CECONOMY

Q3/9M 2019/20

QUARTERLY STATEMENT

SELECTED KEY FIGURES

Q3 2019/20

–8.4%

Significant sales[1] decline due to COVID-19

–45 €m

Adjusted EBIT[2,3] at the previous year's level 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
[3] Including IFRS 16

SELECTED KEY FIGURES

9M 2019/20

–4.6%

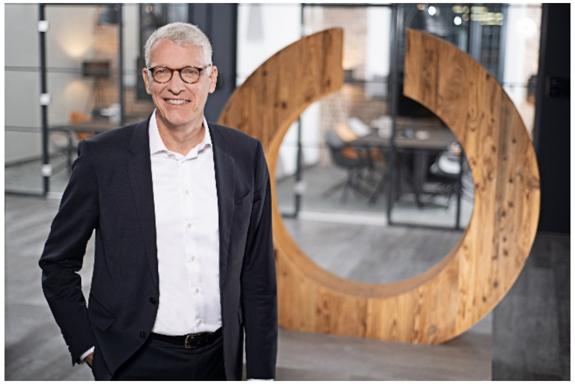
Negative sales development[1] due to COVID-19 effects

113 €m

Adjusted EBIT[2,3] 139 €m below prior year due to COVID-19 effects

[1] Sales adjusted for currency effects and portfolio changes
[2] Adjusted EBIT before non-recurring effects, associates and portfolio changes
[3] Including IFRS 16

THE THIRD QUARTER IN REVIEW



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After the end of the store closures, we quickly regained a foothold in our stationary business. Thanks to noticeable catch-up effects, in May and June our sales were already back above the previous year's level. Due also to the swift and consequent countermeasures in response to COVID-19, we closed the third quarter better than expected. This was also largely due to the success of our online business, which accounted for more than a third of total sales in the third quarter. We thus further strengthened our position in the online business. Our online stores' nearly three million new customer registrations since March speak for themselves. In order to be able to react more quickly to the structural changes in the retail environment and to make the company fit for the future in the long term, we are now pushing ahead with a more agile and leaner organizational structure. This should also make a significant contribution to a stronger customer focus and create important prerequisites for accelerating our transformation.

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Dr Bernhard Düttmann,
Chief Executive Officer

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We have had an extraordinary third quarter, which we closed with robust business performance despite the enormously challenging conditions. We fully offset the sales decline in April due to COVID-19 and the negative margin trend in the quarter as a whole with extensive cost reduction measures and the sales increase in May and June. Despite the effects of the pandemic, adjusted Group earnings reached the previous year's level. The persistently strong momentum in the online business is particularly satisfying when one considers that over 90% of our stores have been open again since mid-May. It is also encouraging that Services & Solutions sales already regained the previous year's level in June and that the pick-up option has been much more popular again recently. On the basis of the business performance to date and the knowledge available to us, we have ultimately made our outlook for 2019/20 as a whole more precise.

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Karin Sonnenmoser,
Chief Financial Officer

Contents

This document is a quarterly statement according to Section 53 Frankfurt Stock Exchange Regulations.

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 organisation. The forecast key figures sales and EBIT are adjusted by not including the corresponding key figures from MediaMarkt Greece in the current year or in the previous year. In financial year 2019/20, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with (1) the reorganization and efficiency program announced on 29 April 2019, (2) COVID-19 related store closures and (3) the introduction of a harmonized group-wide organizational structure (“Operating Model”). This adjustment also affects the previous year’s figures, in which expenses were incurred in connection with the reorganization and efficiency program as well as top management changes.

(1) The reorganization and efficiency program aims at streamlining the group’s processes, structures and business activities, reducing costs and therefore creating the foundation for profitable growth. The optimisation and restructuring particularly focuses on central functions and administrative units in Germany. The program also includes reviewing the business activities of smaller portfolio companies. This also includes the transaction with respect to the MediaMarkt Greece business.
(2) The COVID-19 related store closures relate to the permanent closures of MediaMarkt and Saturn stores in several European countries which have lower customer frequency as a result of the COVID-19 pandemic and cannot be brought back into the profit zone from the company's point of view.
(3) 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.

For more details on the management-relevant key performance indicators, please refer to pages 52 to 55 of CECONOMY’s Annual Report 2018/19. Recognised tax expenses were calculated in accordance with the regulations governing interim financial reporting using the so-called integral approach. Commercial rounding is used for the figures shown in this quarterly statement. This may result in some individual figures not adding up to the totals shown. Since 1 October 2019, CECONOMY has applied the new accounting standard IFRS 16 (Leases).

↗ For additional information on the new accounting standard IFRS 16 (Leases), please refer pages 145 to 147 of the Annual Report 2018/19.

