ANNUAL REPORT

2020/21

CECONOMY

CECONOMY IN FIGURES[1]

Sales and earnings

€ million	2019/20	2020/21
Sales	20,831	21,361
Sales development adjusted for currency effects and portfolio changes	−1.8%	3.8%
Like-for-like sales development	−1.4%	4.1%
Gross margin	18.1%	17.1%
EBIT	−80	326
Adjusted EBIT	236	237
Adjusted EBIT margin	1.1%	1.1%
Net financial result	−45	−31
Tax rate	−74.0%	17.8%
Profit or loss for the period attributable to non-controlling interests	19	21
Net result	−237	222
Earnings per share (€)	−0.66	0.62

Other operating key figures

€ million	2019/20	2020/21
Online sales	4,203	6,932
Services & Solutions sales	1,129	1,102
Investments as per segment report	562	757

Cash flow

€ million	2019/20	2020/21
Cash flow from operating activities	1,183[2]	450
Cash flow from investing activities	−248	−263
Cash flow from financing activities	−606[2]	−77
Change in net working capital[3]	314[2]	−354
Free cash flow	1,000[2]	233

Statement of financial position

€ million	30/09/2020	30/09/2021
Net working capital	−1,256	−855
Net liquidity (+)/Net debt (−)	−854	−1,109

Other operating key figures (as of 30/09)

	30/09/2020	30/09/2021
Number of stores	1,023	1,018
Total selling space (thousand m²)	2,661	2,591
Workforce by full-time equivalents	46,186	45,447

[1] Business figures represent the continuing operations of CECONOMY.
[2] Restated prior-year figure as a result of factoring transactions now reported on a gross basis.
[3] Change in net working capital shown from the related statement of financial position items, mainly adjusted for non-cash items.

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TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Financial year 2020/21 was a year full of challenges, a true test for our company. After a very strong first quarter, which was characterized by high customer demand and rapidly growing online business, the second major wave of the pandemic rolled in. The associated restrictions were much more pervasive than in the previous year and impacted our business performance considerably in the second and third quarters. In many European countries, we had to close our stores again in response to COVID-19, often for several months. As there were no clear prospects of reopening, we had to proceed with caution.

We nevertheless maintained our course, and our business model proved very resilient. Although MediaMarkt and Saturn stores in our core market Germany were closed for several months, we successfully increased the sales for financial year 2020/21 to around €21.4 billion and realized positive total sales growth adjusted for currency effects and portfolio changes compared with the pre-pandemic level. We demonstrated stability of earnings and generated adjusted EBIT at the previous year's level (2019/20: €236 million).

Our omnichannel strategy, the close integration of the online business with brick-and-mortar stores, was a crucial competitive advantage during the lockdowns. In financial year 2020/21, online sales grew strongly by nearly 65 per cent to €6.9 billion. Taken together, our retail brands MediaMarkt and Saturn are now among the top three online retailers in Germany. Characteristically for the entire financial year, we saw continuously high customer demand both in-store and online in countries that were not or were less severely affected by COVID-19 restrictions. Business performance was particularly good in Italy, Spain and Turkey. There is no doubt that the consumer electronics market is and will remain a growth market.

Measured against the extraordinarily difficult conditions, therefore, our Group performed well in the past financial year. Above all, this was a strong team effort, and a feat for which I – on behalf of the Management Board of CECONOMY AG and the Executive Board of the MediaMarktSaturn Retail Group – would like to warmly thank each and every employee. Together, we passed the acid test. I would also like to thank our customers for their trust and their loyalty in these times. Be assured: we will do everything to maintain your confidence in us. I must also thank our suppliers, our closest partners: only together were we able to overcome the challenges of the pandemic!

At the same time, we also made further progress on our journey to becoming a thoroughly customer-oriented company. We introduced new store formats tailored to different customer requirements. We strengthened our logistics network in order to provide our products in the right place at the right time. We further expanded our range of services – in our stores and in our online shops. Moreover, we are continuously investing in the increasing digitalization of our business model and in the performance of our IT infrastructure. These investments have already paid off: When parts of our IT systems were subjected to a targeted attack in November 2021, this briefly led to restrictions in individual services, especially in stores, but we were constantly able to continue serving our customers via all sales channels and quickly restore the functionality of our systems.

In addition, we placed sustainability at the very top of our agenda. We are making it a guiding principle for our business activities vis-à-vis all interest groups. In June 2021, we were one of the first European retail companies to join the "Green Consumption Pledge Initiative" of the European Commission. We are thus committed to specific sustainability targets and an improvement of our carbon footprint.

We have also committed to our own sustainability targets within the framework of our new financing structure. With the signing of a new syndicated loan agreement for a volume of around €1.1 billion, whose price mechanism is tied to the achievement of sustainability targets, and the successful issue of a bond with a volume of €500 million, we are solidly and fully financed for the years to come.

This all shows how we have evolved – yet there is still much to do. We must increase our profitability and further improve our operations. At present, our work is still not always customer-oriented enough. In order to fulfil our ambition and be our customers' first choice in every respect, all processes must be precisely tailored to the customers. We must make more consistent use of the opportunities of digitalization than before. In particular, this means that we will link the in-store and digital sales channels even closer together, so that brick-and-mortar stores can draw greater benefit from growing online business. We will analyse our customers' behaviour more precisely in order to further improve the customer experience. In recent years, one in three Europeans has shopped at MediaMarkt or Saturn at least once! This is enormous potential to establish long-term customer relationships, including via more attractive loyalty and club programmes.

We know our customers' requirements, and we are intimately familiar with our products. We will make more targeted use of this knowledge and align our services precisely with the various product categories. In addition, we will continue to expand our services and make greater use of personal advice.

Strategically, we are on the right track. Now it is about implementation. The simplified governance structure will make it much easier to put our strategy into practice quickly and seamlessly. Thanks to the agreement reached with Convergenta Invest GmbH in December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn and the restructuring of the shareholder structure, the right steps have also been taken in this respect. And even if the formal completion of the transaction is delayed, all participants still intend to implement the agreement.

Our Group already benefits from a uniform management structure. Our CFO Florian Wieser and I are in charge of both CECONOMY AG and the MediaMarktSaturn Retail Group. The Group can thus be managed strategically and operationally without friction.

All in all, we can certainly look forward with confidence. We are prepared for future challenges. Our company has become more agile during the pandemic. We have shown that we can quickly adapt to completely different conditions and changed consumer behaviour. Once the pandemic is over, we will continue to benefit from the lessons learned in the past two years and take our opportunities.

We will stick closely to the path we have set out on. Our aim is to build the leading omnichannel platform in Europe. Together with our approximately 52,000 colleagues, we will turn CECONOMY and MediaMarktSaturn into a relevant European company that is always there for its customers – on all channels. Into a company that will play the formative role in an attractive growth market. Into a sustainably successful company. Step by step.

Thank you for accompanying us on this journey.

Warm regards,

DR KARSTEN WILDBERGER
Chief Executive Officer and Labour Director

THE MANAGEMENT BOARD

DR KARSTEN WILDBERGER

Chief Executive Officer and Labour Director

Responsible for

Audit & Consulting; Communications, Public Policy; Sustainability; Corporate Office; Group Competition & Antitrust, Group Compliance, Data Protection; Group Projects & PMO; Human Resources; M&A; Strategy, Value Creation, Innovation/Digital & Business Development; Pensions & Payroll; IT Management & Services

Profile

Dr Karsten Wildberger has been Chief Executive Officer and Labour Director of CECONOMY AG and Chairman of the Management of Media-Saturn-Holding GmbH since 1 August 2021. Previously, the 52-year-old was a member of the Board of Management of E.ON SE, where as COO from April 2016 he was responsible for retail and customer solutions in regional units, decentralized generation, energy management, marketing, digital innovation and transformation, and IT. Dr Karsten Wildberger began his professional career in 1998 as a management consultant at the Boston Consulting Group. In 2003, he moved to T-Mobile, where he worked in various roles until 2006. From 2006 to 2011 he was a member of the Management Board at Vodafone in Romania, initially as Chief Financial Officer and then as Chief Commercial Officer. After returning to the Boston Consulting Group as a partner and managing director, Dr Karsten Wildberger was appointed a Group Managing Director at the Australian telecommunications company Telstra in 2013. While there, he was the executive responsible for the retail and business customer segment, product development, Telstra's digital transformation, and Telstra's retail and service organizations. Dr Karsten Wildberger has a doctorate in physics and an MBA from the INSEAD business school in Fontainebleau, France.

FLORIAN WIESER

Chief Financial Officer

Responsible for

Accounting; Corporate Controlling & Risk Management; Group Corporate Legal; Investor Relations; Tax; Treasury & Insurance

Profile

Florian Wieser has been Chief Financial Officer of CECONOMY AG since 1 May 2021 and Chief Financial Officer (CFO) of Media-Saturn-Holding GmbH since the end of 2018. The 39-year-old has worked for MediaMarktSaturn since 2017 – initially in the Southern Europe region (particularly Italy and Spain), then as CFO of the German country organization of MediaMarktSaturn. Between 2011 and 2017, he held various senior positions within the METRO GROUP. Florian Wieser studied corporate finance in Germany, Spain and the USA before working for consulting firms and companies in Dubai, Spain, Austria and Germany.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The COVID-19 pandemic, the planned transaction with Convergenta Invest GmbH and the personnel reorganization of the Management Board were defining features of financial year 2020/21.

Financial year 2020/21 was characterized by the COVID-19 pandemic and a resulting earnings development that fell short of the original planning. Due to store closures in key markets, in some cases for more than six months, the pandemic put a great strain on the business. Even significantly improved online business and growth in other European countries were unable to fully compensate for the long lockdowns in Germany and the Netherlands.

The focused implementation of the strategy continued. For example, the company strengthened its omnichannel capabilities not only by improving the online business and more closely linking online with in-store business, but also through the positive growth of the marketplace. The cost targets were achieved earlier than originally planned.

Despite the adverse conditions, the business proved to be resilient. Over the course of the financial year, a new financing structure for CECONOMY AG was successfully implemented on the capital market. This involved the termination of the credit facility with the involvement of KfW (Kreditanstalt für Wiederaufbau), which the company had not had to utilize at any time.

The transaction agreed with Convergenta Invest GmbH for the contribution of its investment in Media-Saturn-Holding GmbH in exchange for an investment in CECONOMY AG, a convertible bond and a cash payment was supported with a clear vote at the General Meeting. However, due to legal actions from individual shareholders the transaction was not concluded and will occupy the General Meeting again next year. Both the Management and Supervisory Boards and the majority of shareholders are absolutely convinced that this agreement will significantly help the company to act more quickly and successfully on the market and to defend its strong market position.

Governance has been simplified not only by the agreement with Convergenta Invest GmbH, but also by the reorganization of the Management Board in this financial year. The new Management Board members are now simultaneously the managing directors of Media-Saturn-Holding GmbH. This setup applies independently of the as yet unclosed transaction and allows to make decisions and take action faster and more efficiently in leaner structures.

CECONOMY AG was also under high competitive pressure in this financial year. It is therefore all the more important to emphasize that sales were markedly increased year on year despite the lockdowns lasting several months. Although the previous year was much less impacted by COVID-19, adjusted Group EBIT is at the previous year's level this year.

This would not have been possible without the great efforts of the employees. The Supervisory Board wishes to thank the Management Board and all employees for their particular achievements in this challenging period.

The Supervisory Board's work in financial year 2020/21

In financial year 2020/21, the Supervisory Board of CECONOMY AG performed all the duties required of it by law and the company's articles of association in full. Besides the requirements of the law and the articles of association, the Supervisory Board also followed the recommendations of the Commission of the German Corporate Governance Code as well as the rules laid down in its own bylaws and guidelines.

The Supervisory Board advised and supervised the Management Board of CECONOMY AG in the management of the company. In the context of their cooperation, the Supervisory Board and Management Board were in regular dialogue even outside of the meetings of the Supervisory Board and its committees. The Management Board fulfilled its information duties at all times by informing the Supervisory Board verbally and in writing of all material developments in detail, without delay and in accordance with legal requirements. In particular, the Management Board informed the

Supervisory Board about the course of business, the position of the company and the Group (including the risk situation, risk management and compliance), and the company's strategy and planning. The Management Board retrospectively explained individual deviations between business performance and planning. The CEOs in financial year 2020/21, Dr Bernhard Düttmann and Dr Karsten Wildberger, were in continuous dialogue with me as Chairman of the Supervisory Board – or with Mr Jürgen Fitschen as the former Chairman of the Supervisory Board – regarding important issues and upcoming decisions.

The Supervisory Board was involved in all decisions of material significance for the company. The Management Board presented for the Supervisory Board's approval all measures and transactions that require said approval in accordance with the law, the company's articles of association or rules stipulated by the Supervisory Board itself. In each case, the Supervisory Board comprehensively reviewed these matters and discussed their utility, potential risks and other implications in detail with the Management Board. Other measures and transactions of material significance for the company not requiring special approval were discussed jointly in connection with the reports and information provided by the Management Board. On the basis of the Management Board's reports, the full Supervisory Board and the committees discussed all transactions of significance for the company in detail.

The Supervisory Board did not exercise the inspection and audit right defined in Sec. 111 para. 2 sentence 1 and 2 of the German Stock Corporation Act (AktG) in financial year 2020/21.

No members of the Management Board or Supervisory Board were involved in conflicts of interest in financial year 2020/21.

↗ Details on potential conflicts of interest of individual Supervisory Board members are included in the annual declaration on corporate governance, which is available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

Number of meetings and resolutions and meeting attendance

In financial year 2020/21, there were twelve Supervisory Board meetings, one meeting exclusively for the shareholder representatives on the Supervisory Board, thirteen meetings of the Presidential Committee, eight meetings of the Audit Committee and seven meetings of the Nomination Committee. No meetings of the Mediation Committee were necessary in financial year 2020/21.

The following table shows the individual Supervisory Board members' respective attendance at the meetings of the Supervisory Board and the committees:

Overview of CECONOMY AG Supervisory Board members' individual meeting attendance in financial year 2020/21

	Attendance/number of meetings[1]				
Member of the Supervisory Board	Supervisory Board[2]	Presidential Committee	Audit Committee	Nomination Committee	Mediation Committee
Baur, Wolfgang	12/12	–	–	–	–
Breuer, Kirsten Joachim	12/12	–	–	–	–
Dannenfeldt, Thomas	8/8	8/8	–	4/4	0/0
Dohm, Karin	13/13	–	8/8	–	–
Düttmann, Dr Bernhard	0/0	–	–	–	–
Eckardt, Daniela	10/12	–	–	–	–
Eckhardt, Sabine	11/12	–	–	–	–
Fitschen, Jürgen	5/5	5/5	–	3/3	0/0
Funck, Dr Florian	13/13	–	8/8	–	–
Glosser, Ludwig	12/12	–	8/8	–	0/0
Goldin, Julia	8/13	–	–	–	–
Harlow, Jo	11/13	–	–	–	–
Kuschewski, Rainer	12/12	–	8/8	–	–
Nutzenberger, Stefanie	9/12	–	–	–	–
Plath, Claudia	12/13	–	7/8	7/7	0/0
Ploog, Jens	12/12	13/13	–	–	–
Popp, Birgit	10/10	–	–	–	–
Raas, Dr Fredy	12/13	–	–	–	–

Overview of CECONOMY AG Supervisory Board members' individual meeting attendance in financial year 2020/21

	Attendance/number of meetings[1]				
Member of the Supervisory Board	Supervisory Board[2]	Presidential Committee	Audit Committee	Nomination Committee	Mediation Committee
Schulz, Jürgen	12/12	–	–	–	0/0
Stachelhaus, Regine	13/13	13/13	–	7/7	–
Vilanek, Christoph	9/13	–	–	–	–
Woelke, Sylvia	12/12	13/13	8/8	–	0/0

[1] In the case of members who joined or departed the Supervisory Board and the committees during the year or whose membership was temporarily suspended, the table shows only the number of meetings that were held in the period of the financial year in which the person in question was appointed as a member of the Supervisory Board or committee and the membership in question was not suspended.
[2] For the shareholder representatives on the Supervisory Board, the meeting of the shareholder representatives held in financial year 2020/21 is also recognized as a meeting of the Supervisory Board.

Overall, the Supervisory Board members' rate of attendance at Supervisory Board and committee meetings was 95 per cent. Due to the restrictions associated with the COVID-19 pandemic, the meetings in financial year 2020/21 were mostly held as video/telephone conferences. When in the past financial year members of the Supervisory Board did not attend individual meetings of the full Supervisory Board or the committees of which they were members in person or virtually, they predominantly participated in the resolutions carried out at the meetings by voting in absentia.

In financial year 2020/21, eleven Supervisory Board resolutions on individual matters were passed outside the meetings of the Supervisory Board.

Material content of the Supervisory Board meetings and the Supervisory Board resolutions passed outside of meetings

The Supervisory Board's work in financial year 2020/21 and thus the content of the meetings was dominated by discussing the strategy with the Management Board and the Management Board information about current effects of the COVID-19 pandemic and the company's countermeasures.

At the meeting of the Supervisory Board in **October 2020**, the Supervisory Board passed a resolution on the approval of the adoption of the annual budget for financial year 2020/21 and the medium-term planning for financial years 2021/22 and 2022/23. The budget and the medium-term planning were submitted to the Supervisory Board for approval only after the beginning of the financial year, as the upstream planning process in financial year 2019/20 had to be adjusted as a result of the COVID-19 pandemic. In addition, the Supervisory Board together with the Management Board discussed the strategy and the inferences therefrom for the budget and the medium-term planning. In this context, the Management Board reported on the initial insights with regard to the effects of the first wave of the COVID-19 pandemic and on the derived adjustments to the strategic alignment.

Likewise in **October 2020**, the Supervisory Board also passed a range of resolutions outside of a meeting of the Supervisory Board. Two of those resolutions served to further adjust the Management Board remuneration system in accordance with the requirements of the new German Corporate Governance Code and the German Act on the Transposition of the Second Shareholder Rights Directive and the consequent adjustments of the template service agreement for Management Board members. Through another resolution, the Supervisory Board adjusted the performance targets for the 2018/19 and 2019/20 tranches of the long-term performance-based component of Management Board remuneration in accordance with the former remuneration system. To ensure appropriate Management Board remuneration for financial year 2019/20, the Supervisory Board passed a resolution to grant Management Board member Ms Karin Sonnenmoser a bonus payment. With another resolution, the Supervisory Board decided to appoint Dr Bernhard Düttmann as Labour Director for the duration of his term as a member of the Management Board of CECONOMY AG.

In two further resolutions outside of a meeting of the Supervisory Board in **November 2020**, the Supervisory Board passed a resolution on the submission of the declaration of conformity for 2020 and resolved that, in the event of Management Board members taking on Supervisory Board mandates outside the Group, any remuneration granted for the non-Group Supervisory Board posts would not be counted towards the Management Board remuneration paid by the company.

At the meeting of the shareholder representatives on the Supervisory Board in **November 2020**, the shareholder representatives resolved to propose to the company's General Meeting on 17 February 2021 that I be elected as member of the Supervisory Board on the shareholder side.

The main topics of the meeting of the Supervisory Board in **December 2020** were the resolution on the adoption of the annual financial statements and approval of the consolidated financial statements on the basis of the Management Board's explanations and the auditor's report on the audits. In addition, the Supervisory Board passed a resolution on the approval of the separate non-financial group report following an explanation by the Management Board and a report by KPMG AG Wirtschaftsprüfungsgesellschaft, which was commissioned to provide external support for the review of reporting content. The Supervisory Board also passed resolutions on the Supervisory Board's proposed resolutions and nominations for the company's Annual General Meeting on 17 February 2021. In addition, the Supervisory Board, subject to the election of the auditor by the General Meeting, passed a resolution on the engagement of the auditor for the audits as of 30 September 2021. Finally at this meeting, the Management Board reported to the Supervisory Board about the talks with Convergenta Invest GmbH regarding a project to reorganize the investments in Media-Saturn-Holding GmbH. In the event that the talks continued successfully, the members of the Supervisory Board arranged a further non-scheduled meeting in **December 2020**. At this meeting, the Supervisory Board received further explanations of the project from the Management Board and various external experts and passed a resolution to approve the transaction and the consequent adjustments and additions to the proposed resolutions for the company's Annual General Meeting on 17 February 2021.

By way of a resolution outside of a meeting of the Supervisory Board in **January 2021**, the Supervisory Board passed a resolution on the conclusion of the service agreement between the company and Dr Bernhard Düttmann for his work as Management Board member of the company, Chief Executive Officer and Labour Director from 17 October 2020 to 16 October 2021.

At the meeting in **January 2021**, the Supervisory Board passed resolutions to define the respective performance targets for the short-term performance-based component of Management Board remuneration for financial year 2020/21 and for the tranche of the long-term performance-based remuneration component for financial year 2020/21. In addition, the Supervisory Board discussed with the Management Board its initial thoughts on the future corporate governance of CECONOMY AG and Media-Saturn-Holding GmbH after the completion of the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH.

At its meeting in **February 2021** directly following the company's Annual General Meeting, the Supervisory Board reconstituted itself according to the new personnel composition of the Supervisory Board resulting from the elections at the General Meeting. The Supervisory Board passed resolutions on the election of the Chairman of the Supervisory Board, the membership of the committees, the targets for the composition of the Supervisory Board, the diversity concept and the profile of skills and expertise, and the objections to the overall fulfilment of the statutory minimum quota of women and men in the Supervisory Board. Subsequently, the Management Board informed the Supervisory Board about its ideas regarding the measures following completion of the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH.

At a non-scheduled meeting in **March 2021**, the Supervisory Board passed a resolution on the Supervisory Board approval required by the Management Board's rules of procedure for the mutual termination of the appointment of Mr Ferran Reverter Planet as member and Chairman of the Management of Media-Saturn-Holding GmbH as of 30 June 2021.

In a scheduled meeting in **March 2021**, the Supervisory Board intensively discussed the current market situation and the implementation status of various strategy and transformation measures. In addition, the Supervisory Board was informed by the Management Board about the actions to rescind the resolutions of the company's General Meeting on 17 February 2021 regarding the capital measures in connection with the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH. The Supervisory Board also passed a resolution to update the rules of procedure for the Supervisory Board and for the Audit Committee.

At its meeting in **April 2021**, the Supervisory Board passed a resolution on the appointment of Mr Florian Wieser as a member of the Management Board of CECONOMY AG with effect from 1 May 2021 and the conclusion of the corresponding service agreement and a resolution on the mutual termination of the appointment and the service agreement of Ms Karin Sonnenmoser as a member of the Management Board of CECONOMY AG with effect as of the end of 30 April 2021. In addition, the Supervisory Board passed a resolution to approve the adoption of the company's finance planning for subsequent years. With another resolution, the Supervisory Board approved the granting of a revolving shareholder loan from CECONOMY AG to Media-Saturn-Holding GmbH amounting to up to €500 million.

