equity in the Others segment of €178 million (H1 2019/20: expenses of €234 million), of which €150 million relate to impairment reversals (H1 2019/20: impairment loss of €268 million)

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 2020 to 31 March 2021 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 2021 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 were 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 2020. Further information on the accounting policies can be found in the notes to the consolidated financial statements as of 30 September 2020 (see Annual Report 2019/20, pages 105–129).

NEW ACCOUNTING STANDARDS

The new and amended standards that are generally to be applied for the first time from 1 October 2020 and that CECONOMY considers material are described below.

IFRS 3 (Business Combinations)

The amendments to IFRS 3 relate to the definition of a "business" and provide more detail on the criteria for delimiting a business from a group of assets. As a result of the clarification, a business must include the availability of resources (inputs) and the acquisition of a substantive process. The two stated criteria must significantly contribute to creating output. Output is only goods and services provided to customers, with lowering costs no longer included in the narrower definition. In addition, a "concentration test" can be applied to differentiate between a business and a group of assets. The amendments do not have any significant impact on the condensed consolidated interim financial statements of CECONOMY.

IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform)

The amendments made to IFRS 9, IAS 39 and IFRS 7 in the context of the Interest Rate Benchmark Reform project (Phase 1) relate to expedients in reference to hedge accounting. It is clarified that the pending changes to the benchmark interest rates have no impact on existing hedges. The amendments do not have any impact on the condensed consolidated interim financial statements of CECONOMY.

IAS 1 and IAS 8 (Definition of Materiality)

The amendments to IAS 1 and IAS 8 provide clarifications on the definition of "materiality". In line with the new definition, information is material only if omitting, misstating or obscuring it could influence primary users of financial statements. The amendments do not have any significant impact on the condensed consolidated interim financial statements of CECONOMY.

Other amendments to IFRS

The amendments to the Conceptual Framework relate to a change of references to the Conceptual Framework in various standards and forms the application basis for developing new standards and interpretations. No technical changes were made to existing standards. Therefore, the amendments do not have any impact on the condensed consolidated interim financial statements of CECONOMY.

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 mid-December 2020, the new and extended local lockdowns, especially in Germany and the Netherlands, have had a substantial impact on CECONOMY's business activities. Due to the continued lockdown extension, especially in Germany, in conjunction with unclear opening scenarios and the renewed increase in temporary store closures abroad as well as the generally high volatility of regulations in connection with COVID-19, there is very high uncertainty over the company's further business performance in the current financial year 2020/21. Especially as a result of the unknown extent of possible catch-up effects once stores reopen, a potential shift in consumer behaviour once tourist travel and other leisure activities are allowed, and the unclear strategy for opening and vaccination, particularly in Germany, the company's forecasting ability remains significantly impaired, as there are no concrete indications of how business will develop in the future.

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 recognized.

There was also an assessment of material and depreciable assets. Overall, additional impairment of €27 million was determined, €8 million relating to property, plant and equipment and €19 million to rights of use.

The impairment test of the investment in Fnac Darty S.A. resulted in an impairment reversal of approximately €150 million.

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

Despite the severe adverse impact on operating business as a result of the temporary store closures since December 2020, it was not necessary to draw down the available credit facilities of €2,680 million as the Group had sufficient liquid assets as of 31 March 2021.

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 2020/21	Q2 2020/21	Q2 2020/21	Q2 2020/21	Q2 2020/21
Product sales	2,184	1,428	388	122	4,123
Services & Solutions	106	73	14	6	199
Total sales	**2,290**	**1,501**	**403**	**128**	**4,322**

Half-year	DACH	Western/ Southern Europe	Eastern Europe	Others	CECONOMY
€ million	H1 2020/21	H1 2020/21	H1 2020/21	H1 2020/21	H1 2020/21
Product sales	6,390	3,625	938	291	11,245
Services & Solutions	324	171	33	14	542
Total sales	**6,714**	**3,796**	**971**	**305**	**11,786**

Total sales came to €11,786 million in the first half of 2020/21. Product sales came to €11,245 million, with sales from Services & Solutions totalling €542 million.

Total sales for the second quarter of 2020/21 came to €4,322 million, with product sales amounting to €4,123 million and with sales from Services & Solutions totalling €199 million.

GOVERNMENT GRANTS

Government grants in line with IAS 20 due to the COVID-19 pandemic totalled approximately €57 million in the first half of 2020/21 (H1 2019/20: €0 million). The government grants relate mostly to reimbursement of social security contributions as well as economic aid in connection with the temporary closure of stores.