FINANCIAL FIGURES AT A GLANCE[1,2]

Sales and earnings

€ million	Q3 2018/19	Q3 2019/20	Change	9M 2018/19	9M 2019/20	Change
Sales	4,565	4,107	−10.0%	16,459	15,559	−5.5%
Sales development adjusted for currency effects and portfolio changes	0.2%	−8.4%	–	0.9%	−4.6%	–
Like-for-like sales development	0.1%	−7.6%	–	0.5%	−4.2%	–
Gross margin	18.7%	15.9%	−2.8%p.	18.8%	17.4%	−1.5%p.
EBIT	−126	−64	48.9%	128	−113	–
Adjusted EBIT	−43	−45	−6.0%	252	113	−55.1%
Net financial result	12	−13	–	27	−28	–
Tax rate	45.4%	−69.1%	−114.5%p.	32.2%	−54.5%	−86.6%p.
Profit or loss for the period attributable to non-controlling interests	−14	−27	−98.5%	21	11	−47.8%
Net result	−48	−104	<−100%	84	−229	–
Earnings per share (€)	−0.13	−0.29	−0.16	0.23	−0.64	−0.87

Other operating key figures

€ million	Q3 2018/19	Q3 2019/20	Change	9M 2018/19	9M 2019/20	Change
Online sales	594	1,446	>100%	2,300	3,353	45.7%
Services & Solutions sales	277	225	−18.5%	900	879	−2.3%
Investments as per segment report	35	85	>100%	110	317	>100%

Cash flow

€ million	9M 2018/19	9M 2019/20	Change
Cash flow from operating activities	−389	168	557
Cash flow from investing activities	170	−127	−296
Cash flow from financing activities	−23	−296	−273
Change in net working capital[3]	−644	−654	−9
Free cash flow	−521	27	547

Statement of financial position

€ million	30/06/2019[4]	30/06/2020	Change
Net working capital	−781	−340	441
Net liquidity (+)/Net debt (−)	507	−1,625	−2,132

Other operating key figures (as of 30/06)

	30/06/2019	30/06/2020	Change
Number of stores	1,037	1,024	−13
Selling space (thousand m²)	2,755	2,670	−84
Workforce by full-time equivalents	49,791[5]	45,162	−4,629

[1] Business figures represent the continuing operations of CECONOMY
[2] Due to the first-time application of new accounting standards (especially IFRS 16), the previous year’s figures are partly not comparable.
[3] Change in net working capital shown from the related balance sheet items, adjusted for non-cash items
[4] Adjustment of previous year due to changes in presentation and definitions (see explanations under “Financial and asset position”)
[5] Adjustment due to a change in the calculation basis

OUTLOOK

In light of developments in connection with COVID-19 and the expected impact on sales and earnings, the initial guidance for the current financial year 2019/20 was initially withdrawn on 18 March 2020 and revised with the publication of the half-year financial report Q2/H1 2019/20 on 14 May 2020. Based on the preliminary business development of the first nine months of 2019/20 and the current state of knowledge, the Management Board of CECONOMY specified the most relevant key figures for financial year 2019/20 on 16 July 2020. The updated outlook was compiled assuming that there would be no more restrictions as a result of the COVID-19 pandemic in the remaining months of financial year 2019/20 that would impact the business again.

The outlook is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019, COVID-19 related store closures as well as the introduction of a harmonized group-wide organizational structure (“Operating Model”) are not included.

SALES

Based on the recovery over the course of the third quarter, CECONOMY now expects only a slight year-on-year decline in total sales adjusted for exchange rate effects in financial year 2019/20.

EARNINGS

For financial year 2019/20, CECONOMY expects an EBIT between €165 million and €185 million, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect between €5 million to €15 million due to the introduction of IFRS 16.

EVENTS IN THE THIRD QUARTER

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

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

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

After many weeks of lockdown, the German federal government and state governments agreed on a gradual easing of COVID-19 policies and shopping restrictions. Starting on 22 April 2020, many MediaMarkt and Saturn stores reopened in various German states, restricted to smaller, clearly partitioned retail spaces not exceeding 800 square metres. Newly opened stores complied with all required and recommended hygiene and safety standards. Since 13 May 2020, the electronics stores in all German states have reopened their entire selling space. In Austria all stores resumed operations on 2 May 2020, followed by Poland on 4 May 2020. In Italy almost all stores were open again on 7 May 2020. On 11 May, the stores in Switzerland, Spain, Belgium and Luxembourg also resumed operations. Finally, the Turkish MediaMarkt stores reopened on 1 June 2020. As of 1 June 2020, therefore, all MediaMarkt and Saturn stores that had temporarily closed due to lockdown were open again.

The temporary closure of most of its stores as a result of the requirements of national governments against the spread of coronavirus had noticeable negative effects on CECONOMY's business throughout the Group. The company therefore launched extensive measures to secure liquidity and earnings at an early stage. These included state support (especially short-time working allowance) and cost reduction measures. Due to the lower footfall in stores as a result of the COVID-19 pandemic, CECONOMY decided to permanently close 14 stores in Europe. In the third quarter of 2019/20, the reported EBIT already includes non-recurring effects amounting to approximately €–19 million, which are attributable to asset impairments. As CECONOMY announced on 12 August 2020 (see "Events after the reporting date"), the number of European stores may decline slightly further in the coming months.

EVENTS AFTER THE REPORTING DATE

On 16 July 2020, CECONOMY AG issued an ad hoc release announcing the preliminary figures for the third quarter and an update to the outlook for financial year 2019/20.

On 5 August 2020, CECONOMY AG issued an ad hoc release in response to a media enquiry confirming that the company is considering the introduction of a unified group-wide organisational structure (“Operating Model“) in order to put important structural conditions in place for the transformation of the company. Faced with declining footfall as a result of the COVID-19 pandemic, the company also confirmed that it was considering the limited closure of further loss-making stores throughout Europe. At that time, no decision had yet been made about the execution or scope of the measures to be taken.