At the meeting in **May 2021**, the Supervisory Board passed a resolution on the appointment of Dr Karsten Wildberger as member and Chairman of the Management Board of the company with effect from 1 August 2021 at the latest and on the conclusion of the corresponding service agreement. At this meeting, the Supervisory Board was also informed by the Management Board about the current status of the action to rescind the resolution of the company's General Meeting on 17 February 2021 regarding the capital measures in connection with the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH. The Supervisory Board also considered the information provided by the Management Board about the development of the strategy and the key points of the budget for financial year 2021/22 derived from the strategy. As part of its self-organization, the Supervisory Board discussed the further development of Supervisory Board work and the results of the self-evaluation of Supervisory Board work, including the proposed recommendations for action.

In **July 2021**, the Supervisory Board was informed about the current status of the initiatives and priorities in the Human Resources department, especially with regard to HR development. The Supervisory Board received a further update on the budget for financial year 2021/22. A resolution was passed to further revise the rules of procedure for the Management Board and for the Audit Committee.

In another, non-scheduled meeting in **July 2021**, the Supervisory Board was given the latest information about the current status of the actions to rescind the resolutions of the company's General Meeting on 17 February 2021 regarding the capital measures in connection with the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH.

Via a resolution outside of a meeting of the Supervisory Board in **July 2021**, the Supervisory Board resolved, for one time only, to lift a trading ban voluntarily imposed on the Supervisory Board members in accordance with the insider guidelines for the Supervisory Board.

Via a resolution outside of a meeting of the Supervisory Board in **August 2021**, the Supervisory Board voted to approve the gross investment planned for the national distribution centre in Göttingen.

At the meeting in **September 2021**, the Supervisory Board was again informed about the current status of the actions to rescind the resolutions of the company's General Meeting on 17 February 2021 regarding the capital measures in connection with the transaction with Convergenta Invest GmbH to reorganize the investments in Media-Saturn-Holding GmbH. The main topics of this meeting were the Management Board's report on the status of strategy implementation, the explanations for the inferences from the strategy for the budget and the medium-term planning and, building on this, the resolution on the approval of the adoption of the annual budget for financial year 2021/22 and the medium-term planning for financial years 2022/23 and 2023/24. In consideration of the budget submitted by the Management Board, the Supervisory Board passed a resolution to define the respective performance targets for the short-term performance-based component of Management Board remuneration for financial year 2021/22 and for the tranche of the long-term performance-based remuneration component for financial year 2021/22. In connection with the long-term performance-based remuneration component for financial year 2020/21, the Supervisory Board supplemented its resolution from January 2021 with the target for the employee satisfaction (net promoter people – NPP) performance target, as the results of the Group-wide NPP surveys were not available until September 2021. With regard to Mr Rainer Kuschewski's departure from the Supervisory Board at the end of 30 September 2021, the Supervisory Board passed a resolution on the succession of his membership in the Audit Committee by Mr Jürgen Schulz from 1 October 2021. In addition, Supervisory Board passed a resolution to update the insider guidelines for the Supervisory Board and a resolution to submit the declaration of conformity in accordance with Sec. 161 AktG.

By way of a resolution outside of a meeting of the Supervisory Board in **September 2021**, the Supervisory Board granted its general approval for the company to potentially make consensual arrangements with the respective claimants in the actions under way at that time to rescind individual resolutions of past General Meetings, in order to settle the legal disputes.

At the meetings of the Supervisory Board in the past financial year, the Management Board regularly informed the Supervisory Board about the latest business developments, including the current situation regarding the effects of the COVID-19 pandemic, about the status of the strategy development and implementation and about the personnel changes in the management team of CECONOMY AG and the MediaMarktSaturn Retail Group.

At meetings of the full Supervisory Board, the Chairpersons of the Supervisory Board's committees informed the Supervisory Board about the content and results of the preceding committee meetings.

In the past financial year, the Supervisory Board regularly dealt with the Management Board matters without the attendance of individual Management Board members and also met in the absence of the Management Board members in a discussion scheduled at the end of each meeting.

The work of the Supervisory Board committees in financial year 2020/21

As of 8 December 2021, the Supervisory Board has formed four committees, which are made up as follows:

Presidential Committee
Thomas Dannenfeldt (Chairman)
Sylvia Woelke
Jens Ploog
Regine Stachelhaus

Audit Committee
Karin Dohm (Chairwoman)
Sylvia Woelke (Vice Chairwoman)
Dr Florian Funck
Ludwig Glosser
Claudia Plath
Jürgen Schulz

Nomination Committee
Thomas Dannenfeldt (Chairman)
Claudia Plath
Regine Stachelhaus

Mediation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act
Thomas Dannenfeldt (Chairman)
Sylvia Woelke
Ludwig Glosser
Claudia Plath

The memberships of the committees follow the relevant requirements of the German Stock Corporation Act, the German Corporate Governance Code and the Supervisory Board's own targets for the composition of the Supervisory Board and its committees, including the profile of skills and expertise and the requirements profile. The Audit Committee is competently staffed by its experienced Chairwoman, Ms Karin Dohm, and the other members. Ms Karin Dohm is independent and not a former Management Board member of CECONOMY AG. She has the legally required expertise in the field of auditing; the other members Ms Claudia Plath and Dr Florian Funck have particular expertise in the field of accounting and auditing.

The committees prepare the discussions and the resolutions of the full Supervisory Board regarding the tasks assigned to them by the law or the rules of procedure. Within the legally prescribed framework, the Supervisory Board has also conferred decision-making powers on the committees. Within these powers, the committees act directly in the Supervisory Board's stead.

↗ The tasks assigned to the committees of the Supervisory Board are listed on the website www.ceconomy.de/en/ under Company – Supervisory Board.

Material content of the committee meetings and committee resolutions passed outside of meetings

Presidential Committee
A total of thirteen Presidential Committee meetings were held in financial year 2020/21.

At its meetings, the Presidential Committee focused on the succession planning for the company's Management Board and especially the search for candidates to succeed Dr Bernhard Düttmann as Chief Executive Officer and Labour Director. In this context, the Presidential Committee also prepared the appointment of Mr Florian Wieser to succeed Ms Karin Sonnenmoser as member of the Management Board responsible for finance and the mutual separation from Ms Karin Sonnenmoser. In addition, the Presidential Committee discussed the mutual separation from Mr Ferran Reverter Planet as Chairman of the Management of Media-Saturn-Holding GmbH. At two of its meetings in **March 2021** and one meeting in **May 2021**, the Presidential Committee made the necessary preparations for the appointment of Dr Karsten Wildberger as a member and Chairman of the Management Board of CECONOMY AG by the Supervisory Board. In the past financial year, the Presidential Committee also discussed various proposals for the revision of the remuneration system for members of the company's Management Board in order to develop appropriate adjustments to the template service agreement for Management Board members. Finally, the Presidential Committee discussed the proposed targets for the variable components of Management Board remuneration to be granted in the past financial year, which must be set on a regular basis. The Presidential Committee prepared the necessary Supervisory Board resolutions regarding the above matters and in this respect submitted its recommended resolutions to the Supervisory Board.

Material issues that the Presidential Committee also dealt with related to the corporate governance of CECONOMY AG and the development of the remuneration report. In addition, the Presidential Committee resolved to approve an intragroup sideline activity of Dr Karsten Wildberger as a member and Chairman of the Management of Media-Saturn Deutschland GmbH.

If necessary, the Presidential Committee met without the members of the Management Board or only with the CEO.

Audit Committee
A total of eight Audit Committee meetings were held in financial year 2020/21. The Audit Committee passed four resolutions outside of its meetings.

At the scheduled meetings, the Audit Committee dealt with the list of tasks set out in the rules of procedure for the Audit Committee as well as the regular and standardized topics stipulated in the meeting and standard plan. The committee discussed the annual budget submitted by the Management Board for the Supervisory Board's approval and the medium-term planning for the Group, including the finance planning and the Group tax planning. It prepared the audit of the annual and consolidated financial statements, including the combined management report, by the Supervisory Board on the basis of the findings of the audit and the supplementary remarks by the auditor. In addition, the Audit Committee discussed the draft quarterly statements and half-year financial report before their publication as well as the auditor's reports on the review of financial reporting. The Audit Committee also prepared the Supervisory Board's proposal to the General Meeting regarding the election of the auditor, the engagement of the auditor and the fee agreement. It monitored and ensured the independence of the auditor during the performance of the audit, monitored the audit and discussed the focal points of the audit together with the auditor. Likewise, the Audit Committee prepared the audit of the separate non-financial group report by the Supervisory Board and issued the audit assignment to provide external support to the Supervisory Board for the review of non-financial reporting. The Committee was regularly informed about the risk management system, the internal audit system, the compliance management system and the internal control system in order to review the effectiveness of these sub-systems, and about their ongoing development. The Audit Committee, together with the Management Board, discussed the capital market's current view of CECONOMY AG. The Management Board reported to the Audit Committee about the activities in connection with donations and sponsorship.

In addition to these standardized topics, at its meetings in financial year 2020/21 the Audit Committee, together with the Management Board, discussed ideas about restructuring the finance structure for the period after the termination of the financing with the involvement of KfW (Kreditanstalt für Wiederaufbau) and ideas about measures to use tax loss carry-forwards following completion of the transaction with Convergenta Invest GmbH. Furthermore, the Audit Committee received detailed information from the Management Board about net working capital and medium-term planning for the Services & Solutions business. Finally, the Management Board also reported to the Audit Committee on the status of the implementation of the General Data Protection Regulation and on the provisions of the draft Act to Strengthen Financial Market Integrity (FISG).

With its resolutions passed outside of meetings of the Audit Committee, the Audit Committee approved, where required, engagements of the auditor or members of the auditor's network to perform special services beyond the audit for the company or for companies of the Group combined under the single management of the company.

The meetings of the Audit Committee were attended by the Management Board and the auditor. Until his departure from the Supervisory Board on 17 February 2021, Mr Jürgen Fitschen attended the meetings of the Audit Committee as a permanent guest. After his election on 17 February 2021, Mr Thomas Dannenfeldt also attended the meetings of the Audit Committee as a guest.

Nomination Committee
In financial year 2020/21, there were seven meetings of the Nomination Committee in total, which took place in **October** and **November 2020** and in **May, July** and **August 2021**. Outside of its meetings, the Nomination Committee passed a resolution in **September 2021**.

At its meetings and with the resolution outside of a meeting, the Nomination Committee dealt with the succession planning for the shareholder representatives on the Supervisory Board. Insofar as mandates of shareholder representatives who have left the Supervisory Board had to be refilled, the committee proposed candidates to the shareholder representatives on the Supervisory Board for the relevant applications for court appointment of Supervisory Board members or for the Supervisory Board's proposals to the General Meeting for the election of Supervisory Board members.

The Nomination Committee met without the members of the Management Board at all of its meetings. The Vice Chairwoman of the Supervisory Board, Ms Sylvia Woelke, attended one meeting of the Nomination Committee as a guest.

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

Training and professional development of Supervisory Board members

In principle, the members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. CECONOMY AG helps new Supervisory Board members to familiarize themselves with topics relevant to the company with a wide range of webinars, which is also used by existing Supervisory Board members for refresher training and further development. The range includes modules on all topics relevant to the company, such as "Omnichannel, Category Management, Supply Chain Management and Logistics", "Sales Trends, Service Business, Customer Relationship Management and Data Analytics", "Environment, Social, Governance" and "Corporate Finance". In addition, the members of the Supervisory Board are informed regularly and in light of events about current changes to legislation, new accounting and audit standards, and new developments with regard to corporate governance issues.

Corporate governance

The Management Board and Supervisory Board report on the corporate governance of CECONOMY AG for financial year 2020/21 in the 2021 declaration on corporate governance.

↗ The declaration on corporate governance is published on the website www.ceconomy.de/en/ under Company – Corporate Governance.

The Management Board and Supervisory Board of CECONOMY AG most recently submitted their declaration of conformity pursuant to Sec. 161 AktG with the recommendations of the Commission of the German Corporate Governance Code in September 2021.

↗ This declaration has been made permanently available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance. The current declaration is also reproduced in full in the 2021 declaration on corporate governance.

Annual and consolidated financial statements

As auditor, KPMG AG Wirtschaftsprüfungsgesellschaft audited the consolidated financial statements for financial year 2020/21 prepared by the Management Board on the basis of the International Financial Reporting Standards (IFRS) and issued an unqualified audit certificate. This also applies to the 2020/21 annual financial statements of CECONOMY AG prepared in accordance with HGB rules and the combined management report for CECONOMY AG. The auditor reported on the findings of the audit in writing.

The annual financial statements and Group documentation and the audit reports were discussed and reviewed in detail in the presence of the auditor at the Audit Committee's meetings and at the Supervisory Board's meeting in December 2021. The necessary documents were distributed to all members of the Audit Committee and the Supervisory Board in good time before these meetings, so there was ample opportunity for a review. At both meetings, the auditor reported on the material findings of its audit and was also available for questions and further information in the Management Board's absence. In the auditor's assessment, there were no material weaknesses in the accounting-related internal control and early warning system.

KPMG AG Wirtschaftsprüfungsgesellschaft informed the Supervisory Board about the services that were provided in addition to those in connection with the audit of financial statements. There were no circumstances resulting in concerns about the auditor's independence. After its own review of the annual financial statements, the consolidated financial statements and the combined management report for financial year 2020/21, the Supervisory Board had no objections and approved the auditor's audit findings in a plenary session. The Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Management Board. The annual financial statements of CECONOMY AG were thus adopted.

Review of the content of the separate non-financial group report

The Supervisory Board discussed in detail and audited the content of the reporting on the issues designated in the Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports (CSR Directive Implementation Act) of 11 April 2017 within the framework of the separate non-financial group report of CECONOMY AG for the reporting period from 1 October 2020 to 30 September 2021. At its meeting on 13 December 2021, the Supervisory Board passed a resolution to approve CECONOMY AG's separate non-financial group report for the reporting period from 1 October 2020 to 30 September 2021. The Supervisory Board reviewed the content of the non-financial report with external support by way of an audit to obtain limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft, which the Audit Committee of the Supervisory Board engaged via its resolution of 10 August 2021 to provide appropriate support separate from the audit of the annual financial statements and the consolidated financial statements. In its audit, nothing came to KPMG AG Wirtschaftsprüfungsgesellschaft's attention that would cause KPMG AG Wirtschaftsprüfungsgesellschaft to believe that the separate non-financial group report was not prepared, in all material respects, in accordance with Sec. 315b, 315c in conjunction with 289c to 289e HGB. At the Supervisory Board meeting in December 2021, KPMG AG Wirtschaftsprüfungsgesellschaft reported on the material findings of the audit and was available for questions and further information.

Personnel changes

1. PERSONNEL CHANGES ON THE MANAGEMENT BOARD

At the beginning of financial year 2020/21, Dr Bernhard Düttmann and Ms Karin Sonnenmoser were appointed as members of the Management Board of CECONOMY AG. At that time, Dr Bernhard Düttmann was appointed for a term ending 16 October 2020. In September 2020, however, the Supervisory Board had already resolved to appoint Dr Bernhard Düttmann as a member of the Management Board for a further term from 17 October 2020 to 16 October 2021. The further appointment of Dr Bernhard Düttmann had a term until 16 October 2021, but already ended on 31 July 2021, as Dr Karsten Wildberger was appointed as a member of the Management Board, CEO and Labour Director of CECONOMY AG from 1 August 2021. The appointment of Ms Karin Sonnenmoser was terminated early with effect as of the end of 30 April 2021, so Ms Karin Sonnenmoser has left the Management Board. Mr Florian Wieser was appointed as a member of the Management Board for a term from 1 May 2021 until the end of 30 April 2024. With effect from 1 August 2021, Dr Karsten Wildberger was appointed as a member of the Management Board, CEO and Labour Director of CECONOMY AG for a term from 1 August 2021 to the end of 31 July 2024. The change in the Group's management initiated by the Supervisory Board at the beginning of financial year 2019/20 and the search for a successor to Dr Bernhard Düttmann are therefore concluded.

2. PERSONNEL CHANGES ON THE SUPERVISORY BOARD

Personnel changes among the shareholder representatives

In financial year 2020/21, the shareholder representatives Ms Jo Harlow, Dr Bernhard Düttmann and Mr Jürgen Fitschen left the Supervisory Board. Dr Bernhard Düttmann, whose Supervisory Board mandate was suspended as a result of his appointment as a deputy for an absent Management Board member until 16 October 2020, was no longer able to belong to the Supervisory Board of CECONOMY AG due to his further appointment as a Management Board member with effect from 17 October 2020. His suspended mandate as a member of the Supervisory Board was finally terminated. The term for which Mr Jürgen Fitschen was most recently elected as a member of the Supervisory Board ended as planned at the end of the General Meeting on 17 February 2021. Ms Jo Harlow resigned her Supervisory Board post with effect as of the end of 30 September 2021.

After her court appointment of 26 October 2020 had ended at the end of the CECONOMY AG General Meeting on 17 February 2021, the term of Ms Sabine Eckhardt as shareholder representative was extended by her appointment following her first election at this General Meeting. In the General Meeting on 17 February 2021, the terms of the shareholder representatives Ms Karin Dohm and Ms Claudia Plath were also extended via their respective re-election. Finally, the General Meeting on 17 February 2021 elected me to the Supervisory Board as a shareholder representative for the first time. At the constituent meeting of the Supervisory Board on 17 February 2021, directly following the General Meeting, the Supervisory Board elected me as its Chairman. Ms Karin Dohm, Ms Sabine Eckhardt, Ms Claudia Plath and I were each appointed via election by the General Meeting for a term until the end of the Annual General Meeting of CECONOMY AG in 2024.

Outside the reporting period, as of 1 October 2021, Ms Katrin Adt was court-appointed to the Supervisory Board until the end of the Annual General Meeting of the company in February 2022.

Personnel changes among the employee representatives

In financial year 2020/21, the employee representatives Ms Birgit Popp and Mr Rainer Kuschewski left the Supervisory Board. Ms Birgit Popp resigned her Supervisory Board post with effect as of the end of 20 July 2021. Mr Rainer Kuschewski resigned his Supervisory Board post with effect as of the end of 30 September 2021.

For information only, Dr Lasse Pütz and Mr Thomas Fernkorn also joined the Supervisory Board outside of the reporting period as of 1 October 2021 and 8 October 2021, respectively. Dr Lasse Pütz moved up as the alternate candidate – elected by the employees in 2018 – for Mr Rainer Kuschewski on his departure from the Supervisory Board until the end in 2023 of the term of office set by the elections in 2018. Mr Thomas Fernkorn was court-appointed. This appointment is likewise for a term until the conclusion of the elections of employee representatives to the Supervisory Board in 2023.

The distribution of skills and expertise according to the profile of skills and expertise resolved by the Supervisory Board in financial year 2020/21 and up to 8 December 2021, inclusively, is as follows:

Distribution of skills in CECONOMY AG's Supervisory Board

Retail

K. Adt (since 1 October 2021)
W. Baur
D. Eckardt
L. Glosser
R. Kuschewski (until 30 September 2021)
S. Nutzenberger
J. Ploog
F. Raas
J. Schulz
C. Vilanek
S. Woelke

Services

T. Dannenfeldt (since 17 February 2021)
D. Eckardt
L. Glosser
J. Schulz
C. Vilanek

Digitalization/technology

T. Dannenfeldt (since 17 February 2021)
S. Eckhardt (since 26 October 2020)
L. Glosser
J. Goldin
J. Harlow (until 30 September 2021)
R. Stachelhaus
C. Vilanek

International experience

K. Adt (since 1 October 2021)
K. Dohm
J. Fitschen (until 17 February 2021)
J. Goldin
J. Harlow (until 30 September 2021)
R. Stachelhaus
C. Vilanek

Corporate governance

T. Dannenfeldt (since 17 February 2021)
S. Eckhardt (since 26 October 2020)
J. Fitschen (until 17 February 2021)
F. Funck
C. Plath
F. Raas
R. Stachelhaus
C. Vilanek

Marketing

K. Adt (since 1 October 2021)
S. Eckhardt (since 26 October 2020)
J. Goldin
J. Harlow (until 30 September 2021)

Human resources

K. Adt (since 1 October 2021)
W. Baur
K. J. Breuer
L. Glosser
R. Kuschewski (until 30 September 2021)
S. Nutzenberger
J. Ploog
B. Popp (until 20 July 2021)
L. Pütz (since 1 October 2021)
J. Schulz
R. Stachelhaus
S. Woelke

Mergers and acquisitions (M&A)

K. Dohm
J. Fitschen (until 17 February 2021)
F. Funck
F. Raas
C. Vilanek

Compliance

K. Dohm
J. Fitschen (until 17 February 2021)
L. Pütz (since 1 October 2021)
R. Stachelhaus
S. Woelke

Internal control procedures

K. Dohm
C. Plath
S. Woelke

Accounting

T. Dannenfeldt (since 17 February 2021)
K. Dohm
J. Fitschen (until 17 February 2021)
F. Funck
C. Plath
F. Raas
C. Vilanek
S. Woelke

Sustainability management

S. Eckhardt (since 26 October 2020)
J. Goldin
J. Harlow (until 30 September 2021)
R. Kuschewski (until 30 September 2021)
S. Nutzenberger
L. Pütz (since 1 October 2021)

Audit of financial statements

T. Dannenfeldt (since 17 February 2021)
K. Dohm
F. Funck
C. Plath

On behalf of the entire Supervisory Board, I thank all the Supervisory Board members who left in the past financial year for their work for the company and their relationship with CECONOMY AG.

I thank Dr Bernhard Düttmann for his dedication as Chief Executive Officer and Labour Director.

Special thanks are owed to Mr Jürgen Fitschen for his many years of activity on the Supervisory Board and his work as its Chairman. Mr Jürgen Fitschen was a member of the Supervisory Board from 2008, when the company was still trading as METRO AG. He became Chairman of the Supervisory Board in 2017 and, in this role, led the company into its independence following the split of the former METRO GROUP. In the first years of CECONOMY AG, he was a crucial guarantor of continuity and stability.

For the Supervisory Board

THOMAS DANNENFELDT
Chairman

THOMAS DANNENFELDT

Chairman of the Supervisory Board

Profile: Thomas Dannenfeldt has been a member and Chairman of the CECONOMY AG Supervisory Board since 2021.