SCHEDULED DEPRECIATION/AMORTIZATION AND IMPAIRMENT LOSSES

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

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/amortization	(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/amortization	(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/amortization	(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 investments accounted for using the equity method	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/amortization	**(0)**	**(7)**	**(45)**	**(138)**	**(0)**	**(190)**
thereof impairment losses	**(0)**	**(0)**	**(8)**	**(3)**	**(268)**	**(280)**

Q2 2020/21

€ 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	0	0	**0**
thereof scheduled depreciation/amortization	(0)	(0)	(0)	(0)	(0)	(0)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	2	37	146	0	**185**
thereof scheduled depreciation/amortization	(0)	(2)	(37)	(128)	(0)	(167)
thereof impairment losses	(0)	(0)	(0)	(18)	(0)	(18)
General administrative expenses	0	4	11	5	0	**21**
thereof scheduled depreciation/amortization	(0)	(4)	(4)	(4)	(0)	(12)
thereof impairment losses	(0)	(0)	(8)	(1)	(0)	(9)
Other operating expenses	0	0	0	0	0	**0**
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of investments accounted for using the equity method	0	0	0	0	0	**0**
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Total	0	6	48	152	0	206
thereof scheduled depreciation/amortization	(0)	(6)	(41)	(132)	(0)	(179)
thereof impairment losses	(0)	(0)	(8)	(19)	(0)	(27)

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/amortization	(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/amortization	(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/amortization	(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 investments accounted for using the equity method	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/amortization	**(0)**	**(16)**	**(90)**	**(275)**	**(0)**	**(381)**
thereof impairment losses	**(0)**	**(0)**	**(8)**	**(3)**	**(268)**	**(280)**

H1 2020/21

€ 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/amortization	(0)	(0)	(0)	(1)	(0)	(1)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	5	75	274	0	**354**
thereof scheduled depreciation/amortization	(0)	(5)	(74)	(256)	(0)	(335)
thereof impairment losses	(0)	(0)	(0)	(18)	(0)	(18)
General administrative expenses	0	7	15	10	0	**32**
thereof scheduled depreciation/amortization	(0)	(7)	(8)	(8)	(0)	(24)
thereof impairment losses	(0)	(0)	(8)	(1)	(0)	(9)
Other operating expenses	0	0	0	0	0	**0**
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of investments accounted for using the equity method	0	0	0	0	0	**0**
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Total	0	13	90	285	0	387
thereof scheduled depreciation/amortization	(0)	(13)	(82)	(266)	(0)	(360)
thereof impairment losses	(0)	(0)	(8)	(19)	(0)	(27)

PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The first half of 2020/21 includes income of €13 million from discontinued operations in connection with the disposal of the Russian MediaMarkt business, mainly resulting from reversing other provisions.

Notes to the statement of financial position

Investments accounted for using the equity method

As of 31 March 2021, investments in associates and joint ventures accounted for using the equity method of €441 million were recognized (30/09/2020: €266 million). The investment in the associate Fnac Darty S.A. is a material investment accounted for using the equity method.

In the first half of 2020/21, as a result of the subsequent measurement of the investment in Fnac Darty S.A. accounted for using the equity method initially €28 million (H1 2019/20: €34 million) was recognized in EBIT. In addition, approximately €–4 million (H1 2019/20: €0 million) was recognized in other comprehensive income. 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 measurement of the investment accounted for using the equity method.

Based on a positive outlook for business development, despite the ongoing COVID-19 pandemic, the Fnac Darty S.A. share price has developed positively for roughly a year. In this context, as of 31 March 2021 it was determined that the fair value of the investment in Fnac Darty S.A., derived on the basis of the stock exchange price, was significantly above amortized cost. In line with IAS 28 in respect to evidence of impairment, and which correspondingly also applies to a test for a possible reversal of impairment, as of the closing date there was objective evidence that the reasons which resulted in impairment of €268 million on the investment were no longer in place, neither partially nor entirely. To determine the value in use in the sense of a long-term performance value, CECONOMY used a DCF method based on free cash flow. With this method, €415 million was determined as the recoverable amount of the investment in Fnac Darty S.A., resulting in a reversal of approximately €150 million which was recognized in EBIT.

In addition to Fnac Darty S.A., CECONOMY holds another investment accounted for using the equity method in the Greek joint venture PMG Retail Market Ltd. Olympia Group Ltd. holds a 75 per cent stake in this joint venture and Media-Saturn-Holding GmbH 25 per cent. Both organizations contributed their operating companies – MediaMarkt Greece and the consumer electronics and entertainment retailer Public in Greece and Cyprus – to the joint venture.