On 12 August 2020, it was announced that CECONOMY AG and Media-Saturn-Holding GmbH, a majority shareholding of CECONOMY, have now decided to introduce a harmonized group-wide organizational structure ("Operating Model"). The new Operating Model focuses on harmonized management structures and standardized, efficient processes and procedures across all countries. This applies to the administrative functions in the country organizations as well as to the store organization. The new, harmonized management structure for the stores and the relief of administrative tasks will enable employees to focus on the customer experience to the greatest extent possible. In view of declining customer frequency as a result of COVID-19, MediaMarktSaturn is also reviewing its store portfolio throughout Europe. The number of European stores may decline further slightly in the coming months in addition to the already decided closures of 14 stores (see "Events in the third quarter"). In course of the implementation of the new Operating Model, a total of up to 3,500 full-time jobs may be reduced at MediaMarktSaturn in the coming 24 to 36 months, primarily in foreign European countries. CECONOMY expects the implementation of the aforementioned measures to result in sustainable savings of just over €100 million per year, the majority of which are to take effect from the financial year 2022/23. Expenses for the implementation of the measures will probably amount to a total of approximately €180 million, a significant part of which is to be booked in the current financial year 2019/20. The outlook for the most relevant key figures for financial year 2019/20 published on 16 July 2020 remains unaffected.

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)
	Q3 2018/19	Q3 2019/20	Q3 2019/20	Q3 2019/20	Q3 2019/20	Q3 2019/20
Total	**4,565**	**4,107**	**−10.0%**	**−0.8%**	**−8.4%**	**−7.6%**
DACH	2,662	2,468	−7.3%	0.0%	−7.3%	−6.6%
Western/Southern Europe	1,452	1,270	−12.5%	0.0%	−9.9%	−9.7%
Eastern Europe	343	271	−21.1%	−10.0%	−11.1%	−11.8%
Others	108	98	−9.1%	0.2%	−9.3%	13.3%

9M		Sales (€ million)	Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	9M 2018/19	9M 2019/20	9M 2019/20	9M 2019/20	9M 2019/20	9M 2019/20
Total	**16,459**	**15,559**	**−5.5%**	**−0.3%**	**−4.6%**	**−4.2%**
DACH	9,674	9,300	−3.9%	0.1%	−3.9%	−3.4%
Western/Southern Europe	5,192	4,751	−8.5%	0.0%	−6.6%	−7.0%
Eastern Europe	1,193	1,155	−3.2%	−4.1%	1.0%	−0.9%
Others	400	353	−11.6%	−1.5%	−10.1%	5.8%

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

GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES SIGNIFICANTLY BELOW PRIOR YEAR AS A RESULT OF COVID-19

In the **first nine months of 2019/20**, CECONOMY generated Group sales of €15.6 billion, a decline of 5.5 per cent compared with the prior-year period. Adjusted for currency effects and portfolio changes, sales were down 4.6 per cent year-on-year. On a like-for-like basis, Group sales recorded a decrease of 4.2 per cent compared to the prior-year period.

In the **third quarter of 2019/20**, Group sales recorded a significant decline of 10.0 per cent compared with the prior-year period, and totalled €4.1 billion. Adjusted for currency effects and portfolio changes, sales fell by 8.4 per cent. On a like-for-like basis, Group sales recorded a decrease of 7.6 per cent compared to the prior-year period.

The decline in the third quarter is exclusively attributable to the negative sales development of the stationary business due to the closure of the majority of its stores in April as a result of the requirements of national governments against the spread of coronavirus. With the gradual reopening of stores in all countries, except Turkey, from around mid-May sales increased again despite restrictions regarding the size of the selling space and opening hours, for example, and this accelerated further in June. Online business recorded extraordinary growth throughout the Group in the third quarter, although this only partially offset the loss of stationary sales caused by the store closures.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first nine months of 2019/20**, the DACH segment generated sales of €9.3 billion, a decrease of 3.9 per cent compared with the prior-year period. Adjusted for currency effects and portfolio changes, sales also declined by 3.9 per cent year-on-year.

In the **third quarter of 2019/20**, sales in the DACH segment were down 7.3 per cent, totalling €2.5 billion. Adjusted for currency and portfolio change effects, sales likewise fell by 7.3 per cent compared with the prior-year quarter. This can be attributed in particular to the sharp decline in sales in Germany, Austria and Switzerland due to store closures in response to COVID-19 in April and part of May. Sales in these countries recovered with the easing of restrictions in the stationary business and catch-up effects. This trend accelerated in June.

EXPLANATION OF SALES IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In the **first nine months of 2019/20**, the Western and Southern Europe segment generated sales of €4.8 billion, a decline of 8.5 per cent. Adjusted for currency effects and portfolio changes, sales declined by 6.6 per cent.

In the **third quarter of 2019/20**, sales in the Western and Southern Europe segment dropped by 12.5 per cent compared with the prior-year period to approximately €1.3 billion. Adjusted for currency effects and portfolio changes, sales declined by 9.9 per cent. There was a sharp drop in sales in Spain, which was a particularly affected by store closures in April followed by tight restrictions in the brick-and-mortar business on selling space and product range. Sales likewise dropped sharply in Italy as a result of closures, whereby a recovery began as soon as the stores reopened in May. The Netherlands posted a sharp increase in sales due in particular to significant growth in the online business, which is partly attributable to a low basis for comparison.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first nine months of 2019/20**, sales in the Eastern Europe segment dropped by 3.2 per cent to €1.2 billion. Adjusted for currency effects and portfolio changes, sales were up 1.0 per cent above the comparable figure of the previous year.