Thomas Dannenfeldt was born in Feuchtwangen in 1966. After graduating from the University of Trier with a degree in business mathematics, he worked in various prominent management positions at Deutsche Telekom AG, most recently – until 2018 – as the Chief Financial Officer. Given his professional career, Thomas Dannenfeldt brings exceptional experience in managing and supervising listed, international companies to the Supervisory Board. He has considerable expertise in all areas of finance and in sales, customer service, operations and marketing.

↗ Further information on Mr Thomas Dannenfeldt and the other members of the Supervisory Board is available on the website www.ceconomy.de/en/ under Company – Supervisory Board.

CECONOMY AT THE CAPITAL MARKET

Performance of the CECONOMY AG shares

At the beginning of financial year 2020/21, the **ordinary share of CECONOMY AG** initially moved sideways in a corridor between around €3.75 and €4.50. On 15 December 2020, the ordinary share of CECONOMY AG then achieved a significant price increase of around 25 per cent and closed at €5.13. This was a reaction to (1) the transaction with Convergenta Invest GmbH announced after the market closed on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and the reorganization and simplification of the corporate structure, (2) the strategy update presented as part of the Capital Market Day on 15 December 2020, and (3) the publication of the results for financial year 2019/20 on 15 December 2020. On 8 January 2021, the ordinary share reached its high in financial year 2020/21 at a closing price of €5.86.

Despite the strong first quarter of 2020/21 and the broad shareholder support for the transaction with Convergenta Invest GmbH at the General Meeting of CECONOMY AG on 17 February 2021, the share subsequently came under increasing pressure due to the renewed, far-reaching temporary store closures, especially in the core market Germany, in the context of the COVID-19 pandemic. The associated uncertainty, relating to the high volatility of the regulatory measures and customer behaviour once stores reopened, resulted in the suspension of the forecast for financial year 2020/21 and weighed on the share price. Regardless of CECONOMY AG's resilient business performance in the first half of 2020/21 and the reopening of stores in June 2021 after several months of lockdown in Germany, the ordinary share of CECONOMY AG weakened over the course of the year. In this context, the delay of the Convergenta transaction, which CECONOMY AG announced by ad hoc release on 8 July 2021 and 15 July 2021, also played a significant role. After publication of the results for the third quarter of 2020/21 and the update to the forecast for financial year 2020/21 on 12 August 2021, the ordinary share of CECONOMY AG levelled off in a corridor between around €3.60 and €4.10. The ordinary share reached its low for the year on 20 September 2021 at a closing price of €3.61. On 30 September 2021, the ordinary share of CECONOMY AG closed at a price of €3.73. The average trading volume in the reporting period was around 0.7 million ordinary shares per day.

In the period from the closing price on 30 September 2020 to 30 September 2021, the ordinary share of CECONOMY AG had a negative total return of around 11 per cent. The ordinary share of CECONOMY AG thus underperformed the Stoxx 600 Retail and SDAX benchmark indices. The Stoxx 600 Retail Index posted a total return of around 24 per cent in the same period. The total return of the SDAX amounted to around 32 per cent.

In the first nine months of financial year 2020/21, the **preference share of CECONOMY AG** performed largely in line with the ordinary share of CECONOMY AG. However, the performances of the two share classes diverged when the delay of the Convergenta transaction was announced on 8 July 2021 and 15 July 2021. In July 2021, the preference share of CECONOMY AG initially saw a price increase of around 50 per cent and reached its high for the year on 26 July 2021 at a daily closing price of €7.60. As financial year 2020/21 progressed, the preference share of CECONOMY AG declined slightly, but remained clearly above the range observed at the beginning of the financial year and moved within a corridor between €5.20 and €7.35. On 30 September 2021, the closing price of the preference share of CECONOMY AG was €6.00.

Total return

Share/index	Ticker	Total return 30/09/2020 to 30/09/2021 (closing prices)
Ordinary share of CECONOMY AG	CEC	−11.4%
Preference share of CECONOMY AG	CEC1	28.2%
Stoxx 600 Retail Index	SXRP	23.7%
SDAX Index	SDYP	32.2%

Data based on Xetra closing prices
Source: Bloomberg

Information about the CECONOMY shares

	Preference shares	Ordinary shares
Code number	725 753	725 750
ISIN code	DE 000 725 753 7	DE 000 725 750 3
Reuters code	CEC1_p.DE	CECG.DE
Bloomberg code	CEC1 GY	CEC GY
Number of shares as of 30/09/2021	2,677,966	356,743,118

Shareholder structure of CECONOMY AG

Below, the shareholder structure as of 30 September 2021 is presented on the basis of voting rights, i.e. including ordinary shares and preference shares.

PRINCIPAL SHAREHOLDERS

The principal shareholders of CECONOMY AG are the shareholder groups Haniel, Meridian Stiftung and Beisheim as well as the major shareholder freenet AG. Calculated on the basis of announced voting rights in accordance with the German Securities Trading Act, the largest shareholder remains Haniel, which holds 22.5 per cent. The second-largest shareholder on the basis of the published voting rights notifications is Meridian Stiftung, which holds 14.2 per cent of the voting rights. The third-largest shareholder is freenet AG, which holds 9.1 per cent of the voting rights, followed by the Beisheim shareholder group with a share of 6.5 per cent and the investment company Exor Financial Investments with 5.1 per cent.

FREE FLOAT

The free float of voting rights amounted to 42.4 per cent and was split between a large number of national and international investors. The voting rights notifications from fund companies and other available information show that British investors are the largest group of institutional investors, followed by investors from Germany and France.

Dividend

The Management Board of CECONOMY AG will propose a dividend of €0.17 per ordinary share and of €0.23 per preference share to the General Meeting on 9 February 2022. The proposed dividend distribution is in line with CECONOMY AG's dividend policy, according to which the payment of any dividend must be weighed up against the necessity of investments for the growth of the operating business. The proposed dividend payment is in line with CECONOMY AG's dividend policy, which states inter alia that the payment of dividends must be weighed against the necessity of investments for the growth of the operating business.

In addition, CECONOMY AG will satisfy all claims for preference dividends to be paid in arrears for the financial years 2017/18 to 2019/20, which total €0.51 per preference share of CECONOMY AG.

Analyst recommendations

As of the end of financial year 2020/21, eleven analysts from international banks and brokers were covering and assessing the ordinary share of CECONOMY AG. Five analysts recommended the CECONOMY AG share as a “Buy”. Five analysts rated the share as “Hold” or “Neutral”. One sell recommendation was also made. The median target price was €5.40.

STRATEGY

CECONOMY finds itself in a rapidly changing environment. Digitalization has now extended to nearly all areas of private and public life. The needs of the various customer groups are changing accordingly.

The pace at which digital technology is advancing necessitates the right products, the right advice and associated services. This is the only way that customers can fully exploit the potential of the digital trend.

Starting position

DIGITALIZATION AND INNOVATION

As a long-term trend, one of the effects of digitalization is that in-store business and online and mobile retail are blending into each other and customers expect a satisfactory shopping experience across all channels. Innovative options such as payment without cash registers, in-store navigation and virtual reality experiences can help ensure that these expectations are met. The products themselves are also becoming more innovative and interconnected. Customers' need for advice and direct contact partners when comparing, purchasing and operating consumer electronics is increasing accordingly. Customers want the benefits offered by the products while investing as little time as possible.

CHANGES IN CUSTOMERS' EVERYDAY LIVES

The trend towards greater digitalization in the day-to-day is also being driven by the COVID-19 pandemic. Although the potential changes to society are not definitively predictable, it is amplifying certain trends that have influenced the consumer electronics market for years. For example, more and more companies are implementing flexible working. Setting up a workplace at home and working remotely has become a reality for many employees, at least since the pandemic. Digital equipment for schools and their students has also become a big issue in the public's consciousness. Home schooling has presented challenges for many parents. The way people spend their leisure time at home has changed in the past year, along with the associated use of digital devices for entertainment and support in their day-to-day lives. In a pandemic, the safest ways to stay informed, interact socially and communicate are digital. Older people in particular need help here in order to participate in the digital world.

CECONOMY's strategic approach is based on meeting these varying requirements in the form of the right products and the corresponding advice and services, regardless of channel.

Strategic approach

In a technology-driven world, CECONOMY's vision is to be the first choice – for consumers as well as business partners – as a trusted retailer with tailored solutions. This is founded on an omnichannel model focused on the customer experience.

At the same time, sustainability is an essential part of the corporate strategy, which is why a holistic sustainability strategy is being developed and consistently implemented. Sustainability is to be integrated into all of CECONOMY's processes in accordance with the United Nations Sustainable Development Goals, namely by amending internal processes, reducing the company's emissions and shaping working conditions.

There are three key pillars to CECONOMY's strategy:

1. CREATE AN EFFICIENT ORGANIZATION & STRUCTURE

The transformation into a customer-centric, omnichannel-driven company is assisted by the creation of an efficient organization and structure that allows Group-wide initiatives to be rolled out faster and more consistently. This is based on the new organizational structure ("Operating Model") unveiled in August 2020, which focuses on harmonized management structures and centralized processes across all countries. The new target organization is intended to simplify the standardization of processes, increase efficiency in the country organizations and simultaneously reduce costs. In addition, regional country clusters will be formed, with certain countries combined in terms of organization.

The stores will be relieved of administrative tasks so that they can direct their efforts more intensively towards customers. The relocation of these activities to the headquarters of the country organizations also supports the central management of important processes, including product range management, purchasing and logistics. The company will provide employees with additional digital tools in order to further improve service quality and efficiency and to make many activities easier for them. The use of technology and data analytics also ensures fast and efficient processes.

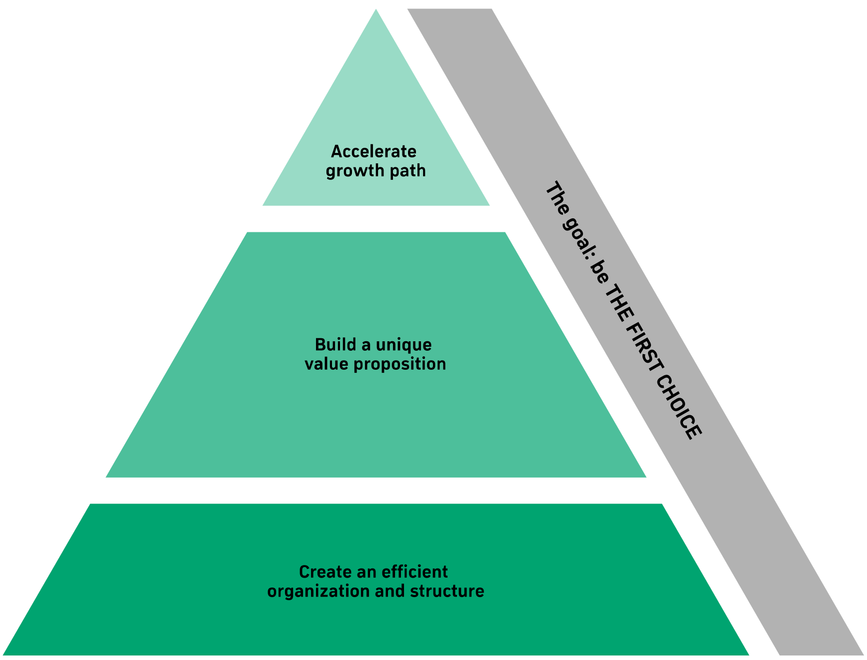
2. BUILD A UNIQUE VALUE PROPOSITION
CECONOMY employs an omnichannel model in order to offer customers a unique value proposition and thus increase their satisfaction and loyalty. This is based primarily on three factors: Firstly, a seamless omnichannel experience, including in the form of personalized customer experiences, both online and in store. Secondly, an optimized supply chain, including centralized procurement and continuous improvements in logistics, which in turn means higher availability of goods and faster delivery times. Thirdly, the performance promise is based on optimized category management, which aligns product range more closely to customer needs.

3. ACCELERATE GROWTH PATH
CECONOMY's in-store and digital platforms, combined with high customer acceptance, are also a springboard for additional growth opportunities. In addition to the expansion of product range categories to innovative new areas of technology, relationships with business customers and manufacturers will thus come further to the fore in the future. Special B2B initiatives promote opportunities to sell to potentially underserved customer segments such as small and medium-sized enterprises. In addition, CECONOMY's own sales channels are being successively opened up to external providers via the marketplace model in Germany and other countries.

Outlook

CECONOMY is well prepared for the challenges of the next few years; the transformation to efficient structures and a unique value proposition is in full swing. The measures to implement the strategy are currently being specified further. The main focus is on the acceleration of the (digital) transformation of the omnichannel model and the further improvement of the customer experience.

CECONOMY strategy framework



COMBINED MANAGEMENT REPORT

OVERALL STATEMENT BY THE MANAGEMENT BOARD OF CECONOMY AG ON CECONOMY'S BUSINESS PERFORMANCE AND SITUATION

Financial year 2020/21 was the second year in a row that was characterized by the COVID-19 pandemic. From mid-December 2020 until June 2021, CECONOMY and MediaMarktSaturn faced restrictions even more severe than in the year before. After a very strong first quarter, which was driven by high customer demand and dynamically growing online business, the company again had to close many stores across Europe, for several months in the core market Germany alone. This impacted business performance considerably, especially in the second and third quarters.

Nevertheless, CECONOMY and MediaMarktSaturn stayed on course. The business model proved very resilient. Despite the long-lasting restrictions in response to COVID-19, the company successfully increased sales for the financial year to €21.4 billion and realized positive total sales growth adjusted for currency effects and portfolio changes compared with the pre-pandemic level. CECONOMY also demonstrated stability of earnings and generated adjusted EBIT at the previous year's level (2019/20: €236 million). The company thus achieved the business targets for financial year 2020/21 formulated in August. This means that, measured against the extraordinarily difficult conditions, CECONOMY and MediaMarktSaturn performed well overall in the past financial year.

The omnichannel strategy, the close integration of the online business with brick-and-mortar stores, was a crucial competitive advantage during the lockdowns. In financial year 2020/21, online sales grew extremely strongly by nearly 65 per cent. The company thus compensated for the decline in brick-and-mortar business caused by store closures as a result of COVID-19. Characteristically for the entire financial year, CECONOMY saw continuously high customer demand both in-store and online in countries that were not or were less severely affected by COVID-19 restrictions. Business performance was particularly good in Italy, Spain and Turkey.

At the same time, CECONOMY and MediaMarktSaturn also made further progress on their journey to becoming a thoroughly customer-oriented company. For example, new store formats were introduced and the logistics network continued to be strengthened. MediaMarktSaturn also expanded its range of services – in the stores and in the online shops.

In addition, CECONOMY reorganized its financing structure in the reporting period and additionally committed to its own sustainability targets within this framework. The Group is solidly and fully financed for the years to come. The KfW credit facility, which CECONOMY did not have to utilize at any time, was replaced.

The management structure was unified in the wake of the restaffing of the Management Board and in light of the agreement concluded with Convergenta Invest GmbH in December 2020 regarding the acquisition of the minority stake in Media-Saturn-Holding GmbH. The Group can thus be managed strategically and operationally without friction.

The Management Board is convinced that CECONOMY and MediaMarktSaturn are well equipped for the future. The Group has laid key foundations in order to make consistent use of its growth opportunities in the post-COVID world. CECONOMY and MediaMarktSaturn will stick to the path they have set out on: The company will continue to press ahead with the digitalization of its business model, expand the range of services in a targeted manner, and align all processes to the customers. CECONOMY and MediaMarktSaturn will continue to do everything to fulfil their ambition to be the first choice in the consumer electronics market – on all channels.

OVERVIEW OF FINANCIAL YEAR 2020/21 AND OUTLOOK

Earnings position of continuing operations

- In financial year 2020/21, total sales of CECONOMY increased by 2.5 per cent to €21.4 billion compared to the previous year (2019/20: €20.8 billion).

- Adjusted for currency and portfolio change effects, sales were above the previous year's level by 3.8 per cent (like-for-like: 4.1 per cent).

- Group EBIT amounted to €326 million (2019/20: €−80 million). This includes non-recurring earnings effects of €−64 million (2019/20: €−49 million) and earnings effects from companies accounted for using the equity method of €154 million (2019/20: €−267 million).

- Adjusted for these effects and portfolio changes, Group EBIT amounted to €237 million and was thus at the previous year's level (2019/20: €236 million).

- The net result increased to €222 million (2019/20: €−237 million), particularly due to the non-cash reversal of the impairment on the investment in Fnac Darty S.A. of €150 million.

- Earnings per share likewise increased to €0.62 (2019/20: €−0.66), particularly due to the non-cash reversal of the impairment on the investment in Fnac Darty S.A.

Financial and asset position

- As of 30 September 2021, the consolidated statement of financial position records an equity of €757 million (30/09/2020: €548 million). The equity ratio is 7.1 per cent (30/09/2020: 5.2 per cent).

- Net debt amounted to €1,109 million as of 30 September 2021 (30/09/2020: €854 million). Adjusted for the recognition of lease liabilities in the statement of financial position due to IFRS 16, net liquidity amounted to €959 million (30/09/2020 adjusted: €1,287 million).

- Investments as per segment report are at €757 million and thus were €195 million higher than the previous year's figure (2019/20: €562 million).

- In the past financial year 2020/21, cash flow from operating activities led to a cash inflow of €450 million (2019/20: €1,183 million), which is primarily due to lower net working capital.

- Total assets rose by €212 million to €10,667 million as of 30 September 2021 (30/09/2020: €10,455 million).

- The balance sheet net working capital decreased by €401 million year-on-year to €−855 million (30/09/2020: €−1,256 million).

- The ratings awarded to CECONOMY AG were as follows as of 30 September 2021: Ba1/Stable (Moody's; previous year: Ba1/Negative) and BBB−/Stable (Scope).

Outlook for CECONOMY

The previous year's high level of uncertainty regarding future macroeconomic and sector-specific parameters persists in financial year 2021/22. This includes the ongoing COVID-19 pandemic with new virus variations and re-emerging discussions in many places about temporary store closures or other retail restrictions, but also the fact that many supply chains are still under strain.

Against this backdrop, CECONOMY expects a slight year-on-year increase in total sales adjusted for exchange rate effects for financial year 2021/22 (total sales in financial year 2020/21: €21,361 million), driven in particular by the DACH and Eastern Europe segments. The Western/Southern Europe segment is expected to be on previous year's level. In addition, CECONOMY expects a very clear increase in adjusted EBIT compared with the previous year (2020/21: €237 million). This outlook is based on the assumption that the continued influence of the COVID-19 pandemic both on the macroeconomic situation and on the Group's situation will not materially deviate from the level as of the date the outlook was formulated. CECONOMY will continue to consistently and successfully implement its strategic and operating initiatives in a challenging market environment. Due to the currently extremely dynamic situation, especially with regard to potential measures to contain the COVID-19 pandemic, the above assumptions are nevertheless associated with corresponding uncertainty. CECONOMY will further specify the outlook as soon as possible.

The outlook is adjusted for portfolio changes and does not take into account the earnings effects from companies accounted for using the equity method. As in the past financial year 2020/21, 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 as well as the reorganization and simplification of the corporate structure are also not taken into account.

BASIC INFORMATION ON THE GROUP

The Group's business model

The companies in the CECONOMY portfolio have billions of consumer contacts each year and offer products, services and solutions that are intended to make living in the digital world as easy and enjoyable as possible.

As the central management holding company, CECONOMY AG covers basic functions such as finance, accounting, controlling, legal and compliance. The focus of the operating business is the MediaMarktSaturn Retail Group, to which the MediaMarkt and Saturn brands belong. CECONOMY and MediaMarktSaturn have had a unified management structure since August 2021.

In addition, CECONOMY AG is the main shareholder of DTB Deutsche Technikberatung GmbH with a share of 80 per cent. The company is a partner for professional technical assistance at home. All services are also offered in all MediaMarkt and Saturn stores throughout Germany.

CECONOMY AG also holds a minority stake of around 24 per cent in Fnac Darty S.A., a leading French retailer for consumer electronics and household appliances. CECONOMY AG likewise has a 15 per cent stake in PJSC "M.video", Russia's market leader for consumer electronics, via Media-Saturn-Holding GmbH.

CECONOMY at a glance

MediaMarkt, Germany and Europe's number one electronics retailer, was founded in 1979 and is now operated as an independent retail brand within the MediaMarktSaturn Retail Group. In Germany as of 30 September 2021, the company was represented by 268 stores and had more than 11,000 employees. MediaMarkt has a European presence in twelve countries with more than 870 stores and around 38,000 employees. In addition to a constantly updated assortment of brand products, the successful concept also features personal advice and an extensive portfolio of services. MediaMarkt combines the advantages of in-store and online retail under the umbrella of a trusted brand, complemented by opportunities for mobile, app-based shopping.

Saturn, founded in 1961, turns technology into an experience for its customers and shows how modern technology products can enrich customers' lives. Saturn is now operated as an independent retail brand under the umbrella of the MediaMarktSaturn Retail Group. In Germany as of 30 September 2021, Saturn was represented by 137 stores and employed around 6,000 people. Saturn stores are intended to be synonymous with an attractive location, a diverse range of brand products at excellent value for money, spacious selling spaces, and excellent service and advice. Saturn links its in-store business in Germany closely with its online shop and mobile shopping via app.

Deutsche Technikberatung (DTB) stands for professional assistance for the installation, connection and troubleshooting of electronic devices at home – either personally on site or by remote maintenance. Moreover, the cooperation with MediaMarkt and Saturn makes living in the digital world easier for customers: DTB's consultants offer solutions for unrestricted enjoyment of technology at home.

Investments

FNAC DARTY

Fnac Darty S.A. is a leading French retail company for consumer electronics and household appliances with 25,000 employees worldwide. As of 30 June 2021, the Group comprised an omnichannel network of 923 stores around the world, including 766 in France and Switzerland. Online, the Fnac Darty websites alone had a total of around 36 million visitors per month in 2020. Fnac Darty S.A. achieved sales of around €7.5 billion in 2020.

PJSC "M.video" is the leading Russian retailer for consumer electronics with 1,074 stores. In financial year 2020, the company's sales amounted to around RUB 417.8 billion (approximately €4.5 billion, exchange rate on 31 December 2020: EUR 1 = RUB 91.47; source: ECB).