As no reliable financial data were available as of 31 March 2021, a subsequent measurement of the investment accounted for using the equity method has not yet occurred in this financial year. Therefore, the interest in the Greek joint venture is still recognized at the amortized cost of €26 million determined as of 30 September 2020. As of the reporting date, there were no indications of impairment.

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 2019/20. The net loss under commercial law of €91 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 €12 million (H1 2019/20: €46 million) recognized in CECONOMY's other comprehensive income, which arose from the remeasurement of defined benefit pension plans in the first six months of financial year 2020/21. The remeasurement primarily includes effects from the increase in the actuarial interest rate for the majority of German pension provisions from 0.70 per cent on 1 October 2020 to 0.90 per cent on 31 March 2021.

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

	31/03/2020			31/03/2021		
%	Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	1.50 to 1.70	0.20	2.35	0.90 to 1.30	0.19	2.00
Inflation rate	1.50	0.00	1.50	1.50	0.00	1.50

CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

Financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate accounts.

	31/03/2020				
		Value in statement of financial position			
€ million	Carrying amount	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortized 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 amortized cost	**7,310**	**7,310**	**0**	**0**	**7,315**
Borrowings 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

	31/03/2021				
		Value in statement of financial position			
€ million	Carrying amount	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortized cost	**2,245**	**2,245**	**0**	**0**	**2,245**
Cash and cash equivalents	901	901	0	0	901
Receivables due from suppliers	1,094	1,094	0	0	1,094
Trade receivables	142	142	0	0	142
Loans and advance credit granted	13	13	0	0	13
Miscellaneous financial assets	95	95	0	0	95
Measured at fair value through profit or loss	**5**	**0**	**5**	**0**	**5**
Equity instruments	0	0	0	0	0
Derivative financial instruments	5	0	5	0	5
Measured at fair value through other comprehensive income	**292**	**0**	**0**	**292**	**292**
Equity instruments	292	0	0	292	292
Equity and liabilities					
Measured at amortized cost	**5,765**	**5,765**	**0**	**0**	**5,767**
Borrowings without lease liabilities	343	343	0	0	345
Trade liabilities	4,966	4,966	0	0	4,966
Miscellaneous financial liabilities	456	456	0	0	456
Measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments	0	0	0	0	0

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 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 €292 million are subsequently measured at fair value through other comprehensive income. €255 million of this relates to listed companies, with €222 million attributable to the 15 per cent investment in Russia's leading consumer electronics retailer Public Joint-Stock Company "M.video" and €33 million attributable to the roughly 1 per cent share in METRO AG.

Equity instruments of €37 million for which there is no active market and which are not listed on the stock exchange are recognized at fair value through other comprehensive income. These equity instruments are not planned to be sold. The main component at €35 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 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**

The financial instruments measured at fair value as of 31 March 2021 in accordance with IFRS 9 are allocated as follows within the three-level fair value hierarchy:

				31/03/2021
€ million	Total	Level 1	Level 2	Level 3
Assets	**297**	**255**	**5**	**37**
Measured at fair value through profit or loss	**5**	**0**	**5**	**0**
Equity instruments	0	0	0	0
Derivative financial instruments	5	0	5	0
Measured at fair value through other comprehensive income	**292**	**255**	**0**	**37**
Equity instruments	292	255	0	37
Equity and liabilities	**0**	**0**	**0**	**0**
Measured at fair value through profit or loss	**0**	**0**	**0**	**0**
Derivative financial instruments	0	0	0	0
Total	**297**	**255**	**5**	**37**

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 €37 million as of 31 March 2021 (31/03/2020: €53 million) are allocated to fair value level 3.

The fair value of the shares in METRO PROPERTIES GmbH & Co. KG declined by €16 million from €51 million to €35 million. This change was recognized through other comprehensive income. The change in fair value was determined mainly on the basis of selling prices from sales of land. The fair value of the shares is determined by the value of the real estate behind the investment, so higher or lower real estate values result in a higher or lower fair value, respectively.

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 recognized at amortized 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, Greece (until 29 November 2019), 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, amortization, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method.