In the **third quarter of 2019/20**, sales in the Eastern Europe segment declined by 21.1 per cent to approximately €0.3 billion. The strong depreciation of the Turkish lira also continued to negatively impact sales. Adjusted for currency effects and portfolio changes, sales in the segment declined by 11.1 per cent on the same quarter of the previous year. Segment sales declined sharply in April and in Turkey also in May due to the COVID-19 related store closures. While sales growth increased again slowly in Poland in June, Turkey posted high double-digit growth rates driven by the late reopening and corresponding catch-up effects.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first nine months of 2019/20**, sales in the Others segment declined by 11.6 per cent compared with the prior-year period to approximately €0.4 billion. Adjusted for currency effects and portfolio changes, sales were down 10.1 per cent year-on-year.

In the **third quarter of 2019/20**, sales in the Others segment declined by 9.1 per cent to approximately €0.1 billion. Adjusted for currency and portfolio change effects, segment sales declined by 9.3 per cent. This decline is attributable exclusively to the disposal of iBood in the last financial year. Sweden, which was not affected by closures, showed a strong sales trend with double-digit growth rates also as a result of the initiated restructuring and repositioning.

Quarter	Sales (€ million)		Change (%)	In % of total sales
	Q3 2018/19	Q3 2019/20		
Online	594	1,446	143.3	35.2
Services & Solutions	277	225	−18.5	5.5

9M	Sales (€ million)		Change (%)	In % of total sales
	9M 2018/19	9M 2019/20		
Online	2,300	3,353	45.7	21.5
Services & Solutions	900	879	−2.3	5.7

ACCELERATED GROWTH IN ONLINE BUSINESS DRIVEN BY COVID-19

In the **first nine months of 2019/20**, online sales increased by 45.7 per cent to approximately €3.4 billion. In total, the online share of total sales amounted to 21.5 per cent in the first nine months of the reporting period (9M 2018/19: 14.0 per cent).

In the **third quarter of 2019/20**, online business achieved exceptionally strong growth of 143.3 per cent. As a result, sales reached a figure of €1.4 billion, which equates to a 35.2 per cent share of total sales (Q3 2018/19: 13.0 per cent).

The COVID-19 pandemic is having a catalyst effect on online business. Since the closure of the stationary business as a result of COVID-19, customers are increasingly going online. To match increased demand and make use of existing inventories in the stores, CECONOMY also processed online orders by shipping from local store inventories where these products were no longer in stock in online warehouses. The strong performance of online business continued over the third quarter, despite successive store reopenings in May and June, even in countries that were not affected by the store closures as a result of COVID-19.

In the first nine months of the reporting period, the pick-up rate was approximately 37 per cent (9M 2018/19: approximately 44 per cent). In the third quarter, this rate was approximately 32 per cent (Q3 2018/19: approximately 46 per cent). The sharp decline in the pick-up rate in the third quarter is due to the fact that, on the one hand, the pick-up option was only partially possible in the closed stores in April and, on the other hand, the total number of online orders increased as a result of the pure Internet orders. In addition, the strict lockdowns in some countries in April meant that customers were less able to make use of the option to collect goods ordered online in store. As stores successively reopened, pick-up sales also recovered in May and especially in June, while the pick-up rate remained lower than in the previous year.

SALES DECLINE IN SERVICES & SOLUTIONS SEGMENT DUE TO COVID-19

In the **first nine months of 2019/20**, sales in Services & Solutions declined by 2.3 per cent to €879 million. This equates to a Services & Solutions share of total sales of 5.7 per cent (9M 2018/19: 5.5 per cent).

In the **third quarter of 2019/20**, sales in the Services & Solutions segment declined by 18.5 per cent to €225 million. Services & Solutions accounted for 5.5 per cent of total sales (Q3 2018/19: 6.1 per cent). As Services & Solutions is mostly used in combination with in-store purchases and many services are provided at our in-store “Smartbars”, this third quarter performance is a result of store closures in April and part of May and the lower footfall after reopening in connection with ongoing capacity restrictions. The Services & Solutions business also began to recover towards the end of the quarter. In June, sales had already returned to the previous year’s level.

Quarter	Reported EBIT	Reported EBIT	Change compared to prior year	Adjusted EBIT[1]	Adjusted EBIT[2]	Change compared to prior year
€ million	Q3 2018/19	Q3 2019/20	Q3 2019/20	Q3 2018/19	Q3 2019/20	Q3 2019/20
Total[3]	**−126**	**−64**	**61**	**−43**	**−45**	**−3**
DACH	−82	−1	81	−9	3	12
Western/Southern Europe	−11	−41	−30	−8	−30	−22
Eastern Europe	−3	−10	−8	−4	−7	−4
Others	−30	−11	18	−22	−11	12

[1] Before earnings effects from restructuring and management changes, companies accounted for using the equity method and portfolio changes
[2] Before non-recurring effects, associates and portfolio changes
[3] Including consolidation