Store network by country

	30/09/2020	Openings/additions 2020/21	Closures/disposals 2020/21	30/09/2021
Germany	425	0	−20	405
Austria	53	0	−1	52
Switzerland	25	0	0	25
Hungary	32	0	0	32
DACH	**535**	**0**	**−21**	**514**
Belgium	27	0	−3	24
Italy	117	3	−1	119
Luxembourg	2	0	0	2
Netherlands	50	0	−1	49
Portugal	10	0	0	10
Spain	88	18	0	106
Western/Southern Europe	**294**	**21**	**−5**	**310**
Poland	88	0	−7	81
Turkey	78	7	0	85
Eastern Europe	**166**	**7**	**−7**	**166**
Sweden	28	0	0	28
Others	**28**	**0**	**0**	**28**
CECONOMY	**1,023**	**28**	**−33**	**1,018**

Management system

The key figures used at CECONOMY for the management of the company are presented below. Alongside a brief description of the respective key figure, a reference is provided to the section of the Annual Report in which the key figure is discussed in further detail in its overall context.

CECONOMY's most important key performance indicators – total sales growth adjusted for currency effects and portfolio changes and adjusted EBIT – are highlighted at the top of the table. CECONOMY issues a forecast for these key figures.

Following the explanation of these key figures, other key figures used for management are presented in groups according to their allocation to the income statement, cash flow statement, statement of financial position and other operating key figures.

Key figure	Description	Section
Forecast key figures		
Total sales growth adjusted for currency effects and portfolio changes	Total sales growth adjusted for currency effects shows the percentage change in total sales without the influence of currency effects. Currency-adjusted total sales growth is calculated for the financial year by translating the sales of the previous year at the average exchange rate of the current year. Currency-adjusted total sales growth in individual quarters is calculated as the difference between the respective cumulated periods. All the required cumulated periods are translated at the rate of the most recent cumulated period (example: currency-adjusted total sales growth Q4 2020/21 based on exchange rates for full year 2020/21). Adjustment is made for portfolio measures by not including the affected sales in the current period or in the previous period.	Earnings position
Adjusted EBIT	Earnings before interest and taxes (EBIT) means earnings before the net financial result and taxes. Adjustment is made for portfolio measures by not including the affected earnings contributions in the current period or in the previous period. Earnings effects from companies accounted for using the equity method are also adjusted for. 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 as well as reorganization and simplification of the corporate structure are not included in adjusted EBIT. 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.	Earnings position
Other key figures of the income statement		
Total sales	Total sales are stated in euros. The sales generated in a foreign currency in a certain period are translated at the appropriate average exchange rate of the period.	Earnings position
Total sales growth	Total sales growth means the percentage change in total sales in the reporting period compared with the corresponding period of the previous year.	Earnings position
Like-for-like sales	Like-for-like sales means the sales over a comparable sales area or based on a comparable panel of stores, units or merchandising concepts such as online retail and delivery (like-for-like panel). Sales are only included from stores with a comparable history over at least one full financial year. Therefore, stores affected by openings, closures or significant business changes in the reporting period or the comparative period are excluded.	Earnings position
Like-for-like sales growth	Like-for-like sales growth means the currency-adjusted growth of like-for-like sales.	Earnings position
Online sales	Online sales comprise the sales that are generated via the MediaMarktSaturn Retail Group's online shops. Products ordered online and collected in-store are also included.	Earnings position
Online growth	Online growth means the change in online sales compared with the corresponding prior-year period.	Earnings position
Online share	The online share is the share of online sales in the total sales of the period in question.	Earnings position
Pick-up rate	The pick-up rate is the percentage of online orders that are collected in-store.	Earnings position
Brick-and-mortar sales	Brick-and-mortar sales comprise the sales that are not generated over the internet. Consequently: Total sales – online sales = brick-and-mortar sales	Earnings position
Services & Solutions sales	Services & Solutions sales are those sales that are not purely product sales. Examples include extended warranties, brokering mobile phone contracts, repair services, or delivery to and installation for the customer.	Earnings position
Services & Solutions growth	Services & Solutions growth means the change in Services & Solutions sales compared with the corresponding prior-year period.	Earnings position
Services & Solutions share	The Services & Solutions share is the share of Services & Solutions sales in the total sales of the period in question.	Earnings position
Gross margin	The gross margin equals gross profit on sales divided by total sales. Gross profit on sales is defined as total sales less cost of sales. Cost of sales also includes income from subsequent remuneration.	Earnings position
EBITDA	Earnings before interest, taxes, depreciation and amortization (EBITDA) means earnings before the net financial result, depreciation, amortization, impairment and reversals of impairment losses on intangible assets, property, plant and equipment, right-of-use assets and investments accounted for using the equity method.	Segment report

Key figure	Description	Section
Adjusted EBITDA	Like adjusted EBIT, EBITDA is also adjusted for portfolio measures by not including the affected earnings contributions in the current period or in the previous period. Earnings effects from companies accounted for using the equity method are also adjusted for. 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 as well as reorganization and simplification of the corporate structure are not included in adjusted EBITDA. 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.	Segment report
EBIT	Earnings before interest and taxes (EBIT) means earnings before the net financial result and income taxes.	Earnings position
(Adjusted) EBIT margin	The (adjusted) EBIT margin equals (adjusted) EBIT divided by total sales.	Earnings position
EBT	EBT means earnings before income taxes. EBIT +/– net financial result = EBT	Earnings position
Tax rate	The tax rate equals tax expense divided by earnings before income taxes (EBT).	Earnings position
Minority share in the profit or loss for the period	The minority share in the profit or loss for the period means the share in the profit or loss for the period attributable to non-controlling interests (synonym for "profit or loss for the period attributable to non-controlling interests").	Earnings position
Net result	The net result is the figure arising after the deduction of non-controlling interests from the profit or loss for the period (synonym for "profit or loss for the period attributable to shareholders of CECONOMY AG").	Earnings position
Earnings per share (EPS)	Earnings per share (EPS) equals the net result divided by the average number of shares issued (ordinary and preference shares).	Earnings position
Key figures of the cash flow statement		
Change in net working capital	As part of cash flow from operating activities, the change in the balance sheet items included in net working capital is presented here, adjusted for currency effects, which are shown separately, investments and divestments.	Financial and asset position
Income taxes paid (cash taxes)	As part of cash flow from operating activities, the actual cash outflow for income taxes in the period in question is presented here.	Financial and asset position
Cash flow from operating activities	Cash flow from operating activities means movements in the "cash and cash equivalents" items attributable to operating activities. These primarily include EBITDA, adjusted for additions to and reversals of provisions, changes in net working capital and tax payments.	Financial and asset position
Cash investments	Cash investments refers to the absolute level of cash investment in the period in question. For this purpose, "acquisition of companies", "investments in property, plant and equipment" and "other investments" from cash flow from investing activities are grouped together.	Financial and asset position
Cash flow from investing activities	Cash flow from investing activities means movements in the "cash and cash equivalents" items attributable to investing activities. These primarily comprise cash investments, inflows from divestments and investments in and disposals of financial investments and securities.	Financial and asset position
Dividends paid	The key figure dividends paid comprises the cash outflow to shareholders included in cash flow from financing activities and includes both the dividend to the ordinary and preference shareholders and the payments to non-controlling shareholders.	Financial and asset position
Cash flow from financing activities	Cash flow from financing activities means movements in the "cash and cash equivalents" items attributable to financing activities. These primarily include payments of dividends, proceeds from/redemption of borrowings, redemption of lease liabilities and interest payments.	Financial and asset position
Free cash flow	Free cash flow comprises cash flow from operating activities less cash investments. Cash flow from operating activities – cash investments = free cash flow	Financial and asset position
Key figures of the statement of financial position		
Equity	Equity is a residual value resulting from the recognition of the difference between assets and liabilities.	Financial and asset position
Equity ratio	The equity ratio equals equity divided by total assets.	Financial and asset position
Borrowings	Borrowings comprise current and non-current financial borrowings including lease liabilities.	Financial and asset position
Net liquidity/net debt	Net liquidity/net debt is calculated by netting borrowings with cash and cash equivalents and short-term financial investments. Borrowings – cash and cash equivalents – short-term financial investments = net liquidity/net debt	Financial and asset position

Key figure	Description	Section
Net working capital	The balance sheet net working capital, as current assets required for operations, is defined as follows: Inventories + trade receivables and similar claims + receivables due from suppliers – trade liabilities and similar liabilities = net working capital	Financial and asset position
Other operating key figures		
Investments as per segment report	The key figure investments as per segment report comprises all additions to non-current intangible assets, property, plant and equipment (e.g. land, buildings, expenses for modernization) and investments accounted for using the equity method. In contrast to cash investments, the present value of leases entered into (addition of right-of-use asset) is also included here. However, cash outflows for financial assets and advance payments or prepaid rent are not included.	Financial and asset position
Total number of stores	The total number of stores means the number of brick-and-mortar stores with a selling space that can be measured in square metres.	Financial and asset position
Total new stores	The number of new stores opened in a period.	Financial and asset position
Total closures	The number of closures in a period.	Financial and asset position
Total selling space	Selling space means the total area of all stores in square metres.	Financial and asset position
Average selling space per store	The average selling space per store equals the total area of all stores in square metres divided by the number of stores on the given date.	Financial and asset position
Number of employees	This key figure describes the number of full-time equivalents on the given date.	Employees

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.

Sustainability management

CECONOMY is aware of its responsibility towards people and the environment. Throughout the value chain, the business is being brought into line with the ecological, social and legal conditions. The United Nations' Sustainable Development Goals (SDGs) are used as a guiding framework. These goals for sustainable development are a guideline for companies all over the world. CECONOMY aims to amplify its business activity's positive influence on the SDGs while systematically reducing negative effects. In dialogue and cooperation with stakeholders, forward-looking solutions are being developed to ultimately created added value for all.

Sustainability strategy

A new Group sustainability strategy was developed in the reporting period, and CECONOMY is now working on its implementation. The material issues identified in an analysis in financial year 2019/20 were validated in the reporting period. CECONOMY's sustainability strategy is fundamentally based on two pillars: making its own operating processes sustainable and offering products and services that enable customers to live a sustainable lifestyle.

Together with the SDGs, these two pillars form the basis for the sustainability strategy. The material issues also determine the content of the separate non-financial group report, which has been issued for the fourth time.

↗ Further information on the sustainability strategy, sustainability at CECONOMY and the associated management approaches, targets and key figures can be found in the separate non-financial group report, which is also published in the Federal Gazette.

As a member of the United Nations Global Compact, both CECONOMY and the MediaMarktSaturn Retail Group (MMSRG) are committed to its ten principles and undertake to work actively on the realization of the SDGs. In the reporting period, CECONOMY also signed the uniform principles of action of the German Retail Federation (Handelsverband Deutschland – HDE) for responsible, sustainable action and joined the Green Consumption Pledge, an EU-wide initiative and part of the European Climate Pact.

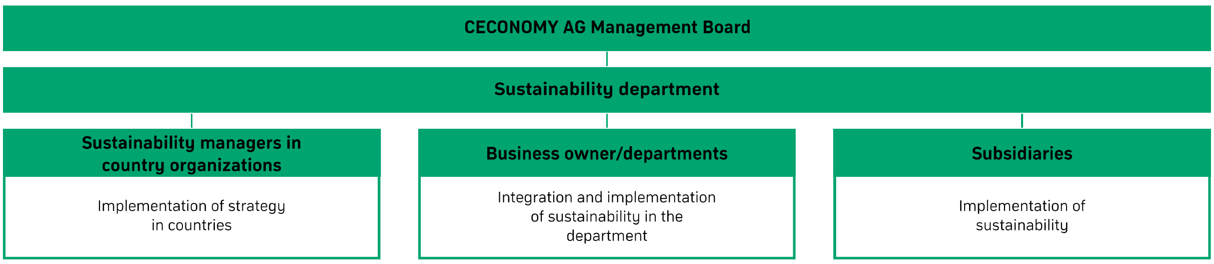
↗ Further information on networks and initiatives can be found in the separate non-financial group report, which is also published in the Federal Gazette.

Sustainability management and organization

The Management Board of CECONOMY AG is the senior body for dealing with the topic of sustainability and is responsible for strategic decisions and tracking targets and progress. Sustainability activities are regularly discussed with the CEO as the senior sustainability ambassador.

Coordinated by the Sustainability department of MMSRG, there are regular international discussions with all Sustainability Managers of the country organizations and the Group's relevant experts in order to develop the sustainability strategy as part of the overall strategy, to increase its integration with the operating business, and to implement it. In this dialogue, the operating managers define the content of the sustainability projects and draw up decision papers for the management of Media-Saturn-Holding GmbH (MSH) and the Management Board of CECONOMY AG. All sustainability priorities are also assigned "sponsors" at the highest level of management. They are responsible for the integration of sustainability in their department.

Sustainability organization



↗ Further information on sustainability management and the sustainability organization can be found in the separate non-financial group report, which is also published in the Federal Gazette.

Employees

CECONOMY aims to be customers' first choice and to make their lives easier with tailored solutions in an increasingly digital world. In order to guarantee this, qualified and committed employees are required who create added value for customers in the form of diverse expertise and perspectives. CECONOMY wishes to qualify these employees for their tasks, to develop them continuously and to retain them for the company in the long term. For this purpose, a Group-wide development programme and a Europe-wide initial measurement of employee engagement were carried out in the past year, among other things.

CECONOMY can only grow if the company nurtures its employees. At the same time, CECONOMY attaches great importance to the welfare of its employees and therefore particularly focuses its HR work on health promotion and occupational safety. Accordingly, the safety of employees and customers was the top priority when COVID-19 broke out.

CECONOMY wants to create an attractive working environment for all current and future employees and therefore offers targeted training and development programmes, among other things.

↗ Further information on CECONOMY employees can be found in the separate non-financial group report.

Recruitment of employees

In the competition for the best specialists and executives, CECONOMY takes measures to improve its image among potential applicants. An employer branding strategy to help create a clear and uniform external profile for the Group.

Internal training programmes for retail that are offered to employees are another material competitive factor for recruitment.

Training at CECONOMY

	2019/20	2020/21
Total number of trainees	2,565	2,417
thereof in Germany	(2,093)	(1,952)
thereof international	(472)	(465)
New trainees hired in Germany	810	956
Training rate (including interns and students) in Germany (in %)	8.8	8.7

The CECONOMY Group offers twelve different training options (2019/20: 12) and employed 2,417 trainees in financial year 2020/21 (2019/20: 2,565).

The training supervision for trainees is almost entirely digitalized both in the stores and at the Ingolstadt campus.

With regard to training, CECONOMY was involved in establishing “E-Commerce Management Assistant” as a new skilled occupation and also providing training for it itself. CECONOMY also cooperates with sales partners in order to support the professional training of employees in the stores in a topic-based manner.

The aim of the Europe-wide strategic training programme “Passion for Customers”, carried out both in the current reporting period and in the coming financial year, is to enable and motivate all managers and employees in all countries to ensure an outstanding customer experience for the customers.

In addition to dual vocational education, CECONOMY’s companies offer young people the opportunity to begin a dual study programme with practical components. In the reporting period 2020/21, 125 students in Germany took up this offer.

DEVELOPMENT OF YOUNG TALENT

Special finance, IT and omnichannel graduate trainee programmes are implemented for young talent at the MediaMarktSaturn Retail Group (MMSRG). These programmes encourage graduates to take responsibility for themselves and offer individual freedoms regarding the execution and design of the programmes as well as personal development. In Germany, MediaMarkt and Saturn are continually expanding upon their dual education courses. The priority here is individual development and needs-based training of young talent. The individual stores are prepared in a targeted manner so that students in the stores are trained well. In order to promote communication and networking within the talent groups, there is an annual talent day at both MediaMarkt and Saturn. Because of the COVID-19 pandemic, all training was carried out digitally this year. Students can connect via virtual classrooms and other digital communication platforms and thus learn together.

At the Ingolstadt campus, all students discuss their current projects every month. This promotes an overview of all strategic and sales initiatives as well as mutual learning and presenting. In addition, new sales training programmes were developed and implemented for graduate trainees.

DEVELOPMENT OF NEW EXECUTIVES

When employees in Germany take on a new management role, the “Fit to lead” programme prepares them in a targeted manner. In three modules, which are carried out digitally, via in-person events and personal coaching sessions, the new executives are prepared for the company-specific Core Values and Leadership Principles and for their management duties.

With the “manager induction” training series, the managers of tomorrow are trained in specific, digital modules.

EMPLOYER BRAND AND HR MARKETING

Recruiting employees, especially young talent and specialists, is of key strategic importance for CECONOMY’s companies. For this purpose, an employer branding benchmarking study was carried out and an international project group established in the reporting period. The aim is to modernize and improve the content of job offers and create globally consistent branding and a redesign of recruiting processes.

Moreover, an international jobs portal was created in order to promote the development of employees within the Group.

In the recruitment of young talent and specialists, CECONOMY continues to cooperate with universities. For example, the range of courses in new media and e-commerce was expanded in the reporting period. In addition, MMSRG funds an endowed professorship for artificial intelligence at Technische Hochschule Ingolstadt.

Remuneration models and succession planning

The remuneration structures are guided by the market and business success. Targeted succession planning offers specialists and executives an attractive career within the Group.

PERFORMANCE-BASED REMUNERATION FOR EXECUTIVES

In the company’s opinion, the remuneration systems include a competitive monthly fixed salary. In addition, there is a one-year variable salary component, the size of which depends on the profitability and economic performance of the company and in part on customer satisfaction. Besides other remuneration components (such as company cars and optional post-employment benefit plans), there are also models of performance-based remuneration with long-term incentive effect, the design of which is at the company’s discretion.

PERFORMANCE ASSESSMENT AND SUCCESSION PLANNING

Within CECONOMY, systematic executive development is a central task for the companies’ managements. In this way, it is ensured that the executives’ skills and abilities are consistently aligned to the needs and strategic objectives of the company. In addition, CECONOMY can give executives targeted international career opportunities – regardless of which company they work for. The career planning processes also allow the identification and promotion of suitable candidates for key positions in the company. Whenever possible, vacant positions can thus be filled from the company’s own ranks.

EMPLOYEE TURNOVER RATE

In the reporting period, the average length of service at CECONOMY was 8.75 years and thus slightly longer than in the previous year (2019/20: 8.62 years). Turnover rates vary significantly from region to region and are compared in the chart below. The turnover rate is calculated by dividing the number of departures by the average workforce (by headcount) in the reporting period.

Turnover by region

In %	2019/20	2020/21
DACH	29.6	22.3
Western/Southern Europe	31.8	34.1
Eastern Europe	30.9	30.9
Others	48.7	60.0
CECONOMY	31.0	28.3

Diversity management

CECONOMY is convinced that inclusion and diversity result in better business results for CECONOMY – thanks to better representation of customers within the company, access to a greater pool of talent and the greater commitment and development of employees. CECONOMY therefore offers an inclusive working environment and an open working culture in which individual differences are respected, appreciated and supported and a diverse workforce is established in which every individual can fully develop and use their personal potential and strengths.

	30/09/2020	30/09/2021
Average age of workforce (years)	37.4	37.6
Proportion of employees aged 50 or over in the total German workforce (in %)	20.4	21.6
Proportion of employees aged 50 or over in the total international workforce (in %)	7.8	8.7
Employees with a recognized severe disability or equivalent in Germany	546	558
Employees with a recognized severe disability or equivalent internationally	450	438

CECONOMY relies partly on international cooperation for the successful implementation of the growth strategy. Employees from a total of 135 nations work together at CECONOMY.

In November 2017, CECONOMY AG signed the "Diversity Charter". This charter is implemented within the organization with the aim of creating a working environment free of prejudice. All employees are to be appreciated – so CECONOMY creates a climate of acceptance and mutual trust.

Development of employee numbers

In the reporting period, CECONOMY employed an average of 45,841 (2019/20: 47,727) full-time equivalents. Most of the employees are employed outside the German domestic market. An average of 45,770 full-time equivalents worked for MMSRG in the reporting period. Around 53.0 per cent of them worked in the DACH region; 43.8 per cent of the full-time equivalents worked in Germany.

Development of personnel expenses

Personnel expenses amounted to €1.8 billion in financial year 2020/21 (2019/20: €2.0 billion), of which €1.5 billion (2019/20: €1.6 billion) was attributable to wages and salaries. The rest was attributable to social security contributions and post-employment and other employee benefit costs. The government support in response to COVID-19, especially short-time working allowance, and other measures to reduce personnel expenses, resulted in a reduction in personnel expenses of €167 million.

We encourage employees to set up a private pension, including voluntary benefits from CECONOMY. 3,911 employees in Germany took up this offer in the reporting period (2019/20: 4,556 employees). This equates to a ratio of 17.5 per cent (2019/20: 19.1 per cent).

↗ Further information on personnel expenses can be found in the notes – note 17 Personnel expenses.

Development of employee numbers by country and segment as of 30 September

	Full-time equivalents[1]		By headcount	
	2020	2021	2020	2021
Germany	20,009	19,880	22,469	21,687
Austria	2,294	2,204	2,748	2,638
Switzerland	766	712	923	854
Hungary	1,427	1,386	1,451	1,410
DACH	**24,497**	**24,183**	**27,591**	**26,589**
Belgium	1,329	1,206	1,389	1,267
Italy	4,303	4,312	4,974	5,022
Luxembourg	116	95	117	97
Netherlands	2,685	2,575	4,057	3,989
Portugal	467	427	509	474
Spain	5,406	5,465	6,449	6,512
Western/Southern Europe	**14,306**	**14,079**	**17,495**	**17,361**
Poland	3,680	3,330	3,740	3,503
Turkey	2,564	2,861	2,564	2,861
Eastern Europe	**6,244**	**6,191**	**6,304**	**6,364**
Sweden	918	808	1,289	1,152
Miscellaneous	222	186	245	199
Others	**1,140**	**995**	**1,534**	**1,351**
CECONOMY	**46,186**	**45,447**	**52,924**	**51,665**

[1] Rounding differences may occur

Features of the accounting-related internal control system

The accounting-related internal control system aims to use principles, processes and measures to identify, assess, manage and monitor risks that could materially affect proper accounting and financial reporting.

Based on the internationally recognized "Internal Control – Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Group-wide minimum standards for the design of the accounting-related internal control system are defined and continuously updated by the Accounting department. The Audit Committee of the Supervisory Board of CECONOMY AG monitors the effectiveness of the internal control system. Overall responsibility for implementing an appropriate and effective internal control system lies with the Management Board of CECONOMY AG.

Material risks for accounting and financial reporting are identified by way of a risk analysis. The necessary preventive, monitoring and detective controls are defined and documented according to standardized requirements. In order to determine and continuously improve the effectiveness of the internal control system, the material Group companies are obliged to evaluate the appropriateness and functionality of the controls at the end of each financial year (self-assessment). A standard Group method is specified for this purpose. Measures must be defined to rectify any control weaknesses.