– In the first half of financial year 2020/21, adjusted EBIT and adjusted EBITDA are adjusted for non-recurring effects and earnings effects from companies accounted for using the equity method and portfolio changes. Non-recurring effects include COVID-19-related permanent store closures, effects in connection with the introduction of a harmonized group-wide organizational structure ("Operating Model") and expenses in connection with the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure. Expenses for COVID-19-related permanent store closures are recognized in EBIT in the amount of €25 million and in EBITDA in the amount of €7 million in the second quarter of 2020/21 and in the first half of 2020/21. The COVID-19-related store closures relate to the permanent closures of MediaMarkt and Saturn stores in several European countries which have lower footfall as a result of the COVID-19 pandemic and cannot be brought back into the profit zone from the company's point of view. Expenses in connection with the introduction of a harmonized group-wide organizational structure ("Operating Model") of €8 million were recognized in EBIT and in EBITDA in the second quarter of 2020/21, and €8 million in EBIT and €7 million in EBITDA in the first half of 2020/21. The Operating Model focuses in particular on the harmonization of structures and standardized, efficient processes and procedures for the administrative functions in the country organizations of MediaMarktSaturn. In addition, the management structures in the stores will be unified throughout Europe, and the relief from administrative tasks will enable employees to focus on the customer experience to the greatest extent possible. Expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and reorganization of the shareholder structure amounting to around €2 million were recognized in EBIT and EBITDA in the second quarter of 2020/21. For this, expenses of €8 million are included in EBIT and EBITDA in the second half of 2020/21. In the second quarter of 2020/21, non-recurring effects amount to €–34 million (Q2 2019/20: €–3 million) in EBIT and €–17 million (Q2 2019/20: €–3 million) in EBITDA. EBIT includes income of €179 million (Q2 2019/20: expenses of €234 million) and EBITDA includes income of €29 million (Q2 2019/20: €34 million) for companies accounted for using the equity method and portfolio changes. In the first half of 2020/21, non-recurring effects amount to €–40 million (H1 2019/20: €27 million) in EBIT and –22 million (H1 2019/20: €27 million) in EBITDA. For companies recognized at equity and portfolio changes, EBIT includes earnings effects of €178 million (H1 2019/20: €–235 million) and EBITDA includes earnings effects of €28 million (H1 2019/20: €34 million).

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

€ million	Q2 2019/20	Q2 2020/21
Adjusted EBIT	**–131**	**–146**
Reorganization and efficiency program	–3	–
COVID-19-related permanent store closures	–	–25
Introduction of the Operating Model	–	–8
Transaction costs from minority stake acquisition	–	–2
Companies accounted for using the equity method and portfolio changes	–234	179
EBIT	**–368**	**–2**

€ million	H1 2019/20	H1 2020/21
Adjusted EBIT	**159**	**199**
Reorganization and efficiency program	27	–
COVID-19-related permanent store closures	–	–25
Introduction of the Operating Model	–	–8
Transaction costs from minority stake acquisition	–	–8
Companies accounted for using the equity method and portfolio changes	–235	178
EBIT	**–49**	**338**

€ million	Q2 2019/20	Q2 2020/21
Adjusted EBITDA	**71**	**55**
Reorganization and efficiency program	–3	–
COVID-19-related permanent store closures	–	–19
Introduction of the Operating Model	–	–8
Transaction costs from minority stake acquisition	–	–2
Companies accounted for using the equity method and portfolio changes	34	29
EBITDA	**102**	**54**

€ million	H1 2019/20	H1 2020/21
Adjusted EBITDA	**550**	**581**
Reorganization and efficiency program	27	–
COVID-19-related permanent store closures	–	–19
Introduction of the Operating Model	–	–7
Transaction costs from minority stake acquisition	–	–8
Companies accounted for using the equity method and portfolio changes	34	28
EBITDA	**611**	**575**

– 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 all the 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	31/03/2020	31/03/2021
Non-current segment assets	**3,689**	**3,506**
Financial assets	216	306
Cash and cash equivalents	2,424	901
Deferred tax assets	68	92
Income tax assets	125	62
Other entitlements to tax refunds[1]	113	128
Inventories	3,161	3,512
Trade receivables and similar claims	460	322
Receivables due from suppliers	1,277	1,094
Prepaid expenses and deferred charges[1]	53	58
Receivables from other financial transactions[2, 3]	8	8
Other[1, 2, 3, 4]	66	89
Group assets	**11,660**	**10,077**

[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

– The transfer pricing system between the segments is based on licence allocation on a cost-plus basis, which comprises cost relief in connection with routine services. The licence allocation, which is calculated on the basis of the segments' sales, covers the use of brands in the Group, among other things.