9M	Reported EBIT	Reported EBIT	Change compared to prior year	Adjusted EBIT[1]	Adjusted EBIT[2]	Change compared to prior year
€ million	9M 2018/19	9M 2019/20	9M 2019/20	9M 2018/19	9M 2019/20	9M 2019/20
Total[3]	**128**	**−113**	**−241**	**252**	**113**	**−139**
DACH	115	189	73	234	197	−38
Western/Southern Europe	52	7	−44	62	−13	−75
Eastern Europe	8	−27	−35	8	−23	−31
Others	−47	−282	−234	−52	−47	5

[1] Before earnings effects from restructuring and management changes, companies accounted for using the equity method and portfolio changes
[2] Before non-recurring effects, associates and portfolio changes
[3] Including consolidation

ADJUSTED GROUP EBIT AT THE PREVIOUS YEAR'S LEVEL IN THE THIRD QUARTER DESPITE EFFECTS OF THE COVID-19 PANDEMIC

In the **first nine months of 2019/20**, reported Group EBIT declined by €241 million to €−113 million (9M 2018/19: €128 million). This includes non-recurring effects of around €9 million (9M 2018/19: €−154 million) and earnings effects from companies accounted for using the equity method of €−235 million (9M 2018/19: €32 million). Adjusted for these effects and portfolio changes, Group EBIT declined by €139 million to €113 million (9M 2018/19: €252 million). The Group EBIT in the first nine months of 2019/20 also includes a positive effect from the introduction of IFRS 16 of approximately €7 million.

In the **third quarter of 2019/20**, Group EBIT of €−64 million was achieved. In the prior-year period this figure was €−126 million. This includes non-recurring effects amounting to approximately €−18 million (Q3 2018/19: €−80 million). Adjusted for these earnings effects and portfolio changes, Group EBIT amounted to €−45 million and was thus at the previous year's level (Q3 2018/19: €−43 million). Group EBIT in the third quarter of 2019/20 also includes a positive effect from the introduction of IFRS 16 of approximately €1 million.

The early and extensive measures in response to COVID-19 had a particularly positive effect on earnings. State support (especially short-time working allowance) and cost reduction measures had a compensatory effect. In addition, savings associated with the reorganization and efficiency program continued to take effect, supporting earnings for the quarter. The negative sales trend of the stationary business due to the closures as a result of COVID-19 in April coupled with a negative margin development in the quarter as a whole had the opposite effect. The gross margin declined by 2.8 percentage points to 15.9 per cent (adjusted: by 2.6 percentage points to 16.1 per cent), with a monthly trend improvement. The main reasons for the decline in the gross margin were channel and product mix effects, higher delivery costs due to the strong growth in online business and lower income from Services & Solutions.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first nine months of 2019/20**, the DACH segment generated an EBIT of €189 million, €73 million above the previous year's level (9M 2018/19: €115 million). This includes non-recurring effects amounting to approximately €–8 million (9M 2018/19: €–119 million). Adjusted for these effects, EBIT in the DACH segment saw a decline of €38 million to €197 million (9M 2018/19: €234 million).

In **the third quarter of 2019/20**, EBIT in the DACH segment was €–1 million and therefore €81 million above the previous year (Q3 2018/19: €–82 million). This includes non-recurring effects amounting to approximately €–3 million (Q3 2018/19: €–72 million). Adjusted for these effects, EBIT in the DACH segment increased by €12 million to €3 million (Q3 2018/19: €–9 million). Despite the store closures in April and part of May and continuing restrictions on selling space in stationary business, Germany recorded a solid increase in earnings. This can mainly be attributed to cost measures relating to COVID-19, especially in personnel due to the introduction of short-time work. Earnings in the other countries of the segment were approximately at the previous year's level.

EXPLANATION OF THE RESULT IN THE WESTERN AND SOUTHERN EUROPE SEGMENT

In Western and Southern Europe, EBIT fell in the **first nine months of 2019/20** by €44 million to €7 million. This includes non-recurring effects amounting to approximately €20 million (9M 2018/19: €–7 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €75 million to €–13 million (9M 2018/19: €62 million).

In the **third quarter of 2019/20**, the Western and Southern Europe segment generated EBIT of €–41 million, €30 million below the previous year's level (Q3 2018/19: €–11 million). This includes non-recurring effects amounting to approximately €–11 million (Q3 2018/19: €–4 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €22 million to €–30 million (Q3 2018/19: €–8 million). Spain posted a significant decline in earnings driven by sales and margins, which was due to the effects of the COVID-19 pandemic and especially to the loss of income in the Services & Solutions business. Earnings in Italy likewise declined sharply. In the Netherlands, in contrast, the earnings development was slightly positive in light of the strong sales trend and declining costs.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first nine months of 2019/20**, EBIT in the Eastern Europe segment at €–27 million was approximately €35 million below the previous year's level (9M 2018/19: €8 million). This includes non-recurring effects amounting to approximately €–3 million (9M 2018/19: €1 million). Adjusted for these earnings effects, EBIT declined by €31 million to €–23 million (9M 2018/19: €8 million).

In the **third quarter of 2019/20**, EBIT in the Eastern Europe segment declined by €8 million to €–10 million (Q3 2018/19: €–3 million). This includes non-recurring effects amounting to approximately €–3 million (Q3 2018/19: €1 million). Adjusted for these earnings effects, EBIT declined by €4 million to €–7 million (9M 2018/19: €–4 million). This development is exclusively attributable to an earnings decline in Poland. In Turkey, the decline in sales as a result of COVID-19 was entirely compensated for with cost savings.