The self-assessments must be reported in a standardized report format. The companies' individual reports are validated centrally and combined into an overall report on CECONOMY's accounting-related internal control system. The results are reported to the Governance, Risk and Compliance (GRC) Committee, the Management Board and the Supervisory Board.

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

CECONOMY AG's half-year financial report and consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. A Group-wide IFRS accounting policy, application of which is mandatory for all companies included in the consolidated financial statements, ensures that CECONOMY's accounting is standardized and in line with IFRS. At every instance of reporting, the management of each material Group company is obliged to confirm in a letter of representation that the IFRS accounting policy was complied with. The policy is continuously updated to reflect amendments to IFRS, of which all companies included in the consolidated financial statements are notified.

Central procedural instructions and deadlines for global milestones are specified and communicated for every reporting instance. CECONOMY AG's Accounting department monitors compliance with the global financial reporting calendar. The local schedule for specific financial statement procedures and controlling the necessary milestones and activities in connection with the local preparation of financial statements are the responsibility of the management of the respective individual company.

Companies included in accordance with IFRS for consolidation purposes generally prepare financial statements locally in SAP-based accounting systems. There is a separation of functions that guarantees control processes such as the dual control principle.

The local accounting-related business data are combined by a central consolidation system (CCH Tagetik) into which all consolidated Group companies of CECONOMY are integrated. This system contains a standardized chart of accounts to be applied by all consolidated companies in accordance with the IFRS accounting policy.

Once the local data have been transferred to the consolidation system, automated plausibility checks are carried out in light of accounting-specific correlations and dependencies. If the system generates error or alert messages in connection with these validations, they must be processed accordingly by the person responsible for financial statements before the data are forwarded to the consolidation department. In addition, all material Group companies in the consolidation system have to comment on notable deviations against the prior period for the material items of the statement of financial position and the income statement.

The reporting and validation of local data is followed by the process of the preparation of the consolidated financial statements, for which material milestones, activities and deadlines are likewise defined. The typical activities for the preparation of the consolidated financial statements constitute specific milestones to be worked at. For example, these include the completeness check of the consolidation group, the review of on-time, complete and correct data delivery, the typical consolidation steps – such as capital consolidation and the consolidation of expenses and income – and finally the completion of the annual report. The responsibilities for the above milestones in terms of personnel are documented along with a substitution arrangement.

Support activities in the process of preparing the consolidated financial statements are carried out by external service companies. These services primarily relate to the measurement of pension obligations and share-based remuneration.

The consolidation steps to be performed to prepare the consolidated financial statements are subjected to various systematized and manual controls. The consolidation measures are subject to the same automated plausibility checks (validations) as the local data. Further control mechanisms at Group level are plan/actual comparisons and analyses of the content of and changes in the individual items of the statement of financial position and the income statement.

In order to guarantee the security of the information technology (IT), access rules are defined in the accounting-related IT systems. Every company included in the consolidated financial statements is subject to the IT security rules, which are collated in a corresponding guideline. This ensures that the users of the systems have access only to the information and systems that they require to perform their tasks.

To guarantee compliance with IT security rules, access rules are also enacted in the consolidation system (write and read permissions). Authorizations to use the consolidation system are managed centrally at CECONOMY AG.

In addition to the self-assessment of effectiveness, the effectiveness of CECONOMY AG's accounting-related internal control system is subject to risk-oriented reviews by Internal Audit. This independent monitoring process is intended to guarantee that potential control flaws are detected and rectified and assists the continuous optimization of the system. In general, however, it should be noted that an internal control system, regardless of its design, cannot provide absolute certainty that material misstatements in accounting are prevented or detected.

ECONOMIC REPORT

Macroeconomic and sector-specific parameters[1]

The following remarks on the macroeconomic and sector-specific parameters comprise descriptions relevant for CECONOMY's activities in financial year 2020/21.

Global economy

The first half of financial year 2020/21 was particularly influenced by further COVID-19 lockdowns, which curbed economic growth. The disruption of supply chains also contributed to this. In the third quarter of financial year 2020/21, restrictions were gradually relaxed in nearly all industrialized nations, which led to a process of economic recovery. Due to ongoing vaccination around the world, massive financial stimuli and expansionary fiscal policy, a normalization of economic activity and a global economic recovery (5.5 per cent) are expected in calendar year 2021. At 4.4 per cent, however, this growth will be lower in Europe than in North America (5.9 per cent) and China (8.4 per cent). Brexit is having an adverse effect on growth in Great Britain and the EU due to the impact on trade. With regard to the US protectionism under the last US President, it is to be expected that most trading partners will reach agreements with the new government of the world's largest national economy. With the USA having signed an initial trade deal with China, many economists and investors see positive signals for future development. However, the trade deals with the EU, China and numerous other countries have not yet been finalized. Uncertainties therefore persist, even though President Biden is expected to ease the restrictions on trade.

DACH

Especially at the beginning of the past financial year 2020/21, the German economy continued to be severely affected by the COVID-19 pandemic, which resulted in a decline in gross domestic product (GDP). A rising vaccination rate and decreasing restrictions led to a strong recovery in the third quarter of financial year 2020/21. This recovery process will weaken in the second half of the year, but result in solid growth of 3.0 per cent in 2021 overall. In Austria, GDP declined in the first half of the financial year due to COVID-19 restrictions. However, real GDP growth of 3.9 per cent is expected for calendar year 2021 as a whole. In the first half of calendar year 2021, Hungary saw robust growth that will continue over the rest of the year. Positive development of 7.9 per cent is expected for 2021 as a whole, achieving GDP that – in contrast to Germany and Austria – will reach an absolute figure higher than that of 2019. After negative development in the previous year, economic growth in Switzerland will develop positively again at 3.6 per cent in 2021.

Western/Southern Europe

Thanks to positive growth rates, both the Netherlands and Belgium will reach almost the GDP level of 2019 again in 2021. Due to substantial easing of COVID-19 restrictions and financial support from the European recovery fund, Italy will achieve a normalization of the economic situation and post a clear increase in growth of 6.3 per cent in 2021. In Spain, the second quarter of financial year 2020/21 developed negatively due to renewed lockdown measures. In the third quarter, however, a recovery began that continued for the rest of the year and will lead to GDP growth totalling 4.9 per cent. At the start of 2021, Portugal was a COVID-19 hotspot in Europe. GDP declined significantly in the second quarter, but this trend reversed from the second quarter, and positive growth of 4.5 per cent will be seen at the end of the year.

Eastern Europe

Economic output in Eastern Europe also increased in financial year 2020/21. In the first half of 2021, the economic growth in Turkey weakened, but remained positive. We see stronger development for the rest of the year, which gives reason to expect growth of 9.8 per cent for the full calendar year. In addition to the COVID-19 pandemic, the weakness of the Turkish lira also remains a risk factor for economic development. Due to robust economic data from the second quarter, positive development in economic output of 4.9 per cent is expected for Poland in 2021.

[1] The GDP growth figures stated in this section relate to the calendar years 2020 and 2021. Accordingly, the 2021 values are forecasts. In contrast, the qualitative statements in the text refer to the reporting period, unless otherwise stated. The sources for the information in this text were recent publications by Feri (World Industry Report) and the market research institute GfK.

Development of gross domestic product

Percentage change year-on-year	2020[1]	2021[2]
World	−3.1	5.5
DACH[3]	−4.8	3.4
Western/Southern Europe[4]	−7.7	5.8
Eastern Europe[5]	−2.2	5.4

Source: Feri
[1] Previous year's figures may differ from the annual report 2019/20, as final figures were not yet available when it was completed.
[2] Forecast
[3] Calculation for Germany, Austria, Switzerland and Hungary based on the Feri database (incl. purchasing power parities)
[4] Western Europe excluding Germany, Austria and Switzerland based on the Feri database (incl. purchasing power parities)
[5] Eastern Europe excluding Hungary including Turkey based on the Feri database (incl. purchasing power parities)

Development in the consumer electronics retail market

Renewed lockdown measures in connection with the COVID-19 pandemic posed major challenges for the market participants in most countries. Due to the pandemic, demand increased for electronic products in general, and the shift towards online business continued.

DACH
Sales in the German consumer electronics retail market developed in a positive fashion in the past financial year 2020/21 despite phases of lockdown. The IT and small appliances categories, among others, have established themselves as growth drivers with high momentum again in this financial year. Large appliances and televisions also generated positive, double-digit growth. The consumer electronics retail market also developed very dynamically in Austria. In Switzerland, the electronics sector likewise saw significant positive growth. The Hungarian market for consumer electronics also continued its positive growth trajectory.

Western/Southern Europe
The Dutch market for consumer electronics posted dynamic growth. Belgium likewise reported a significantly positive development. The Spanish market also developed very dynamically in the same period after negative growth in the previous year. Portugal continued on its positive growth trajectory. After a previous year characterized by negative growth, the electronics market in Italy likewise saw very dynamic growth in 2020/21.

Eastern Europe
The consumer electronics retail market in Turkey saw extremely positive growth in national currency in financial year 2020/21. Also in Poland, the market for consumer electronics achieved dynamic growth in the same period despite lockdown measures due to the COVID-19 pandemic.

Earnings, financial and asset position

Comparison of outlook with actual business developments

The outlook for 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. 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 were 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, have had a 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 inhabitants), the original planning for the further course of financial year 2020/21 was subject to additional uncertainties in spring 2021. The Management Board therefore suspended the outlook for financial year 2020/21 on 11 February 2021.

Based on the business performance to date and the insights at the time, particularly with regard to catch-up effects and customer behaviour since the reopening of stores, the Management Board of CECONOMY updated its outlook for financial year 2020/21 on 11 August 2021. Uncertainties regarding further pandemic developments remained, also in light of the volatility of regulatory measures. The outlook was therefore based on the assumption that there would be no new restrictions from the COVID-19 pandemic in the remainder of the financial year that would again impact the brick-and-mortar business.

The outlook was adjusted for portfolio changes and did not take into account the 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 were not included. Expenses in connection with the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn as well as the reorganization and simplification of the corporate structure were also not taken into account. For the forecast key figures, the previous year's figures were also adjusted for the sold MediaMarkt Greece business, as the transaction closed on 29 November 2019 constituted a portfolio change.

SALES

For financial year 2020/21, CECONOMY had originally forecast a slight increase in total sales adjusted for exchange rate effects compared to the previous year (2019/20: €20,790 million).

With publication of the updated outlook on 11 August 2021, CECONOMY instead expected a slight to moderate increase in total sales adjusted for exchange rate effects compared to the previous year. The Western/Southern Europe and Eastern Europe segments were expected to contribute to this increase, while it was assumed that the DACH segment, which was affected for the longest time due to temporary store closures and strict restrictions in Germany in connection with COVID-19, would show a slight decline.

The target was achieved at the level of CECONOMY with a 3.8 per cent increase in total sales adjusted for currency and portfolio change effects. With significant growth in Western/Southern Europe and Eastern Europe and a slight decrease in the DACH segment, sales performance was also in line with the outlook at segment level.

EARNINGS

For financial year 2020/21, CECONOMY initially expected an adjusted EBIT between €320 million and €370 million (2019/20: €236 million). In particular, the achievement of this 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.

In an updated outlook on 11 August 2021, CECONOMY finally forecast an adjusted EBIT between €210 million and €250 million. Overall, a heterogeneous development was expected among the segments, with the earnings development in the DACH segment, which was impacted by the long lockdown, expected to shape the Group result.

With adjusted Group EBIT of €237 million, CECONOMY achieved this target. Expectations were met at segment level, too, with lower earnings in the DACH segment and earnings increases in the other segments.

Earnings position

Financial year		Sales (€ million)	Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	2019/20	2020/21	2020/21	2020/21	2020/21	2020/21
Total[1]	**20,831**	**21,361**	**2.5%**	**−1.0%**	**3.8%**	**4.1%**
DACH	12,323	12,003	−2.6%	−0.2%	−2.4%	−1.5%
Western/Southern Europe	6,431	7,026	9.2%	0.0%	9.9%	9.1%
Eastern Europe	1,611	1,781	10.6%	−15.6%	26.2%	26.5%
Others	465	551	18.6%	4.5%	14.2%	14.5%

[1] All figures from continuing operations only

Quarter[1]		Sales (€ million)	Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	Q4 2019/20	Q4 2020/21	Q4 2020/21	Q4 2020/21	Q4 2020/21	Q4 2020/21
Total[2]	**5,271**	**5,168**	**−2.0%**	**−0.9%**	**−1.0%**[3]	**−1.2%**
DACH	3,024	2,924	−3.3%	0.0%	−3.3%[4]	−2.4%
Western/Southern Europe	1,680	1,664	−1.0%	0.0%	−1.0%	−3.3%
Eastern Europe	456	453	−0.6%	−12.2%	11.7%	12.3%
Others	111	127	14.2%	1.8%	12.4%	13.1%

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] All figures from continuing operations only
[3] Not taking into account a technical effect in Q4 2019/20 due to the conversion from the agent model to the principal model for the online sale of mobile telephones and associated contracts as packages in Germany, Group sales adjusted for currency effects and portfolio changes amounted to −2.6 per cent in Q4 2020/21. This did not impact the sales growth shown for the full financial year 2020/21.
[4] Not taking into account the above technical effect in Q4 2019/20, sales adjusted for currency effects and portfolio changes in the DACH segment amounted to −6.0 per cent in Q4 2020/21. This did not impact the sales growth shown for the full financial year 2020/21.

FULL-YEAR GROUP SALES HIGHER THAN IN PREVIOUS YEAR DESPITE LONGER TEMPORARY STORE CLOSURES IN RESPONSE TO COVID-19

In **financial year 2020/21**, CECONOMY's Group sales increased by 2.5 per cent to €21.4 billion. The sales performance was supported by eleven new stores in the past financial year 2020/21 and three new stores in the previous year as well as the acquisition of 17 stores formerly belonging to Worten Equipamentos do Lar S.A. in Spain in April 2021. The disposal of the MediaMarkt Greece business with twelve stores, the closure of another ten stores in the previous financial year 2019/20 and 33 closures in the current financial year 2020/21 had an opposite effect. Adjusted for currency effects and portfolio changes, sales increased by 3.8 per cent. On a like-for-like basis, Group sales increased by 4.1 per cent and were therefore also above the previous year's level.

The reconciliation from total sales to like-for-like sales is shown in the following table:

€ million	2019/20 as reported	2019/20 in local currency	2020/21
Total sales	20,831	20,628	21,361
Sales of stores that were not part of the like-for-like panel	–	417	320
Like-for-like sales	**–**	**20,211**	**21,041**

The good sales performance in the reporting period, which was achieved despite longer and more severe COVID-19 restrictions, was mainly driven by the extraordinarily high sales growth in the online business. The successful campaigns around Black Friday, Cyber Week and Christmas business in 2020 also had a positive impact on Group sales in the financial year. On the other hand, the sales performance in the brick-and-mortar business was significantly negative due to temporary closures of a large number of stores, especially in the winter months. National governments' measures to fight the spread of coronavirus lasted many times longer than in the previous year and more extensively hindered the brick-and-mortar business, especially in Germany and the Netherlands.

The DACH segment posted a sales decline adjusted for currency and portfolio changes **in financial year 2020/21**, while sales in the Western/Southern Europe, Eastern Europe and Others segments increased compared with the previous year. Italy, Spain and Turkey performed particularly well. In contrast, Germany and the Netherlands suffered from long store closures and opening restrictions in response to COVID-19 and posted sales declines. Throughout the Group, ten of the 13 country organizations increased their sales.

With regard to the product categories, games consoles and televisions performed particularly positively against the backdrop of major sporting events that had been postponed being held this year. The computer hardware, telecommunications products and accessories product groups also saw continuously high demand due to the ongoing trend for working from home. Conversely, the entertainment category developed negatively overall, and photography was likewise down on the previous year's level.

In the **fourth quarter of 2020/21**, CECONOMY generated Group sales of €5.2 billion. This equates to a decline of 2.0 per cent compared with the prior-year period. Adjusted for currency and portfolio change effects, sales decreased slightly by 1.0 per cent. On a like-for-like basis, Group sales recorded a decline of 1.2 per cent in the fourth quarter compared to the prior-year period. The strong prior-year quarter also made an impact here, which benefited from catch-up effects after the first lockdowns in spring 2020.

However, high customer demand for games consoles and telecommunications products, the sustained dynamic growth in the online channel, and positive development of the Services & Solutions business, especially online, almost completely compensated for the continued low footfall in the stores. Overall, there was a heterogeneous development among the countries, with declines in Germany and Spain, for example, while Italy and Sweden significantly improved.

EXPLANATION OF SALES IN THE DACH SEGMENT

In **financial year 2020/21**, the DACH segment generated sales of €12.0 billion, a decrease of 2.6 per cent compared with the prior-year period. Adjusted for currency and portfolio change effects, segment sales declined by 2.4 per cent. This was mainly driven by the sales decline in the brick-and-mortar business in Germany, which was primarily due to the COVID-19-related temporary store closures and "Click & Meet" restrictions from mid-December 2020 to June 2021 in some cases. The decline was not completely compensated for by the strong growth in the online business throughout the segment and the generally positive sales performance in the segment's other country organizations.

In the **fourth quarter of 2020/21**, sales in the DACH segment declined by 3.3 per cent to €2.9 billion. Adjusted for currency and portfolio change effects, sales were likewise 3.3 per cent below the comparable figure of the previous year. While Hungary continued the positive development of the previous quarters, sales in Germany, Austria and Switzerland declined. This is due primarily to the high basis for comparison as a result of the strong development in the prior-year quarter, in which customer demand was driven among other things by the general VAT reduction in Germany and successful marketing campaigns in Austria.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In **financial year 2020/21**, sales in the Western/Southern Europe segment increased significantly by 9.2 per cent to €7.0 billion. Adjusted for currency effects and portfolio changes, sales increased by 9.9 per cent. There was particularly strong sales growth in Italy and Spain, which were both affected for a comparatively long time by temporary store closures in response to COVID-19 in the previous year. In Spain, the sales performance was also supported by the 17 stores formerly belonging to Worten Equipamentos do Lar S.A., which reopened under the MediaMarkt brand in April 2021. This was offset by a sales decline in the Netherlands, where brick-and-mortar business was adversely affected by prolonged, COVID-19-related temporary store closures in this financial year, while the country was not affected by material COVID-19 restrictions in the previous year. Strong growth rates in the online business throughout the segment also contributed to the good development.

In the **fourth quarter of 2020/21**, the Western/Southern Europe segment posted sales of €1.7 billion, a sales decline of 1.0 per cent compared to the same quarter of the previous year. Adjusted for currency effects and portfolio changes, sales likewise decreased by 1.0 per cent. In Italy, the good development continued with stable sales growth, while the other countries of the segment fell short of the high level of the previous year, which benefited from catch-up effects after the first lockdown wave in spring 2020.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In **financial year 2020/21**, sales in the Eastern Europe segment were up by a considerable 10.6 per cent, totalling €1.8 billion. In the reporting period, segment sales were adversely affected by the sharp depreciation of the Turkish lira. Adjusted for currency effects and portfolio changes, segment sales increased by 26.2 per cent. Turkey developed positively as a result of the good market position, store openings during the year and inflation, posting a significant, double-digit percentage sales increase. In Poland, sales likewise increased considerably, partly due to a relatively low basis for comparison following COVID-19-related temporary store closures in the previous year.

In the **fourth quarter of 2020/21**, sales in the Eastern Europe segment amounted to €0.5 billion, roughly at the previous year's level. The slight decline of 0.6 per cent arose from the strong depreciation of the Turkish lira. Adjusted for currency and portfolio change effects, segment sales increased by 11.7 per cent. The sales increase in Turkey, driven by continuously strong demand, also contributed most of the positive sales trend in the segment in the fourth quarter. In Poland, sales declined slightly after significant sales growth in the prior-year quarter.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In **financial year 2020/21**, sales in the Others segment increased by 18.6 per cent compared with the previous year to around €0.6 billion. Adjusted for currency and portfolio change effects, sales were 14.2 per cent above the previous year's level. This development is due especially to the good business performance in Sweden.

In the **fourth quarter of 2020/21**, sales in the Others segment increased by 14.2 per cent to approximately €0.1 billion. Adjusted for currency and portfolio change effects, segment sales increased by 12.4 per cent. This increase is attributable almost exclusively to the positive development in Sweden.

Financial year	Sales (€ million)		Change (%)	In % of total sales
	2019/20	2020/21		
Online	4,203	6,932	64.9	32.5
Services & Solutions	1,129	1,102	−2.4	5.2

Quarter[1]	Sales (€ million)		Change (%)	In % of total sales
	Q4 2019/20	Q4 2020/21		
Online	850	1,060	24.7[2]	20.5
Services & Solutions	250	318	27.0[3]	6.1

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Not taking into account a technical effect in Q4 2019/20 due to the conversion from the agent model to the principal model for the online sale of mobile telephones and associated contracts as packages in Germany, online sales amounted to +13.2 per cent in Q4 2020/21. This did not impact the sales growth shown for the full financial year 2020/21.
[3] Not taking into account the above technical effect in Q4 2019/20 due to the conversion from the agent model to the principal model for the online sale of mobile telephones and associated contracts as packages in Germany, Service & Solutions sales amounted to +4.7 per cent in Q4 2020/21. This did not impact the sales growth shown for the full financial year 2020/21.

ACCELERATED GROWTH IN ONLINE BUSINESS CONTINUES

The growth in the online business, which was already dynamic in the previous year, accelerated again in **financial year 2020/21**; sales here increased significantly by 64.9 per cent to €6.9 billion. The online share of total sales in the reporting period thus amounted to 32.5 per cent (2019/20: 20.2 per cent). In the second wave of temporary store closures in the brick-and-mortar business as a result of COVID-19, customers made particular use of the online channel. However, the growth of the online business also continued after stores reopened. The strong online momentum was also visible in countries that were not or were less affected by temporary store closures in response to COVID-19.

In the **fourth quarter of 2020/21**, online sales rose by 24.7 per cent to €1.1 billion and thus amounted to a 20.5 per cent share of total sales (Q4 2019/20: 16.1 per cent). The online share in total sales has fallen again since the recovery of brick-and-mortar sales after stores reopened, but remained significantly higher than the level from before the COVID-19 pandemic.

In **financial year 2020/21**, the pick-up rate was 38 per cent (2019/20: 37 per cent). The slight increase in the pick-up rate is notable in light of the fact that, on the one hand, such as in Germany and the Netherlands, the pick-up option (in-store collection of goods ordered online) was only partially possible in the stores temporarily closed in response to COVID-19 and, on the other hand, the total number of online orders increased as a result of the pure Internet orders. In the **fourth quarter of 2020/21**, the pick-up rate was 43 per cent (Q4 2019/20: 39 per cent).