Contingent liabilities

CECONOMY had contingent liabilities of €10 million in the first half of 2020/21 (H1 2019/20: €2 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 2020.

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 MEDIA-SATURN-HOLDING GMBH

Through its wholly owned subsidiary CECONOMY Retail GmbH (CE Retail), CECONOMY AG indirectly holds 78.38 per cent of the shares in Media-Saturn-Holding GmbH (MSH).

By way of an action for annulment and a positive action for a declaratory judgement against the dismissive resolutions of the shareholders' meeting of MSH in December 2015 brought by the minority shareholder before the Ingolstadt Regional Court (Landgericht) on 28 January 2016, the minority shareholder of MSH sought the dismissal and suspension of the Managing Director of MSH appointed at the time by CE Retail (still operating as METRO Kaufhaus und Fachmarkt Holding GmbH at that time). The Ingolstadt Regional Court dismissed the minority shareholder's action by way of judgement dated 7 March 2017. The Munich Higher Regional Court (Oberlandesgericht) rejected the minority shareholder's appeal on 29 November 2017 and refused further leave to appeal. The minority shareholder appealed to the Federal Court (Bundesgerichtshof) against the refusal of further leave to appeal on 22 December 2017. In response to a joint motion by the parties involved, the Federal Court ordered the suspension of the proceedings on 26 February 2018. The proceedings have since been terminated by mutual agreement.

By way of a further legal challenge brought before the Ingolstadt Regional Court on 10 February 2016, also against the dismissive resolutions of the shareholders' meeting of MSH in December 2015, the minority shareholder of MSH sought damages against the management of MSH at the time that the minority shareholder felt were owed over supposed breaches of duty. The Ingolstadt Regional Court dismissed the action by way of judgement dated 18 November 2016. The Munich Higher Regional Court rejected the minority shareholder's appeal on 18 July 2017 and refused further leave to appeal. The minority shareholder appealed to the Federal Court against the refusal of further leave to appeal on 24 August 2017. In response to a joint motion by the parties involved, the Federal Court ordered the suspension of the proceedings on 26 February 2018. The proceedings have since been terminated by mutual agreement.

LEGAL DISPUTES IN RELATION TO THE GENERAL MEETING OF CECONOMY AG

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 . The Düsseldorf Regional Court 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 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. The Federal Court rejected the appeal by way of judgement dated 23 February 2021 resulting in the proceedings being concluded with legal effect. 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. By way of judgement dated 24 November 2020, the Federal Court rejected the non-admission complaint. The proceedings are now concluded with legal effect.

On 14 December 2020, CECONOMY AG concluded an agreement with the minority shareholder of MSH, Convergenta Invest GmbH ("**Convergenta**"), in which the parties, subject to the corresponding resolutions of CECONOMY AG's Annual General Meeting, agreed on matters which included the acquisition, transfer and contribution of the stake in MSH held by Convergenta to CECONOMY AG. In this context, on 17 February 2021, in agenda item 8 the CECONOMY AG Annual General Meeting resolved on (i) the increase of the CECONOMY AG share capital though a mixed contribution in kind under exclusion of the statutory subscription rights of the shareholders, (ii) the issue of convertible bonds against a mixed contribution in kind under exclusion of the statutory subscription rights of the shareholders and the creation of a new Contingent Capital 2021/I and (iii) the relevant changes to the Articles of Association. Several shareholders have filed actions for rescission and annulment against the resolution made under agenda item 8. The actions filed currently prevent the entry of the capital increases resolved in agenda item 8 into the commercial register of CECONOMY AG. CECONOMY AG has thus initiated proceedings for the release for entry in the register (*Freigabeverfahren*) under the German Stock Corporation Act to the Düsseldorf Higher Regional Court.

EVENTS AFTER THE REPORTING DATE

↗ Information on events after the second quarter can be found on page 12.

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, 6 May 2021

The Management Board

Dr Bernhard Düttmann

Florian Wieser

REVIEW REPORT

TO CECONOMY AG, DÜSSELDORF

We have reviewed the condensed interim consolidated 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, 2020 to March 31, 2021 that are part of the semi annual according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the 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 interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Düsseldorf, 6 May 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German Version signed by:]

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

FINANCIAL CALENDAR

Quarterly statement Q3/9M 2020/21	Thursday	12 August 2021	7:00 a.m.
Annual report FY 2020/21	Tuesday	14 December 2021	7:00 a.m.

All time specifications according to German time.

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GENERAL INFORMATION

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Disclaimer

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

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