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 nine months of 2019/20**, EBIT declined by €234 million year-on-year to €–282 million (9M 2018/19: €–47 million). In the reporting period, there were no non-recurring effects. Expenses associated with the reorganization and efficiency program as well as management changes at CECONOMY AG amounting to approximately €28 million were included in earnings in the prior-year comparable period. The decrease in reported EBIT is exclusively due to the negative earnings effect from companies accounted for using the equity method due to the impairment of our share in Fnac Darty S.A. of €268 million in the second quarter. Adjusted for non-recurring effects in the previous year and the earnings effects from companies accounted for using the equity method, EBIT rose by €5 million to €–47 million (9M 2018/19: €–52 million). Earnings in Sweden, at €–21 million, were almost at the previous year's level (9M 2018/19: €–19 million). Other, smaller operating companies in the Others segment generated an EBIT of €–3 million (9M 2018/19: €–6 million).

In the **third quarter of 2019/20**, EBIT increased by €18 million year-on-year to €–11 million (Q3 2018/19: €–30 million). In the reporting period, there were no non-recurring effects. The prior year quarter included €7 million in expenses associated with the reorganization and efficiency program. Adjusted for these effects and earnings effects from companies accounted for using the equity method, EBIT rose by €12 million to €–11 million (Q3 2018/19: €–22 million). This is due firstly to an earnings improvement in Sweden and secondly to lower headquarter expenses at CECONOMY AG. Earnings in Sweden, at €–5 million, were €6 million higher than in the previous year (Q3 2018/19: €−11 million). Other, smaller operating companies in the Others segment generated an EBIT of €−2 million (Q3 2018/19: €−2 million).

€ million	Q3 2018/19				Q3 2019/20				
		Non-recurring				Non-recurring			
	Reported EBIT	Earnings effects from restructuring and management changes	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT	Reported EBIT	Earnings effects from the reorganization and efficiency program	Effects of store closures	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**−126**	**−80**	**−2**	**−43**	**−64**	**1**	**−19**	**−1**	**−45**
DACH	−82	−72	0	−9	−1	3	−6	0	3
Western/Southern Europe	−11	−2	−2	−8	−41	−2	−10	0	−30
Eastern Europe	−3	1	0	−4	−10	0	−3	0	−7
Others	−30	−7	−1	−22	−11	0	0	−1	−11

[1] Including consolidation

€ million	9M 2018/19				9M 2019/20				
		Non-recurring				Non-recurring			
	Reported EBIT	Earnings effects from restructuring and management changes	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT	Reported EBIT	Earnings effects from the reorganization and efficiency program	Effects of store closures	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**128**	**−154**	**29**	**252**	**−113**	**28**	**−19**	**−235**	**113**
DACH	115	−119	0	234	189	−2	−6	0	197
Western/Southern Europe	52	−7	−3	62	7	30	−10	0	−13
Eastern Europe	8	1	0	8	−27	0	−3	0	−23
Others	−47	−28	32	−52	−282	0	0	−235	−47

[1] Including consolidation

Financial and asset position

ADJUSTMENT OF THE PREVIOUS YEAR'S FIGURES

As a result of changes in presentation implemented at the beginning of financial year 2019/20, the key reclassifications with retroactive effect as of 30 June 2019 amounted to €160 million from non-current contract liabilities and €301 million from current contract liabilities to "trade liabilities and similar liabilities".

In addition, credit card receivables of €77 million were reclassified from "Other financial assets (current)" to "Cash and cash equivalents".

Adjustments resulting from the changed definition of net working capital amount to €276 million and relate primarily to the reclassification of credit card receivables and including liabilities from deferred sales from extended warranties.

CASH FLOW

€ million	9M 2018/19	9M 2019/20	Change
Cash flow from operating activities	−389	168	557
Cash flow from investing activities	170	−127	−296
Cash flow from financing activities	−23	−296	−273
Change in net working capital[1]	−644	−654	−9
Free cash flow	−521	27	547

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

In the first nine months of financial year 2019/20, **cash flow from operating activities** of continuing operations resulted in a cash inflow of €168 million. This compares with a cash outflow of €389 million in the previous year. The €557 million higher cash flow from operating activities increased primarily due to the introduction of IFRS 16 and the associated change in the recognition of lease expenses. In addition, tax refunds relating to tax prepayments of the previous year led to a cash inflow. Moreover, fewer tax prepayments were made this year as a result of the COVID-19 pandemic. In addition, value added tax payments were deferred. The **change in net working capital** was at the previous year's level. The comparatively lower increase in inventories and a comparatively higher reduction in receivables due from suppliers compensated for the effect of significantly lower trade liabilities and similar liabilities.

In the first nine months of financial year 2019/20, **cash flow from investing activities** amounted to €−127 million after €170 million in prior-year period. The year-on-year change is primarily the result of the sale of a 5.4 per cent share in METRO AG, which led to a cash inflow in the third quarter of the previous year. This year's cash outflow is due to a cash investment in the joint venture in Greece. The expenses for expansion and modernisation were lower than in the prior-year period. In order to support financial flexibility and stability, in view of the impact of the coronavirus on our business, planned modernisations and new openings in particular were suspended until further notice.

In the first nine months of financial year 2019/20, **cash flow from financing activities** resulted in a cash outflow of €296 million. This compares with a cash outflow of €23 million in the prior-year period. The credit facilities utilised in the second quarter of 2019/20 against the backdrop of the COVID-19 pandemic were paid back almost entirely. The higher cash outflow year-on-year is primarily due to the redemption of lease liabilities under IFRS 16 (€−403 million).