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

In **financial year 2020/21**, Services & Solutions sales declined by 2.4 per cent to €1.1 billion. This equates to a Services & Solutions share of total sales of 5.2 per cent (2019/20: 5.4 per cent). As Services & Solutions are currently largely taken up in connection with in-store purchases and many services are provided at "Smartbars" in the stores, the negative development in the reporting period is chiefly attributable to the temporary store closures due to COVID-19 and the lower footfall after stores reopened. Nevertheless, the sale of extended warranties and the use of the services offered at the in-store Smartbars developed solidly. In addition, there was significant growth in demand for Services & Solutions in online purchases.

In the **fourth quarter of 2020/21**, Services & Solutions sales increased by 27.0 per cent to €0.3 billion as a result of a continuous recovery of Services & Solutions business after stores reopened. The share of sales thus amounted to 6.1 per cent (Q4 2019/20: 4.7 per cent). This development was driven by strong growth in online services and high demand for extended warranties and Smartbar services in stores.

Financial year

	Reported EBIT	Reported EBIT	Change	Adjusted EBIT[1]	Adjusted EBIT[1]	Change
€ million	2019/20	2020/21	2020/21	2019/20	2020/21	2020/21
Total[2]	**–80**	**326**	**407**	**236**	**237**	**1**
DACH	253	162	–91	297	184	–113
Western/Southern Europe	46	37	–9	41	67	25
Eastern Europe	–45	23	68	–37	22	59
Others	–335	105	439	–67	–36	31

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

Quarter[1]

	Reported EBIT	Reported EBIT	Change	Adjusted EBIT[2]	Adjusted EBIT[2]	Change
€ million	Q4 2019/20	Q4 2020/21	Q4 2020/21	Q4 2019/20	Q4 2020/21	Q4 2020/21
Total[3]	**33**	**94**	**61**	**123**	**131**	**8**
DACH	64	71	7	100	71	–29
Western/Southern Europe	39	48	9	54	60	6
Eastern Europe	–19	10	29	–13	10	23
Others	–53	–36	17	–20	–10	10

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Before non-recurring effects, associates and portfolio changes
[3] Including consolidation

ADJUSTED GROUP EBIT IN THE FULL YEAR AT THE PREVIOUS YEAR'S LEVEL DESPITE LONGER COVID-19-RELATED RESTRICTIONS

Reported Group EBIT increased significantly by €407 million to €326 million in the past **financial year 2020/21** (2019/20: €–80 million). This improvement was mainly driven by the earnings effects from companies accounted for using the equity method, which increased by €421 million compared with the previous year's figure to €154 million (2019/20: €–267 million). Reported Group EBIT also includes non-recurring effects totalling around €–64 million (2019/20: €–49 million) in connection with the introduction of a harmonized organizational structure ("Operating Model"), permanent store closures as a result of COVID-19, and the acquisition of the minority shareholding in MediaMarktSaturn as well as reorganization and simplification of the corporate structure announced on 14 December 2020. Group EBIT adjusted for these effects and portfolio changes was €237 million, roughly at the previous year's level (2019/20: €236 million).

The stable EBIT development in the past financial year 2020/21 was achieved despite stores being closed for several months in response to COVID-19, especially in Germany and the Netherlands, and an associated negative development of in-store sales. This succeeded thanks to the sustained sales growth in the online channel and due to operating cost savings, while the gross margin declined by 1.0 percentage points to 17.1 per cent. The decline in the gross margin was mainly driven by product and channel mix effects, higher delivery costs and persistently intense competition. Tried-and-tested measures in response to the COVID-19 pandemic, which were also introduced early and extensively in the second lockdown wave, had a positive effect on earnings. Government support (especially short-time working allowance in Germany and Austria) and additional cost reduction measures supported earnings, but fell short of the previous year's level overall.

In the **fourth quarter of 2020/21**, reported Group EBIT of €94 million was achieved. In the prior-year period this figure was €33 million. This includes non-recurring effects of around €–13 million (Q4 2019/20: €–58 million), primarily from the introduction of a harmonized organizational structure ("Operating Model"), and negative earnings effects from companies accounted for using the equity method of €–24 million (Q4 2019/20: €–32 million). Adjusted for these earnings effects and portfolio changes, Group EBIT amounted to €131 million and was thus €8 million above the previous year's level (Q4 2019/20: €123 million).

The slightly higher adjusted Group EBIT in the fourth quarter was made possible by increased cost efficiency and savings in connection with the introduction of a harmonized group-wide organizational structure ("Operating Model"). The prior-year quarter was also impacted by disposals of intangible assets (software) and impairment of other assets (including right-of-use assets). The gross margin was almost stable at 20.2 per cent (Q4 2019/20: 20.4 per cent).

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the past **financial year 2020/21**, the DACH segment generated EBIT of €162 million, €91 million below the previous year's level (2019/20: €253 million). This includes non-recurring effects amounting to approximately €–23 million (2019/20: €–45 million). Adjusted for these effects, EBIT in the DACH segment decreased by €113 million to €184 million (2019/20: €297 million). Earnings in Germany declined, which is attributable to negative sales and margin development as a result of the COVID-19-related temporary store closures and "Click & Meet" restrictions from mid-December 2020 to June 2021 in some cases. In particular, savings in personnel expenses had the opposite effect. Earnings in the other countries of the segment were above the previous year's level, primarily due to sales.

In the **fourth quarter of 2020/21**, EBIT in the DACH segment amounted to €71 million and therefore increased by €7 million compared with the previous year's level (Q4 2019/20: €64 million). The non-recurring effects included therein amounted to €0 million (Q4 2019/20: €–36 million). Adjusted for these effects, EBIT in the DACH segment decreased by €29 million to €71 million (Q4 2019/20: €100 million). The development is mainly attributable to sales- and margin-driven declines in Germany and Austria, which were only partially compensated for by savings in personnel expenses. In contrast, Switzerland and Hungary reported earnings roughly at the previous year's level.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In Western/Southern Europe, EBIT decreased in the past **financial year 2020/21** by €9 million to €37 million (2019/20: €46 million). This includes non-recurring effects amounting to approximately €–29 million (2019/20: €5 million). Adjusted for these earnings effects and portfolio changes, EBIT increased by €25 million to €67 million (2019/20: €41 million). This earnings increase is mainly a result of the significant sales growth in the segment. The gross margin and the cost ratio also developed slightly positively. Spain and Italy, which were most severely affected by the COVID-19-pandemic in the previous year, made a particular contribution to the earnings growth. However, in the Netherlands earnings declined. This was a consequence of longer temporary store closures compared with the previous year and the resulting impairment of assets (including right-of-use assets).

In the **fourth quarter of 2020/21**, the Western/Southern Europe segment generated EBIT of €48 million, €9 million above the previous year's level (Q4 2019/20: €39 million). This includes non-recurring effects amounting to approximately €–12 million (Q4 2019/20: €–15 million). Adjusted for these earnings effects and portfolio changes, EBIT increased by €6 million to €60 million (Q4 2019/20: €54 million). This increase is predominantly attributable to the positive margin development, especially in Italy and Spain, which more than compensated for the slightly negative sales development in the segment. In contrast, earnings developed slightly negatively in the Netherlands and Belgium.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the past **financial year 2020/21**, EBIT in the Eastern Europe segment at €23 million was approximately €68 million above the previous year's level (2019/20: €–45 million). This includes non-recurring effects amounting to approximately €1 million (2019/20: €–9 million). Adjusted for these earnings effects, EBIT increased by €59 million to €22 million (2019/20: €–37 million). The significant improvement in EBIT results in particular from the very good sales development at the same time as a reduced cost ratio in Turkey as well as slight margin improvements and significant cost savings in Poland. In addition, the previous year's earnings in Poland were impacted by impairment of assets (including right-of-use assets).

In the **fourth quarter of 2020/21**, EBIT in the Eastern Europe segment increased by €29 million to €10 million (Q4 2019/20: €–19 million). This includes non-recurring effects amounting to approximately €1 million (Q4 2019/20: €–5 million). Adjusted for these earnings effects, EBIT grew by €23 million to €10 million (Q4 2019/20: €–13 million). This development is mostly attributable to an earnings increase in Poland, which is firstly due to a slightly positive margin development and the reversal of a risk provision. Secondly, earnings in Poland in the previous year were impacted by impairment of assets (including right-of-use assets). In Turkey, earnings were level with the previous year in the fourth quarter, whereby the sales growth was compensated for by negative currency effects and a lower gross margin.

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 operating companies. In the past **financial year 2020/21**, EBIT increased by €439 million year-on-year to €105 million (2019/20: €−335 million). This includes non-recurring effects amounting to approximately €−13 million (2019/20: €−1 million). The significant increase in reported EBIT is mainly due to the positive earnings effect from companies accounted for using the equity method due to the reversal of the impairment of the share in Fnac Darty S.A. of around €150 million in the second quarter, following impairment in the previous year of €268 million. Earnings effects from companies accounted for using the equity method totalled around €154 million (2019/20: €−267 million). Adjusted for these effects, EBIT increased by €31 million to €−36 million (2019/20: €−67 million). The EBIT improvement is due to higher earnings as a result of sales and a lower impact of impairment of assets (including right-of-use assets) in Sweden as well as to declining headquarter costs at CECONOMY AG.

In the **fourth quarter of 2020/21**, EBIT increased by €17 million year on year to €−36 million (Q4 2019/20: €−53 million). This includes non-recurring effects amounting to approximately €−2 million (Q4 2019/20: €−1 million). Earnings effects from companies accounted for using the equity method totalled €−24 million in the fourth quarter (Q4 2019/20: €−32 million) and mainly resulted from an impairment on the Greek joint venture PMG Retail Market Ltd. Adjusted for these effects, EBIT increased by €10 million to €−10 million (Q4 2019/20: €−20 million). As a result of the solid sales growth, adjusted EBIT in Sweden increased slightly. Declining headquarter costs at CECONOMY AG also contributed to the segment's earnings improvement.

Financial year

						2019/20
		Non-recurring				
€ million	Reported EBIT	Earnings effects from the reorganization and efficiency program	Effects of store closures	Effects of the introduction of the Operating Model	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
Total[1]	**−80**	**31**	**−8**	**−72**	**−267**	**236**
DACH	253	3	−2	−46	0	297
Western/Southern Europe	46	29	−4	−20	0	41
Eastern Europe	−45	0	−2	−7	0	−37
Others	−335	−1	0	0	−267	−67

						2020/21
		Non-recurring				
€ million	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]	**326**	**−26**	**−26**	**−13**	**154**	**237**
DACH	162	−17	−4	−1	0	184
Western/Southern Europe	37	−9	−20	0	0	67
Eastern Europe	23	0	1	0	0	22
Others	105	0	−2	−11	154	−36

[1] Including consolidation

Quarter[1]

€ million	Reported EBIT	Non-recurring: Earnings effects from the reorganization and efficiency program	Non-recurring: Effects of store closures	Non-recurring: Effects of the introduction of the Operating Model	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
						Q4 2019/20
Total[2]	**33**	**3**	**11**	**−72**	**−32**	**123**
DACH	64	5	4	−46	0	100
Western/Southern Europe	39	−1	5	−20	0	54
Eastern Europe	−19	0	1	−7	0	−13
Others	−53	−1	0	0	−32	−20

€ million	Reported EBIT	Non-recurring: Effects of store closures	Non-recurring: Effects of the introduction of the Operating Model	Non-recurring: Transaction costs from minority stake acquisition	Earnings effects from companies accounted for using the equity method and portfolio changes	Adjusted EBIT
						Q4 2020/21
Total[2]	**94**	**3**	**−14**	**−2**	**−24**	**131**
DACH	71	3	−3	−1	0	71
Western/Southern Europe	48	0	−12	0	0	60
Eastern Europe	10	0	1	0	0	10
Others	−36	0	−1	−1	−24	−10

[1] In contrast to the figures for the financial year, the quarterly figures and their explanations comprise unaudited information.
[2] Including consolidation

The cost reduction targets associated with the introduction of a harmonized group-wide organizational structure ("Operating Model") announced on 12 August 2020 were already achieved in financial year 2020/21 and were implemented at lower expense than originally assumed. Additional potential in connection with the Operating Model was also identified against the backdrop of the COVID-19 pandemic, which will result in non-recurring earnings effects in financial year 2021/22. However, the original scope of the programme will be adhered to. In addition, expenses in connection with the permanent closure of stores as a result of COVID-19 will likewise be deferred to financial year 2021/22.

The following comments relate to the reported result of continuing operations.

NET FINANCIAL RESULT AND TAXES

€ million	2019/20	2020/21
Earnings before interest and taxes EBIT	**−80**	**326**
Other investment result	20	48
Interest income/expenses (interest result)	−51	−53
Other financial result	−14	−26
Net financial result	**−45**	**−31**
Earnings before taxes EBT	**−125**	**296**
Income taxes	−93	−53
Profit or loss for the period from continuing operations	**−218**	**243**
Profit or loss for the period from discontinued operations after taxes	6	13
Profit or loss for the period	**−211**	**256**

The **financial result** improved by €14 million to €−31 million in financial year 2020/21 (2019/20: €−45 million). This improvement was mainly driven by a €28 million increase in the other investment result, which resulted from higher investment income from METRO PROPERTIES GmbH & Co. KG. In addition, a higher dividend payment from PJSC "M.video" than in the previous year had a positive effect on the other investment result in financial year 2020/21. The other financial result declined by €11 million in financial year 2020/21, which is mainly attributable to higher expenses for commitment fees.

Earnings before taxes increased considerably from €−125 million to €296 million in financial year 2020/21.

↗ Further information on the financial result can be found in the notes – notes 7, 9 and 10 Earnings share of operating companies recognized at equity/other investment result, Interest income/interest expenses and Other financial result.

The recognized income tax expenses of €53 million (2019/20: €93 million) are €40 million below the previous year's level. The decline resulted primarily from lower effective taxes due to the COVID-19-related earnings decline in Germany. Deferred tax income is at the previous year's level and particularly relates to the capitalization of deferred taxes on loss carry-forwards.

€ million	2019/20	2020/21
Current taxes	**111**	**72**
thereof Germany	(82)	(18)
thereof international	(29)	(54)
thereof tax expenses/income of current period	(105)	(70)
thereof tax expenses/income of previous periods	(7)	(2)
Deferred taxes	**−19**	**−19**
thereof Germany	(−6)	(−12)
thereof international	(−13)	(−7)
	93	**53**

The Group tax rate is the ratio between recognized income tax expenses and earnings before taxes. In the reporting period, the Group tax rate is 17.8 per cent (2019/20: −74.0 per cent). The relatively low tax rate in the reporting period results in particular from the non-tax-deductible increase in the value of the interest in Fnac Darty S.A.

↗ Further information on income taxes can be found in the notes – note 12 Income taxes.

PROFIT OR LOSS FOR THE PERIOD AND EARNINGS PER SHARE

The **profit or loss for the period** from continuing operations increased by €461 million to €243 million. This increase is mainly attributable to the positive earnings effect from companies accounted for using the equity method, which increased by €421 million compared with the previous year's figure to €154 million (2019/20: €−267 million). In addition, the financial result improved by €14 million to €−31 million, and the recognized income tax expenses decreased by €40 million to €−53 million.

As the positive earnings effect from companies accounted for using the equity method is not attributable to non-controlling interests, the share of non-controlling interests in the profit or loss for the period increased by only €1 million to €21 million (2019/20: €19 million). Accordingly, the profit or loss for the period attributable to shareholders of CECONOMY AG amounted to €222 million (2019/20: €−237 million) and **earnings per share** amounted to €0.62 (2019/20: €−0.66).

The calculation of earnings per share in financial year 2020/21 is based on 359,421,084 shares.

				Change	
		2019/20	2020/21	Absolute	%
Profit or loss for the period from continuing operations	€ million	−218	243	461	–
Profit or loss for the period attributable to non-controlling interests from continuing operations	€ million	19	21	1	7.0
Profit or loss for the period attributable to shareholders of CECONOMY AG from continuing operations	€ million	−237	222	459	–
Earnings per share from continuing operations[1]	€	−0.66	0.62	1.28	–

[1] After non-controlling interests

Financial and asset position

CAPITAL STRUCTURE

As of 30 September 2021, CECONOMY's consolidated statement of financial position reported **equity** of €757 million (30/09/2020: €548 million).

The equity ratio increased to 7.1 per cent in the reporting period (30/09/2020: 5.2 per cent).

€ million	Note no.	30/09/2020	30/09/2021
Equity	**30**	**548**	**757**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		–753	–527
Non-controlling interests		61	44

The share capital remained unchanged at €919 million as of 30 September 2021. Likewise, the capital reserve remained unchanged at €321 million.

Reserves retained from earnings rose by €227 million to €–527 million as of 30 September 2021 (30/09/2020: €–753 million). This increase is primarily attributable to the profit for the period attributable to shareholders of CECONOMY AG of €232 million (30/09/2020: loss for the period of €–232 million). In addition to the reversal of the impairment of the Fnac Darty S.A. share of €150 million in the second quarter of 2020/21, after impairment of €268 million in the previous year, a €14 million improvement in the financial result and a €40 million reduction in income tax expenses also had a positive effect on the profit for the period.

The non-controlling interests decreased to €44 million (30/09/2020: €61 million).

€ million	30/09/2020	30/09/2021
Cash and cash equivalents	1,484	1,582
Short-term financial investments[1]	85	175
Borrowings	2,422	2,865
Net liquidity (+)/Net debt (–)	**–854**	**–1,109**

[1] Included in the statement of financial position under "other financial assets (current)"

As of 30 September 2021, net debt amounted to €1,109 million. In the previous year, net debt of €854 million was reported.

Cash and cash equivalents, at €1,582 million, were €98 million higher than in the previous year (30/09/2020: €1,484 million).

Short-term financial investments amounted to €175 million as of 30 September 2021 (30/09/2020: €85 million).

Borrowings rose by €443 million to €2,865 million as of 30 September 2021 (30/09/2020: €2,422 million). The reason for this development is the issue of a five-year senior unsecured bond of €500 million in June 2021. The lease liabilities recognized for the first time in the previous year declined by €74 million to €2,067 million (30/09/2020: €2,141 million) due to rental payments made.

Adjusted for lease liabilities, net liquidity as of 30 September 2021 amounted to €959 million (30/09/2020 adjusted: €1,287 million).

↗ For details, please refer to the cash flow statement and note 40 Notes to the cash flow statement.

Non-current liabilities rose by €214 million to €2,686 million as of 30 September 2021 (30/09/2020: €2,472 million).

This development is primarily due to the increase in non-current borrowings by €259 million to €2,109 million (30/09/2020: €1,850 million). The reason for the increase is the issue of a five-year senior unsecured bond of €500 million, which is partially compensated for by the pro rata reclassification of promissory notes of €191 million to current liabilities. The €51 million decline in provisions for pensions and similar obligations to €462 million (30/09/2020:

€513 million) likewise had an opposite effect. As well as to an allocation of €18 million and the measurement of plan assets at fair value, this decline is also attributable to the regular pension payments.

Current liabilities amounted to €7,224 million as of 30 September 2021, which equates to a decrease of €211 million (30/09/2020: €7,435 million).

The decrease is due among other things to the €526 million decline in trade liabilities and similar liabilities to €5,470 million (30/09/2020: €5,996 million). This is primarily attributable to an increased purchase volume in the fourth quarter of the previous year. The increase in current borrowings by €184 million to €756 million (30/09/2020: €573 million), due to the partial reclassification of promissory notes to current liabilities, had a compensating effect. Other liabilities likewise increased by €128 million to €359 million (30/09/2020: €231 million) due to higher VAT liabilities as a result of COVID-19-related tax deferrals.

In comparison with 30 September 2020, the debt ratio decreased by 1.9 percentage points to 92.9 per cent (30/09/2020: 94.8 per cent). The ratio of current liabilities to total debt declined by 2.2 percentage points compared with 30 September 2020 to 72.9 per cent (30/09/2020: 75.0 per cent).

↗ Further information on the maturity, currency and interest rate structure of the borrowings and credit facilities can be found in the notes – note 35 Borrowings.

€ million	Note no.	30/09/2020	30/09/2021
Non-current liabilities		**2,472**	**2,686**
Provisions for pensions and similar obligations	31	513	462
Other provisions	32	28	38
Borrowings	33, 35	1,850	2,109
Other financial liabilities	33, 36	36	43
Other liabilities	36	11	5
Deferred tax liabilities	25	33	29
Current liabilities		**7,435**	**7,224**
Trade liabilities and similar liabilities	33, 34	5,996	5,470
Provisions	32	151	108
Borrowings	33, 35	573	756
Other financial liabilities	33, 36	378	420
Other liabilities	36	231	359
Income tax liabilities	33	106	110

↗ Further information on the development of liabilities can be found in the notes under the numbers stated in the table. Information on contingent liabilities and other financial liabilities can be found in the notes – note 43 Contingent liabilities and note 44 Other financial liabilities.

INVESTMENTS/DIVESTMENTS

In financial year 2020/21, CECONOMY invested €757 million, around €195 million more than in the previous year (2019/20: €562 million). The considerable increase is mainly attributable to the addition of right-of-use assets of €551 million, which was €165 million higher than in the prior-year period (2019/20: €386 million). This development was driven primarily by extensions to existing rental agreements, especially in Germany, Austria, Italy and the Netherlands, as well as the acquisition of 17 Spanish stores from Worten Equipamentos do Lar S.A., while some rental agreement extensions planned in the previous year were paused as a result of the uncertain COVID-19 situation. Investments in expansion and modernization recovered after a modest previous year as a result of COVID-19, but are still at a low level. 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 in Greece.

A total of eleven new stores were opened in financial year 2020/21, after three in the previous year. Furthermore, 17 stores were added in the reporting period 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. However, 33 stores were closed in the reporting period, after ten closures in the previous year. Moreover, twelve stores were contributed to the joint venture in Greece in the previous year, so these stores have not been part of the network of stores since 29 November 2019. In addition to measures to reduce space in existing stores, the smaller average size of the new stores reduced the average selling space across all stores by around 2 per cent to 2,545 square metres per store by the end of the financial year. At the end of the previous financial year, the average selling space per store was

2,601 square metres. The total selling space amounts to 2,591 thousand square metres after 2,661 thousand square metres in the previous year.

Investments as per segment report

€ million	2019/20	2020/21	Change Absolute	Change %
DACH	284	414	130	45.8
Western/Southern Europe	160	271	111	69.5
Eastern Europe	58	58	1	1.0
Others	61	13	–47	–77.9
	562	**757**	**195**	**34.6**

€414 million was invested in the **DACH** region in financial year 2020/21. Investments were therefore €130 million higher than in the previous year (2019/20: €284 million). This increase is mainly attributable to a €113 million higher addition of right-of-use assets on account of a larger number of rental agreement extensions in Germany and Austria, as well as the addition of right-of-use assets from the conclusion and extension of rental agreements for logistics centres in Germany. A slight normalization of modernization activity after a modest previous year and investments in intangible assets in Germany likewise resulted in higher investments. No stores were opened in the DACH region, after one new store in the previous year. However, 20 stores in Germany and one store in Austria were closed in the reporting period, after seven closures in the previous year.

Investments in **Western/Southern Europe** came to €271 million in financial year 2020/21, €111 million higher than the investments in the prior-year period (2019/20: €160 million). The considerable increase is mainly attributable to the addition of rental right-of-use assets of €195 million, which was €78 million higher than in the prior-year period. This development was driven primarily by extensions to existing rental agreements, especially in Italy and the Netherlands, as well as the acquisition of 17 Spanish stores from Worten Equipamentos do Lar S.A. In addition, resumed modernization activity led to an increase in segment investments. With 21 new stores, 18 of which Spanish, 19 more stores were opened than in the previous year. Five stores were closed in the reporting period, after one closure in the previous year. Moreover, twelve stores were contributed to the joint venture in Greece in the previous year, so these stores have not been part of the network of stores since 29 November 2019.

In **Eastern Europe**, investments in financial year 2020/21 were on a par with the previous year at €58 million (2019/20: €58 million). While the addition of rental right-of-use assets in Poland was much lower than in the previous year due to higher prior-year investments such as for the extension of existing rental agreements for logistics centres and stores, expansion and modernization and the extension of existing rental agreements in Turkey resulted in an increase in investments. In the reporting period, seven stores were opened in Turkey. However, seven stores were closed in Poland, after two closures in the previous year.

Investments in the **Others** segment amounted to €13 million in financial year 2020/21 (2019/20: €61 million). The decline is mainly attributable to the addition of the joint venture investment in Greece in the previous year, while there were no additions from investments accounted for using the equity method in the current year. A lower addition of right-of-use assets also resulted in a decline in investments. There were no new stores or closures in the Others segment in the reporting period.

CECONOMY received cash of €19 million from **divestments** in 2020/21 (2019/20: €20 million). This primarily relates to the sale of fixtures and other furnishings from the closed stores.

LIQUIDITY (CASH FLOW STATEMENT)

The information below relates to continuing operations.

In the past financial year 2020/21, **cash flow from operating activities** resulted in a cash inflow of €450 million. This compares with a cash inflow of €1,183 million in the previous year. The €734 million lower cash flow from operating activities is primarily due to the negative development of net working capital of €–354 million after positive development in the previous year (2019/20: €314 million). Particularly notable here is the significant decrease in trade liabilities with a simultaneous increase in inventories. The decrease in liabilities is mainly on account of the previous year's high base, which is due to the increased purchase volume as a result of the positive sales growth in the fourth quarter of the previous year. The comparatively high inventories are mainly due to the temporary store closures in the current year and the further deliberate increase in order to ensure the availability of goods. There was likewise a cash outflow in income taxes in the past financial year 2020/21 after a cash inflow in the previous year, which resulted in particular from tax refunds for previous years. This was countered by the development of other operating activities with a cash inflow of €1 million (2019/20: cash outflow of €110 million). This is mainly attributable to tax deferrals for VAT due in the financial year, made possible by the package of measures in connection with COVID-19. In addition, the previous year included severance payments, which predominantly related to the reorganization and efficiency program and management changes.

In the past financial year 2020/21, **cash flow from investing activities** recorded a cash outflow of €263 million (2019/20: €248 million). The increase is mainly due to higher investments in property, plant and equipment, which in comparison with the previous year reflect the resumption of selective expansion and modernization measures. Lower cash outflow from net investment in financial investments and securities, which amounted to €218 million (2019/20: €245 million) in financial year 2020/21, had the opposite effect. Cash inflow from net divestments of financial investments and securities likewise declined in financial year 2020/21 to €153 million (2019/20: €160 million).

The **cash outflow from financing activities** amounted to €77 million in financial year 2020/21 (2019/20: €606 million). The change is mainly due to the issuance of a five-year bond with a nominal volume of €500 million in June 2021. The further change in proceeds from and redemption of borrowings reflects short-term financing decisions by CECONOMY. The previous year includes the credit facilities utilized against the backdrop of the COVID-19 pandemic, but these were paid back almost entirely as of the end of the financial year, so both the proceeds from borrowings and the redemption of other borrowings in financial year 2020/21 are lower than in the previous year. The redemption of lease liabilities amounted to €503 million in the past financial year 2020/21 (2019/20: €530 million).

Free cash flow amounted to €233 million in financial year 2020/21. Particularly as a result of the negative development of net working capital in the past financial year 2020/21, free cash flow was €767 million below the figure of the prior-year period.

↗ Explanations can be found in the consolidated financial statements – cash flow statement and in the notes – note 40 Notes to the cash flow statement.

Cash flow statement[1]

€ million	2019/20	2020/21
Cash flow from operating activities from continuing operations	1,183[2]	450
Cash flow from investing activities from continuing operations	−248	−263
Cash flow before financing activities from continuing operations	935[2]	187
Cash flow from financing activities from continuing operations	−606[2]	−77
Total cash flows	329	110
Currency effects on cash and cash equivalents	−44	−12
Total change in cash and cash equivalents	285	98

[1] Condensed version. The full version is included in the consolidated financial statements.
[2] Restated prior-year figure as a result of factoring transactions now reported on a gross basis

FINANCIAL MANAGEMENT

Principles and objectives of finance activities

In the context of financial management, CECONOMY ensures that the Group has sufficient liquid funds at all times, arranges the Group-wide management of liquidity and reduces financial risks wherever economically appropriate. The Treasury department manages these tasks centrally for the entire Group. The aim is to invest surplus liquidity at attractive conditions via the central management of the Group companies' finance requirements and financial investments or, if refinancing is required, to meet this requirement as far as possible via the international capital markets. This applies both to the operating business and to investments. CECONOMY is guided in the selection of investment and finance products by the maturity of the underlying transaction.

CECONOMY's finance activities are based on the Group's financial planning, which is followed by all material companies. In addition to the daily analysis of the Group-wide finance status, CECONOMY compiles both short-term and long-term liquidity planning, the latter for three months after the end of the financial year, both of which are updated on a rolling basis.

Optimum conditions for using the capital market are to be created through intensive dialogue with bond investors and credit analysts. All finance activities throughout the Group are subject to the following principles:

Single financial entity: the entire Group acts externally as a single financial entity and thus obtains better conditions on the financial markets.

Financial freedom: when it comes to making financial decisions, CECONOMY always maintains freedom in relation to banks or business associates so as to remain independent.

Central risk hedging: CECONOMY uses financial transactions firstly to cover finance requirements. Secondly, the company hedges underlying transactions that entail risks. The Treasury centrally monitors the overall portfolio of all CECONOMY's financial transactions.

Central risk monitoring: changed financial parameters, including for example interest or exchange rate changes, can affect CECONOMY's financing. The Treasury regularly quantifies the associated risks in scenario analyses. Open risk positions – such as the conclusion of financial transactions without an underlying transaction – may only be held after approval by the Management Board of CECONOMY AG.

Only authorized contract partners: only contract partners that have been authorized by the Treasury may be considered for CECONOMY's financial transactions. The creditworthiness of these contract partners is reviewed on a daily basis according to their rating and the observation of credit risk indicators (primarily credit default swap analyses). On this basis, the Treasury responsible at CECONOMY continuously monitors compliance with the approved limits.

Approval requirement: as a rule, CECONOMY Group companies' financial transactions are concluded with CECONOMY AG. If this is not possible for legal reasons, they are arranged in coordination with CECONOMY AG in the Group company's name, with another Group company or directly between the Group company and the external finance partner.

Audit security: the dual-control principle generally applies at the company. Processes and responsibilities are defined in Group-wide guidelines. The conclusion of financial transactions is organizationally separate from processing and control.

↗ Further information on risks from financial instruments and hedge accounting can be found in the notes – note 42 Management of financial risks.

Ratings

Ratings assess a company's ability to meet its financial obligations. They serve as evidence of the creditworthiness of a company vis-à-vis potential lenders. A rating also makes it easier to access international capital markets. CECONOMY AG has commissioned Moody's Investors Service, one of the world's leading rating agencies, and also a European rating agency, Scope Ratings, to continuously analyse CECONOMY AG's creditworthiness.

The assessments of CECONOMY AG's ratings by Moody's Investors Service and Scope Ratings as of 30 September 2021 were as follows:

Moody's Investors Service

Category	
Long-term	Ba1
Short-term	n/a
Outlook	Stable

Scope Ratings

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

On 19 May 2021, Moody's changed the outlook for CECONOMY AG's rating from "negative" back to "stable", in particular due to the Group's robust sales performance despite the severe impact of store closures as a result of COVID-19.

Financing measures
CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 30 September 2021, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of up to six years. CECONOMY AG also issued a five-year senior unsecured bond of €500 million. The bond was issued on 24 June 2021.

For obtaining short-term financial funding, CECONOMY AG has a multi-currency commercial paper programme with a maximum volume of €500 million. There was no outstanding commercial paper as of 30 September 2021.

The Group had sufficient liquidity at all times. CECONOMY AG possesses comfortable liquidity reserves, which besides the held liquidity comprise syndicated credit facilities of €1,060 million. These came into effect on 9 August 2021 following the company's termination of the previously existing syndicated credit facility with the involvement of KfW.

These extensive, multi-year credit facilities had not been utilized as of 30 September 2021 or in the past financial year 2020/21 as a whole. This also applies to the credit facilities in place until 9 August under the syndicated loan agreement with the involvement of KfW existing until that date, which likewise had not been utilized at any time during the financial year.

The table below provides an overview of the credit facilities:

Undrawn credit facilities of CECONOMY AG

	30/09/2020			30/09/2021		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	9	9	0	0	0	0
Utilization	−9	−9	0	0	0	0
Undrawn bilateral credit facilities	**0**	**0**	**0**	**0**	**0**	**0**
Syndicated credit facilities	2,680	0	2,680	1,060	0	1,060
Utilization	0	0	0	0	0	0
Undrawn syndicated credit facilities	**2,680**	**0**	**2,680**	**1,060**	**0**	**1,060**
Total credit facilities	2,689	9	2,680	1,060	0	1,060
Total utilization	−9	−9	0	0	0	0
Total undrawn credit facilities	**2,680**	**0**	**2,680**	**1,060**	**0**	**1,060**

ASSET POSITION
In financial year 2020/21, **total assets** increased by €212 million to €10,667 million as of 30 September 2021 (30/09/2020: €10,455 million).

The €46 million increase in **non-current assets** to €3,903 million (30/09/2020: €3,857 million) is primarily due to the increase in investments accounted for using the equity method by €159 million to €425 million (30/09/2020: €266 million) and the reversal of the impairment taken on the investment in Fnac Darty S.A. of around €150 million included therein. In addition, other intangible assets increased by €23 million and deferred tax assets by €15 million. In contrast, the right-of-use assets recognized for the first time in the previous year due to the application of IFRS 16 declined by €88 million to €1,933 million (30/09/2020: €2,021 million). In addition, property, plant and equipment decreased by €60 million to €507 million (30/09/2020: €567 million), mainly due to depreciation as well as floor optimization and store closures.

€ million	Note no.	30/09/2020	30/09/2021
Non-current assets		**3,857**	**3,903**
Goodwill	19	524	524
Other intangible assets	20	102	125
Property, plant and equipment	21	567	507
Right-of-use assets	22	2,021	1,933
Financial assets	23	280	280
Investments accounted for using the equity method	23	266	425
Other financial assets	24	2	3
Other assets	24	11	8
Deferred tax assets	25	84	99

↗ Further information on the development of non-current assets can be found in the notes under the numbers stated in the table.

Current assets increased by €166 million to €6,764 million in the reporting period (30/09/2020: €6,598 million).

This resulted in particular from an increase in inventories by €162 million to €3,111 million (30/09/2020: €2,949 million). The increase in other financial assets by €125 million to €276 million (30/09/2020: €151 million) was largely due to an investment in short-term securities. In addition, the €98 million increase in cash and cash equivalents to €1,582 million (30/09/2020: €1,484 million) had a positive effect on current assets. On the one hand, receivables due from suppliers declined by €160 million to €1,142 million (30/09/2020: €1,302 million) due to lower subsequent supplier income. On the other hand, trade receivables and similar claims decreased by €127 million to €361 million (30/09/2020: €488 million) as a result of lower commissions in the mobile communications area.

€ million	Note no.	30/09/2020	30/09/2021
Current assets		**6,598**	**6,764**
Inventories	26	2,949	3,111
Trade receivables and similar claims	27	488	361
Receivables due from suppliers	24	1,302	1,142
Other financial assets	24	151	276
Other assets	24	154	183
Income tax assets		69	107
Cash and cash equivalents	29	1,484	1,582

↗ Further information on the development of current assets can be found in the notes under the numbers stated in the table.

The balance sheet net working capital developed as follows in financial year 2020/21:

Net working capital

€ million	30/09/2019[1]	30/09/2020	Change	30/09/2020	30/09/2021	Change
Inventories	2,548	2,949	402	2,949	3,111	162
Trade receivables and similar claims	455	488	33	488	361	–127
Receivables due from suppliers	1,295	1,302	7	1,302	1,142	–160
Trade liabilities and similar liabilities	–5,321	–5,996	–675	–5,996	–5,470	526
Net working capital	**–1,023**	**–1,256**	**–233**	**–1,256**	**–855**	**401**

[1] Balance sheet figures as of 30 September 2019 do not include the assets and liabilities of the MediaMarkt Greece disposal group. The resulting effect for net working capital amounted to €–21 million.

The balance sheet **net working capital** deteriorated by €401 million year-on-year to €–855 million (30/09/2020: €–1,256 million).

The decreased net working capital compared to the previous year is primarily due to a significant decline in trade liabilities and similar liabilities by €526 million to €5,470 million (30/09/2020: €5,996 million) because of an increased purchase volume in the fourth quarter of the previous year as a result of the sustained positive sales growth after stores reopened following the first COVID-19-related temporary closures. In 2020/21, the higher inventories as a result of the lockdown and the further deliberate increase in inventories in order to ensure the availability of goods for the upcoming Black Friday period resulted in an increase in inventories of €162 million to €3,111 million (30/09/2020: €2,949 million). In contrast, trade receivables and similar claims as well as receivables due from suppliers were below the previous year's level.

Discontinued operations

In accordance with IFRS 5, the MediaMarkt Russia business disposed of in financial year 2017/18 was classified as a discontinued operation.

In the past **financial year 2020/21**, the profit or loss for the period from discontinued operations amounted to €13 million (2019/20: €6 million). The share of minority interests amounted to €3 million (2019/20: €1 million). Accordingly, the profit or loss for the period from discontinued operations attributable to shareholders for the past financial year 2020/21 amounted to €10 million (2019/20: €5 million) or €0.03 (2019/20: €0.01 per share).

↗ Further information on discontinued operations can be found in the notes – note 13 Profit or loss for the period from discontinued operations after taxes.

OUTLOOK[1]

CECONOMY AG's outlook considers relevant facts and events that were known at the date of the preparation of the consolidated financial statements and that will influence future business development. Besides a wide range of sources from national and international economic research institutes and organizations, the main source for the forecasts is Feri Trust.

Economic parameters in financial year 2021/22

After the sometimes massive declines in gross domestic product (GDP) last year, 2021 is characterized by clearly positive growth rates, which often took national economies back to or at least close to the economic level of 2019. This recovery was supported by continued expansionary monetary and likewise expansionary fiscal policy. Nevertheless, there is still a risk of new COVID-19 mutations and associated pandemic waves, lockdowns and the corresponding economic impact.

In the current calendar year, the global economy's GDP has increased by an average of 5.5 per cent. Emerging economies, with positive growth of 6.5 per cent, developed somewhat more dynamically than the industrialized nations, which posted growth of 5.1 per cent.

Assuming no further strict COVID-19 restrictions, positive growth at slightly below the previous year's level is expected for the global economy in 2022. The further development in the USA's trade relations with other large economies and economic areas under the new President's administration will also influence the global development of GDP. This year, the USA is expected to generate economic growth of 6.0 per cent, which is likely to weaken slightly in 2022 due to declining private consumption, among other things. The tensions with China regarding trade and geopolitical differences continue to harbour economic risks for the largest national economy. China's economic output increased dynamically to 8.4 per cent in 2021 and is expected to decrease to growth of 5.6 per cent in the following year. The weaker growth is due to factors such as increasing national debt, low productivity and an ageing population.

High growth rates in the European Union are expected primarily in the second half of 2021, when the "Next Generation EU" economic recovery package takes effect. This year, economic output is expected to grow by 4.6 per cent. In addition to COVID-19, there are further economic risks in the coming year such as the USA's threat of higher tariffs in addition to the levies already implemented in response to the planned digital tax. The end of the trade talks with Switzerland also impacts the relationship with an important trade partner. Despite these risks, economic growth at the level of 2021 is also expected in 2022.

DACH

In 2021, economic growth of 3.0 per cent is expected in Germany. Next year, 2022, private consumption and government spending in particular will provide even stronger support for growth and result in growth of 4.5 per cent. The GDP growth in Germany is therefore higher than the average for the industrialized nations. The GDP level of the pre-COVID-19 period is expected to be regained at the end of 2021 already.

In Austria, economic output is expected to increase by 3.9 per cent in 2021. Next year, both private consumption and export performance are expected to continue increasing and result in stronger GDP growth of 5.1 per cent, so the level of the fourth quarter of 2019 will be exceeded in 2022.

In Switzerland, real gross domestic product is expected to increase by 3.6 per cent in 2021. Somewhat lower economic growth of 3.3 per cent, also supported by private consumption, is expected in 2022.

In 2021, the Hungarian economy is expected to grow by 7.9 per cent. Positive GDP development is still expected next year, albeit at a somewhat lower level than in 2021.

[1] The GDP growth figures stated in this section relate to the calendar years 2020 and 2021. Accordingly, the 2021 values are forecasts. In contrast, the qualitative statements in the text refer to the reporting period, unless otherwise stated. The sources for the information in this text were recent publications by Feri (World Industry Report), the market research institute GfK and Bitkom.

Western/Southern Europe
The expected economic development in Western/Southern Europe has improved palpably in 2021, with growth of 5.8 per cent. For calendar year 2022, growth is expected to slow to 4.6 per cent due to declining export performance and government spending.

Supported by high export sales, the GDP of the Netherlands is developing positively at 4.4 per cent in 2021. Next year, the growth is forecast to weaken slightly to 4.1 per cent, as a decline in government spending and exports is expected. Supported by high government spending, the Belgian economy will develop dynamically with growth of 6.1 per cent. Lower growth of 4.5 per cent is expected in the year to come, as this spending will be significantly reduced.

In Spain, economic growth will see an increase of 4.9 per cent in 2021, partly due to base effects. Supported by increasing exports and higher private consumption, the economic growth will again rise to a figure of 6.0 per cent in 2022. In Portugal, GDP is expected to increase by 4.5 per cent in 2021. A significant increase in export performance is expected next year, which is likely to result in growth in economic output of 6.0 per cent.

The Italian economy was particularly severely affected by the COVID-19 pandemic in 2020. A significant recovery in GDP of 6.3 per cent is expected for calendar year 2021. In 2022, growth in real economic output will weaken to 4.1 per cent due to weaker growth stimulus from government spending and lower exports.

Eastern Europe
In Eastern Europe (including Turkey and excluding Hungary), economic output is expected to increase by 5.4 per cent in 2021. For 2022, the region is expected to recover further with real economic growth of 4.9 per cent.

Turkey has a material influence on development in the Eastern Europe region. In 2021, GDP is expected to recover significantly with dynamic real economic growth of 9.8 per cent. The recovery is currently forecast to weaken in 2022, with growth of 4.8 per cent. Weaker export performance and declining private consumption are expected to be responsible for this development.

While Poland still reported negative economic development in the previous year, positive growth of 4.9 per cent is expected for 2021, which will more than compensate for the losses. Supported by increasing exports and higher private consumption, real economic growth will again rise to 5.9 per cent in 2022.

Development in the consumer electronics retail market

Despite international lockdown measures in connection with the COVID-19 pandemic, the European consumer electronics retail market developed very dynamically in financial year 2020/21. In contrast to the general economic recovery expected in 2022, the industry-specific growth momentum next year is expected to decline slightly. Meanwhile, it is assumed that the online business will retain a high share in total sales – considerably higher than the pre-COVID-19 level.

In 2021, consumers spent much more on products for working from home and home schooling compared with previous years. Further growth stimuli came from product groups relating to technological home upgrades. Supported by the streaming boom, televisions remain a dominant appliance in the consumer electronics sector. The future unequivocally belongs to connected devices. Fitness apps, voice assistants, and augmented and virtual reality are transforming the market from pure entertainment to genuine everyday assistance.

DACH
Given the current high growth momentum, development in the retail electronics sector in Germany is expected to decline slightly in financial year 2021/22. CECONOMY likewise anticipates moderate negative growth trends in Austria and Switzerland. The Hungarian consumer electronics retail market is deemed to be relatively stable.

Western/Southern Europe
On the basis of the current market development, the Western and Southern European consumer electronics retail market is expected to decline in 2022. Due to the very dynamic growth rates of the previous year, CECONOMY expects a moderate decline for Spain. The same applies to Portugal. Negative mid-single-digit growth rates are also expected for the consumer electronics retail market in Italy, the Netherlands and Belgium.

Eastern Europe

In Eastern Europe, there will be heterogeneous development in the growth of the consumer electronics retail market. Poland is expected to see moderately negative growth in calendar year 2022. Due to the political and economic uncertainty, it remains difficult to make a reliable forecast for the Turkish market in 2022. However, development is expected to be less dynamic than in the previous year due to base effects.

Outlook for CECONOMY

The previous year's high level of uncertainty regarding future macroeconomic and sector-specific parameters persists in financial year 2021/22. This includes the ongoing COVID-19 pandemic with new virus variants and re-emerging discussions in many places about temporary store closures or other retail restrictions, but also the fact that many supply chains are still under strain.