In the first nine months of financial year 2019/20, **free cash flow** amounted to €27 million and thus €547 million above the previous year's figure of €−521 million. This increase is mainly due to the introduction of IFRS 16 and positive effects from tax refunds and deferrals.

NET WORKING CAPITAL BELOW PREVIOUS YEAR PRIMARILY DUE TO COVID-19

Net working capital as of 30 June 2020 declined by €441 million compared with 30 June 2019. The year-on-year decline is the result of much lower trade liabilities and similar liabilities. This is attributable to the lower order volume, especially in April and May, as a result of COVID-19. The decline in trade receivables and similar claims and in receivables due from suppliers, likewise caused by lower sales, could not compensate for the decline in liabilities. At the reporting date, inventories were back at the previous year's level after the high level in the previous quarter.

HIGHER NET DEBT DUE TO THE APPLICATION OF IFRS 16

As of 30 June 2020, net debt amounted to €1,625 million. In the previous year, net liquidity of €507 million was reported. This development is due to the first-time application of IFRS 16 and the resulting recognition of around €2.1 billion of lease liabilities (1 October 2019: €2.3 billion) in the statement of financial position. Adjusted for these lease liabilities, net liquidity as of 30 June 2020 amounted to €504 million and was therefore at the previous year's level.

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

Investments as per segment report totalled €317 million in the first nine months of financial year 2019/20, €207 million above the previous year's figure (9M 2018/19: €110 million). The sharp rise is primarily due to the first-time application of IFRS 16, according to which lease obligations now entered into must be capitalized as right-of-use assets in the statement of financial position. The additions from this item amounted to €194 million in the first nine months of the year. Comparable investments in intangible assets, property, plant and equipment and investments accounted for using the equity method came to €123 million in the first nine months of the year, €14 million higher than in the previous year (9M 2018/19: €109 million). This also includes €31 million in additions from investments accounted for using the equity method[1] (9M 2018/19: €0 million), mainly for the addition of the joint venture investment in Greece. The remaining investments were lower due to lower expansion activities and lower expenses for modernisation.

In the third quarter of 2019/20 investments as per segment report totalled €85 million, €50 million above the previous year's level (Q3 2018/19: €35 million). This includes €63 million in right-of-use assets to be capitalised for the first time under IFRS 16. At €22 million, comparable investments in intangible assets, property, plant and equipment and investments accounted for using the equity method came in significantly below the previous year's level in the third quarter (Q3 2018/19: €35 million). The lower investing activities in the third quarter are due to the suspension of investments in the modernisation of stores and expansion in order to mitigate the effects of the sales interruption on the company's liquidity due to COVID-19.

In the first nine months of 2019/20, the store network was expanded by two stores. However, 20 stores were closed in the reporting period. This includes 12 stores in connection with the disposal of the MediaMarkt Greece business. At the end of the third quarter of 2019/20, the total number of our stores was 1,024. In the third quarter, the store network was expanded by one store in Italy. However, in the same period, two stores were closed in Germany. The average **selling space per store** was 2,608 square metres as of 30 June 2020, essentially unchanged as against 31 March 2020.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 30 June 2020, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of two to seven years. For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. There was no outstanding commercial paper as of 30 June 2020 (30 June 2019: €142 million).

In addition, a syndicated credit facility is available to CECONOMY AG in a total amount of €2,680 million. As of 30 June 2020, €75 million of this had been utilised (30 June 2019: €0 million), while the tranche concluded in mid-May with the involvement of KfW has not been utilised at any time to date. A further €74 million was borrowed via local credit facilities in various countries, so credit facilities totalling approximately €149 million had been drawn as of the reporting date (30 June 2019: €0 million).

CECONOMY AG is assessed by international rating agencies Moody's and Scope. On 10 April 2020, Moody's downgraded the company's rating from Baa3 to Ba1 with a negative outlook, citing in particular the adverse effects of COVID-19 on CECONOMY AG. The rating agency Scope changed the BBB– rating of CECONOMY AG from "stable" to "under review" on 6 May 2020. A downgrade to non-investment grade below Baa3/BBB– could have negative implications on our financing costs. As of 30 June 2020, CECONOMY therefore had an investment grade rating (BBB–, outlook "under review") from Scope and a non-investment grade rating from Moody's (Ba1, outlook "negative").

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income statement

€ million	Q3 2018/19	Q3 2019/20	9M 2018/19	9M 2019/20
Sales	**4,565**	**4,107**	**16,459**	**15,559**
Cost of sales	−3,711	−3,453	−13,360	−12,858
Gross profit on sales	**854**	**654**	**3,099**	**2,701**
Other operating income	39	39	148	160
Selling expenses	−820	−651	−2,615	−2,341
General administrative expenses	−195	−102	−527	−370
Other operating expenses	−3	−2	−6	−25
Earnings share of operating companies recognised at equity	0	−1	33	−235
Net impairments on operating financial assets and contract assets	−1	−3	−4	−4
Earnings before interest and taxes (EBIT)	**−126**	**−64**	**128**	**−113**
Other investment result	−6	0	46	20
Interest income	5	1	17	6
Interest expenses	−8	−13	−27	−43
Other financial result	22	−2	−9	−11
Net financial result	**12**	**−13**	**27**	**−28**
Earnings before taxes (EBT)	**−113**	**−77**	**155**	**−141**
Income taxes	51	−54	−50	−77

€ million	Q3 2018/19	Q3 2019/20	9M 2018/19	9M 2019/20
Profit or loss for the period from continuing operations	**−62**	**−131**	**105**	**−218**
Profit or loss for the period from discontinued operations	−2	−1	2	2
Profit or loss for the period	**−64**	**−132**	**107**	**−216**
Profit or loss for the period attributable to non-controlling interests	−14	−27	21	11
from continuing operations	**−14**	**−27**	**21**	**11**
from discontinued operations	0	0	0	0
Profit or loss for the period attributable to shareholders of CECONOMY AG	−50	−105	86	−227
from continuing operations	**−48**	**−104**	**84**	**−229**
from discontinued operations	−1	−1	2	2
Earnings per share in € (basic = diluted)	**−0.14**	**−0.29**	**0.24**	**−0.63**
from continuing operations	**−0.13**	**−0.29**	**0.23**	**−0.64**
from discontinued operations	0.00	0.00	0.00	0.00

Statement of financial position

Assets

€ million	30/09/2019	30/06/2019	30/06/2020
Non-current assets	**2,233**	**2,254**	**3,858**
Goodwill	524	523	524
Other intangible assets	115	114	118
Property, plant and equipment	736	732	587
Right-of-use assets	–	–	2,009
Financial assets	278	283	233
Investments accounted for using the equity method	497	517	310
Other financial assets	3	6	6
Other assets	7	9	14
Deferred tax assets	73	70	57
Current assets	**5,870**	**5,839**	**5,497**
Inventories	2,548	2,802	2,780
Trade receivables and similar claims	455	530[1]	467
Receivables due from suppliers	1,295	1,157	970
Other financial assets	65[1]	78[1]	65
Other assets	120	177	192
Entitlements to income tax refunds	142	95	89
Cash and cash equivalents	1,184[1]	941[1]	933
Assets held for sale	61	59	0
	8,103	**8,093**	**9,354**

Equity and liabilities

€ million	30/09/2019	30/06/2019	30/06/2020
Equity	**784**	**745**	**530**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−478	−499	−746
Non-controlling interests	22	3	36
Non-current liabilities	**1,042**	**1,013**	**2,436**
Provisions for pensions and similar obligations	574	572	496
Other provisions	33	28	16
Borrowings	292	284	1,835
Other financial liabilities	53	46	39
Other liabilities	56	56	8
Deferred tax liabilities	35	27	42
Current liabilities	**6,277**	**6,335**	**6,388**
Trade liabilities and similar liabilities	5,321	5,270[1]	4,557
Provisions	165	210	136
Borrowings	10	150	723
Other financial liabilities	445	344[1]	330
Other liabilities	215	245	581
Income tax liabilities	51	45	60
Liabilities related to assets held for sale	70	72	0
	8,103	**8,093**	**9,354**

[1] Adjustment of previous year (see explanations under “Financial and asset position”)

Cash flow statement

€ million	9M 2018/19	9M 2019/20
EBIT	128	−113
Scheduled depreciation/amortisation, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets and impairment on investments accounted for using the equity method	177	879
Change in provisions for pensions and similar obligations	34	−71
Change in net working capital	−644[1]	−654
Income taxes paid	−105	6
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	1	2
Other	19[1]	119
Cash flow from operating activities of continuing operations	**−389**	**168**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**−389**	**168**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	−109	−83
Other investments	−23	−58
Financial investments and securities	−151	−160
Disposals of financial investments and securities	435	160
Disposals of companies	0	0
Disposal of long-term assets and other disposals	17	15
Cash flow from investing activities of continuing operations	**170**	**−127**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**170**	**−127**
Dividends paid	−27	−23
thereof dividends paid to the shareholders of CECONOMY AG	0	0
Payment received from capital increase	0	0
Purchase/disposal of equity instruments with change in equity interest without obtaining/relinquishing control	0	−7
Redemption of liabilities from put options of non-controlling interests	−2	−2
Proceeds from long-term borrowings	154	1,437
Redemption of lease liabilities	−4	−403
Redemption of other borrowings	−158	−1,268
Interest paid	−20	−41
Interest received	12	6
Profit and loss transfers and other financing activities	22[1]	6
Cash flow from financing activities of continuing operations	**−23**	**−296**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**−23**	**−296**
Total cash flows	**−243**	**−255**
Currency effects on cash and cash equivalents	6[1]	−11
Total change in cash and cash equivalents	**−236**	**−266**
Total cash and cash equivalents as of 1 October	1,186[1]	1,199
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	0	15
Cash and cash equivalents as of 1 October	**1,186[1]**	**1,184**
Total cash and cash equivalents as of 30 June	950[1]	933
Less cash and cash equivalents recognised in assets in accordance with IFRS 5	9	0
Cash and cash equivalents as of 30 June	**941[1]**	**933**

[1] Adjustment of previous year (see explanations under "Financial and asset position")

FINANCIAL CALENDAR

Annual report FY 2019/20	Tuesday	15 December 2020	7:00 a.m.

All time specifications are CET/CEST.

Investor Relations

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

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

GENERAL INFORMATION

CECONOMY AG

Kaistrasse 3
40221 Düsseldorf

www.ceconomy.de/en/

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Disclaimer

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