Against this backdrop, CECONOMY expects a slight year-on-year increase in total sales adjusted for exchange rate effects for financial year 2021/22 (total sales in financial year 2020/21: €21,361 million), driven in particular by the DACH and Eastern Europe segments. The Western/Southern Europe segment is expected to be on previous year's level. In addition, CECONOMY expects a very clear increase in adjusted EBIT compared to the previous year (2020/21: €237 million). This outlook is based on the assumption that the continued influence of the COVID-19 pandemic both on the macroeconomic situation and on the Group's situation will not materially deviate from the level as of the date the outlook was formulated. CECONOMY will continue to consistently and successfully implement its strategic and operating initiatives in a challenging market environment. Due to the currently extremely dynamic situation, especially with regard to potential measures to contain the COVID-19 pandemic, the above assumptions are nevertheless associated with corresponding uncertainty. CECONOMY will further specify the outlook as soon as possible.

The outlook is adjusted for portfolio changes and does not take into account the earnings effects from companies accounted for using the equity method. As in the past financial year 2020/21, 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 as well as the reorganization and simplification of the corporate structure are also not taken into account.

OPPORTUNITY AND RISK REPORT

Opportunity and risk management system

In a dynamic market environment, CECONOMY acts on the basis of a clear, long-term strategy, from which short-, medium- and long-term targets are derived. The implementation of the measures to achieve these targets is associated with opportunities and risks. Sometimes, however, CECONOMY must knowingly take risks in order to make targeted use of opportunities. The early identification and management of opportunities and risks is a core task for the management.

Risks are defined as uncertain but largely quantifiable internal or external events that could negatively affect the achievement of corporate objectives. Opportunities are defined as potential successes that go further than the targets specified in the planning and could thus benefit the business performance. Opportunities and risks are inextricably linked. For example, risks can arise from missed or poorly utilized opportunities. Conversely, the utilization of opportunities in dynamic growth markets or new business areas always entails risks.

With this in mind, CECONOMY views its opportunity and risk management system as a tool that contributes to the achievement of the corporate objectives. The systematic process on which opportunity and risk management is based encompasses the entire Group. It helps management to identify, assess, manage and monitor opportunities and risks. Opportunity and risk management are therefore united. Risk management detects, at an early stage, developments and events that could negatively affect the achievement of business targets and analyses their effects. CECONOMY can thus promptly take appropriate measures to handle and monitor the risks. At the same time, opportunity management provides the chance to make targeted use of opportunities.

CENTRAL MANAGEMENT AND ORGANIZATION

The Management Board of CECONOMY AG has the responsibility and legal obligation to ensure an adequate governance system. In particular, this comprises opportunity and risk management, the internal control and compliance management systems and Internal Audit. Together, they make up the governance, risk and compliance system (GRC system), which is guided by the governance elements named in Sec. 107 para. 3 of the German Stock Corporation Act (AktG) and in the German Corporate Governance Code as well as the requirements pursuant to Sec. 91 para. 2 and para. 3 AktG. The aim is to make structures and processes more transparent and to harmonize the sub-system processes. The transparency and efficiency of CECONOMY's GRC system are thus increased overall and its appropriateness and effectiveness continuously improved.

CECONOMY AG's Group Committee for Governance, Risk and Compliance (GRC Committee) regularly discusses the method harmonization and further development of the GRC sub-systems. The committee also discusses the current opportunity and risk situation on the basis of reports from the respective units. The permanent members are representatives of the Group's Corporate Accounting, Corporate Controlling & Risk Management, Investor Relations, Group Corporate Legal, Group Competition & Antitrust, Group Compliance, Data Protection, Audit & Consulting, Corporate Strategy, M&A, Human Resources, Treasury & Insurance, and IT Management & Services departments as well as representatives of Media-Saturn-Holding GmbH's risk management/internal control system (ICS). Guests are also invited to the meetings when required, for example from the Tax and Communications, Public Policy & Sustainability departments.

RISK MANAGEMENT

Competencies and responsibilities for opportunity and risk management are clearly defined in the Group and reflect the corporate structure. Central Group management is connected with the Group companies' local responsibility for operating business via the management holding company CECONOMY AG.

The Management Board of CECONOMY AG is responsible for the appropriateness and effectiveness of the opportunity and risk management system as part of the GRC system. The risks are identified, assessed, managed and monitored by the Group companies. MMSRG's risks are validated by Media-Saturn-Holding GmbH and aggregated for further analysis and consolidation at the level of CECONOMY AG. The other Group companies report their risks directly to CECONOMY AG.

Central elements of internal monitoring are the self-assessment of the appropriateness and effectiveness of opportunity and risk management by the managements of the Group companies and the review of appropriateness and effectiveness by Internal Audit at the Group company level. Appropriateness and effectiveness are likewise monitored by the Supervisory Board of CECONOMY AG. In accordance with Sec. 317 para. 4 HGB, the auditor periodically assesses the early risk identification system as part of the opportunity and risk management system during the audit of the consolidated financial statements. It submits the result of this audit to the Management Board and Supervisory Board.

CECONOMY AG's Corporate Risk Management department manages and develops the opportunity and risk management system. It defines the approach, assessment methodology and standards of opportunity and risk management in consultation with the GRC Committee and Media-Saturn-Holding GmbH – as the most material investment at this time. The Corporate Risk Management department promptly and continuously informs the Management Board of CECONOMY AG about material developments in opportunity and risk management, ensures that information is shared within the company and supports the enhancement of opportunity and risk management at Group level and in the Group companies.

OPPORTUNITIES MANAGEMENT

The systematic identification, assessment and communication of opportunities is an integral component of CECONOMY's management and controlling system. Opportunities can be internal or external events and developments that could positively influence business performance beyond the targets specified in the planning. The fundamental aim is that CECONOMY's material opportunities and risks are at least in balance.

CECONOMY carries out macroeconomic studies, analyses the relevant trend landscape and evaluates market, competition and location analyses. In addition, the critical success factors of the business models and the company's relevant cost drivers are discussed. The Management Board of CECONOMY AG specifies the market and business opportunities thus derived as well as restructuring and efficiency improvement potential as part of short- and mid-term planning. To this end, it communicates closely with the heads of the Group departments and the management of the Group companies. CECONOMY particularly follows market- and customer-driven business approaches in this process. It continuously reviews the elements of the strategy, which aims at long-term, sustainable and profitable growth.

REPORTING

The central element of internal opportunity and risk communication is Group reporting, supplemented by the reporting on opportunity and risk management. The aim is to enable the structured and continuous examination of opportunities and risks and to document this in accordance with legal and regulatory requirements. In this way, the Management Board receives regular information about the risk situation. It is also ensured that negative trends are recognized in good time and appropriate countermeasures can be taken.

CECONOMY carries out a risk inventory twice a year. It systematically records and describes all the Group's material risks and measures them against standard benchmarks on the basis of quantitative and qualitative indicators with regard to loss potential and probability of occurrence. The results of the risk inventory and the risk portfolio are updated regularly.

The results reported by the Group companies are validated by the respective risk managers. In a second step, the risk managers summarize the results in a functional risk profile that includes a detailed description of the material individual risks. For individual categories, the risk profiles are validated by the risk managers at Group level and the GRC Committee in a third step, and specific measures for improved risk management are derived.

In addition, CECONOMY considers analyses and reports that are generated in connection with mid-term planning and forecasts. It also accounts for relevant findings from the internal control system, the compliance management system, the opportunity management system and Internal Audit.

Finally, everything that has been found is used to derive the overarching opportunity and risk portfolio for CECONOMY. This enables a balanced overall view of the opportunity and risk situation. The GRC report describes the status quo and contains recommendations for risk mitigation management. It also presents the material features of the GRC subsystems, including planned improvement measures with regard to the effectiveness of the GRC subsystems.

The Management Board of CECONOMY AG continuously informs the Supervisory Board and the Audit Committee about opportunity and risk management. Twice a year, the Audit Committee receives a detailed written report on the organization and alignment of opportunity and risk management and the current opportunity and risk situation.

For the preparation of the annual report, CECONOMY reviews the opportunity and risk portfolio drawn up in the previous year. An update is performed during the year for the preparation of the half-year financial report. An emergency notification system is also used for the event of sudden, serious risks to the net assets, financial position and earnings position. In this case, the Management Board of CECONOMY AG receives all necessary information directly and immediately.

STRICT PRINCIPLES FOR DEALING WITH RISKS

As a matter of principle, CECONOMY only takes business risks when they are considered manageable and the associated opportunities give reason to expect an appropriate increase in value for the company. Business interests and risk management aspects are therefore carefully weighed against each other and brought as far as possible into alignment.

CECONOMY bears risks associated with the core processes of the retail industry itself. For example, core processes include the development and implementation of business models, location decisions and the purchasing and sale of goods and services. Risks from support processes are minimized within the Group or, if appropriate, transferred to third parties. CECONOMY does not take risks that relate neither to core nor support processes. The same applies to risks that could jeopardize the company as a going concern or lead to a violation of legal requirements.

CLEAR DEFINITION OF THE DETAILS OF RISK MANAGEMENT

All relevant facts are collated in policies based on the internationally recognized standard COSO II and IDW PS 981. In addition, CECONOMY will continue to align its risk management system with the new and expanded requirements imposed by IDW PS 340 (as amended) in order to guarantee that the measures within risk management are implemented in a coordinated and efficient manner. The Group-wide risk management system covers all material strategic, operating, financial and compliance risks. All risks and their effects at the level of CECONOMY AG are examined over a period of one year and additionally in the third year.

RISK CLASSIFICATION

CECONOMY classifies all identified risks according to standard Group-wide benchmarks on the basis of quantitative and qualitative indicators with regard to loss potential (negative EBIT or cash effects in terms of the corporate objectives) and probability of occurrence (in per cent). With regard to loss potential, Group risks are divided into five classes: <€2.5 million, >€2.5 million, >€12.5 million, >€25 million, >€75 million.

Probability of occurrence is likewise divided into five classes: unlikely (≤5 per cent), low (>5 to 25 per cent), possible (>25 to 50 per cent), likely (>50 to 90 per cent), high (>90 per cent). All risks and their potential impacts are assessed as of the date of the risk analysis and before mitigation measures planned for the future. The risks are presented on a net basis, i.e. risks after measures already implemented and before measures to be implemented in the future in order to limit them. As a matter of principle, but as a compulsory requirement from a probability of occurrence of >25 to 50 per cent, specific measures are defined for each risk and are implemented to appropriately manage or avoid the risk or to mitigate the effects associated with the risk.

Presentation of the risk situation

Besides the general risks, the Management Board of CECONOMY AG identified and assessed the following material risks for CECONOMY in the reporting period.

CECONOMY's risks are assigned as follows to three categories – high, medium and low – according to loss potential and probability of occurrence:

CECONOMY risk matrix

>€75 million Critical	1	M	H	H	H	H
>€25 million Substantial	2	M	M	H	H	H
>€12.5 million Significant	3	L	M	M	M	H
>€2.5 million Moderate	4	L	L	L	M	M
≤€2.5 million Marginal	5	L	L	L	L	L
		E ≤5% Unlikely	D >5–25% Low	C >25–50% Possible	B >50–90% Likely	A >90% High

The risks classified as high (H) are considered material for CECONOMY and are presented in detail below. The order in which they are presented does not imply the significance of the risks. Risks classified as medium (M) or low (L) are not presented separately in the opportunity and risk report unless it is expected that the risk could become particularly relevant for the Group or its stakeholders in the future.

Like the previous year, the overall risk situation in financial year 2020/21 is characterized by the long-term consequences of the COVID-19 pandemic, which cannot be definitively predicted. The individual effects of the COVID-19 pandemic are not listed as a single material risk, but are included in the risk assessment of other material risks reported as of 30 September 2021. Risks with regard to the global macroeconomic environment, in particular a severe dip in consumer confidence, are included in the existing "deterioration of consumer confidence – economic crisis – COVID-19 pandemic" risk. This risk is considered more significant in comparison with the previous year's assessment and is still rated as high. The same applies to the intensification of competition in the digital transformation, which has accelerated and strengthened due to changed customer behaviour. The resulting risk is considered more significant and is still rated as high. The risk of the loss of major business partners was mitigated with effective measures. However, this positive effect is compensated for by an emerging shortage of product availability specific to product groups and suppliers, so the risk is still classified as high. The risk of data theft and manipulation as a violation of applicable data protection law was considered more significant in the assessment and is still rated as high. This is associated among other things with the risk of phishing attacks, for example, which has grown during the pandemic in connection with the increased use of mobile workplace concepts. In contrast to the original draft law for "fair consumer contracts", which planned 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, the "Fair Consumer Contracts Act" as issued in the Federal Gazette on 17 August 2021 did not include this change. 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 act considerably reduce the risk for CECONOMY, so that it is no longer assessed as a material risk.

The material risks and the corresponding risk mitigating measures are detailed below, arranged into various risk groups.

No.	Material risks 2020/21	Risk group	Risk assessment
1	Intensification of competition in the digital transformation	Strategic risks	High
2	Deterioration of consumer confidence – economic crisis – COVID-19 pandemic	Strategic risks	High
3	Loss of strategic business partners	Strategic risks	High
4	Shortage of qualified employees for key functions	Operating risks	High
5	Cyberattacks – attacks on IT infrastructure	Operating risks	High
6	Credit ratings	Financial risks	High
7	Impairment of assets	Financial risks	High
8	Violation of data protection law, leakage or manipulation of confidential data	Compliance risks	High

STRATEGIC RISKS

Especially in the saturated markets of Western Europe and in light of the digital transformation, the retail industry continues to be permanently shaped by dynamic change and intense competition. This is giving rise to factors that influence business development and constitute natural business risks. A material business risk is the persistently advancing, significant intensification of competition in the digital transformation, primarily due to global online retailers such as Amazon and Alibaba as well as to European or national online retailers and direct sellers (risk no. 1). Due to the originally unforeseeable and repeated temporary store closures during the waves of the COVID-19 pandemic in nearly all countries with a CECONOMY market presence, purchases were significantly and for the most part sustainedly shifted to the more competitive online channel. The risk has therefore already partially materialized, but it is considered more significant and still a high risk for CECONOMY. The persistently fierce battle for market share in saturated markets and, during a period of market consolidation, against price-aggressive competitors may lead to permanent pressure on margins and the loss of sales and market shares. This situation could be exacerbated further by a sustained rise in logistics and purchasing costs. Increasing market and price transparency and significantly shorter product life cycles with falling gross margins as a result of digitalization and the associated change in the product mix may further amplify these effects. Also in online business, which is a strong growth driver for CECONOMY, a further intensification of competition could weaken the competitive position and influence growth. This could negatively affect sales and EBIT.

In order to counter this risk, CECONOMY is increasingly allocating resources for the digital sector and the online expansion in particular. CECONOMY is continuously observing the market and competitors and developing Services & Solutions, also digitally, in order to unlock new income potential. In addition, logistics processes are continuously reviewed with regard to the requirements of the digital transformation and the product mix in order to discover potential for improvement. Through the expansion of marketplace activities, the company's own sales channels were opened up to external providers, giving our customers an even greater choice of products. CECONOMY also continuously reviews the store network and optimizes selling space, among other things to meet customers' changing requirements.

CECONOMY regularly evaluates internal and external information in order to identify market trends and customers' changing demands at an early stage and to adapt to customer requirements.

The subsequent effects and 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 and international trade are not fully foreseeable or measurable with regard to their economic effects. Temporary closures of internationally important ports and logistics hubs in response to COVID-19 are interrupting supply chains. The global imbalance in microchip production and demand is resulting in a shortage in economically important production industries, including the consumer electronics sector. The economic upturn, especially in economies in the Far East, is exacerbating the shortage of necessary raw materials. In particular, demand for energy sources is greater than the supply, which led to an unexpectedly high inflation rate, including in the countries of the European Union. This inflation and a slow-growing economy could result in the dreaded economic scenario of stagflation. The associated potential deterioration of consumer confidence in most countries in which CECONOMY operates is a material risk (risk no. 2). Indications of sector development show national, regional and category-specific differences in the implications for consumer behaviour in the consumer electronics segment. In principle, the changed consumer behaviour during lock-down and the associated shift in sales shares from brick-and-mortar to online business has become permanently established. CECONOMY has already successfully responded to this and further expanded and improved the omnichannel processes. For example, supply and delivery processes have been modified to be flexible and stock-oriented, so that goods ordered by customers online are no longer sent to customers exclusively from central warehouses, but also directly from the local stores. CECONOMY monitors potential market changes on an ongoing basis and derives strategies for its own business from this. The risk resulting from the uncertain economic situation and further long-term impact of the COVID-19 pandemic is considered more significant and still high in comparison with the opportunity and risk report for 2019/20.

Looking ahead, in Europe there is a risk of a decline in consumption as a result of waning economic performance, falling demand for exports and general uncertainty among the population. At the same time, the strong demand for consumer electronics products in the months after stores reopened was also driven by anticipatory effects, so there is a risk of a corresponding decline in customer demand in subsequent financial years, but there is of course also a chance that consumer confidence will recover unexpectedly. 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 European Union's dispute with Poland regarding the rule of law also entails uncertainties and economic risks for the member states of the European Union.

To handle these risks, the current and projected political and economic situations are regularly monitored and analysed in order to counter negative developments in good time. Concepts for the enhancement of business models and the optimization of process, organizational and cost structures are being developed on a continual basis. This is supplemented by continuous monitoring of the economic situation, especially with regard to the long-term impact of the COVID-19 pandemic.

In addition, the loss of strategically relevant business partners is a risk that CECONOMY continuously monitors and manages (risk no. 3). 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 a strategic business partner can jeopardize the forecast EBIT through lost 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 is countered by the risk of potentially insufficient product availability due to the global microchip shortage. On the basis of worldwide material and transport shortages, CECONOMY continues to rate the risk as high.

OPERATING RISKS

Qualified employees form the basis for the success of the company. Competition for competent specialists remains fierce, especially in the areas relevant for digitalization. There is therefore a risk that CECONOMY does not have enough suitable employees to fill key positions (risk no. 4). This concerns in particular for areas such as innovation and technology and could have a sustained negative influence on success. A range of measures has been implemented to ensure that CECONOMY continues to have sufficient human resources with the specific professional and technological knowledge required. On the one hand, these enable effective management and further development of human resources and, on the other hand, support the acquisition of new highly qualified employees. This includes, for example, the creation of an international succession pipeline for all key functions, the implementation of development programmes at all employee and management levels, and the acquisition of new talent via student and management trainee programmes, the implementation of university marketing and the further development of an employer branding strategy. CECONOMY continues to classify the risk as high.

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, but also in stores, IT system failures could have significant effects on CECONOMY's business performance. Permanent, uninterrupted availability is an essential requirement in online retail. Otherwise, consequences may include substantial sales losses and reputational damage (risk no. 5). Business-critical network infrastructures and IT systems must therefore be continuously reviewed, adjusted and resilient to attack, in order to prevent interruptions to important business processes. Essential business systems in the stores, especially cash register systems, are largely stand-alone and can continue to be used for some time without interruption even in the event of a failure of networks or central systems. Moreover, central IT systems can be restored quickly if one or more servers fail. When parts of the IT systems were subjected to a targeted attack in November 2021, the functionality of the systems was quickly restored, so the disruption was only of short duration. Technical and organizational measures such as security software solutions are implemented as risk mitigation measures. The permanent monitoring of cyber risks and the implementation of an information security management system (ISMS) in accordance with ISO 27001 are used as further risk mitigation measures. 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 assessed this risk as high.

FINANCIAL RISKS

Price risks (interest rate risks, currency risks, share price risks), liquidity risks, credit risks for counterparties in financial transactions and cash flow risks can have substantial negative effects on the financial result and liquidity. CECONOMY's financial risks are therefore managed centrally.

An essential part of the management of financial risks is to guarantee unrestricted capital market access for CECONOMY AG. A downgrade of the current ratings and lower credit ratings from banks and suppliers could have negative implications for liquidity and Group financing (risk no. 6). These effects may be mutually dependent or reinforcing and may also be influenced by declining economic and/or sector-specific negative development in retail and wholesale in general. This could likewise have negative implications for CECONOMY's net working capital. Despite a small EBIT effect, it could lead to a significant deterioration of the liquidity situation. As a rule, deterioration of net working capital would increase the probability of an additional requirement for finance. CECONOMY therefore continuously optimizes and monitors the key figures relevant for the rating in particular in order to be able to initiate countermeasures at short notice. In order to counter this risk, the strategy is aimed chiefly at the optimization of net working capital through an efficient allocation of investment resources and the active management of assets and liabilities. An economic slowdown and/or a decline in the retail industry, such as caused by the COVID-19 pandemic, could prompt a review of the credit rating. As of 19 May 2021, Moody's Investors Service adjusted the rating's outlook from "negative" to "stable". The stability of the rating is also supported by the assessment by the rating agency Scope Ratings. Scope Ratings rates CECONOMY at BBB– (Investment Grade) and confirmed the "stable" outlook on 24 June 2021.

Based on a high potential risk level, the risk is still rated as high. The participation in the German federal government's special programme for direct investment for syndicate financing ("Direktbeteiligung für Konsortialfinanzierung") in cooperation with Kreditanstalt für Wiederaufbau (KfW) was terminated on 9 August 2021. The syndicated loan facility of €1.7 billion approved under this programme was not utilized by CECONOMY at any time. In replacement of the KfW syndicated loan, a stable and long-term financing structure was established with the issue of a corporate bond and a new ESG-linked revolving credit facility. On the basis of this solid financing structure, the assessment of the probability of occurrence of the risk was reduced.

Operating losses, particularly in low-margin countries, due among other things to a highly competitive market environment, may entail impairment of reported goodwill and additional assets (risk no. 7). This may impact the net assets and earnings position of CECONOMY negatively. CECONOMY, therefore, gives high priority to measures to strengthen the operating performance. The outbreak of the COVID-19 pandemic and the resulting, repeated temporary store closures also significantly impacted the operating results in financial year 2020/21. An economic crisis could also adversely affect growth and profitability opportunities in some countries. In the light of this, CECONOMY therefore continues to consider the risk of asset impairment to be high. Numerous measures have been defined to counter this risk in a sustainable manner, which support the performance of low-margin countries in particular. These include the continuous monitoring of country performance and restructuring successes from the implementation of strategic initiatives, the implementation of restructuring and efficiency improvement programmes, the introduction of a harmonized group-wide organizational structure ("Operating Model") and the restaffing of key functions in the units. In this regard, there is a particular focus on countries for which this impairment risk exists.

In addition, sustained or significant declines in prices of listed financial instruments and investments accounted for using the equity method could indicate impairment of the affected asset. The impairment test then to be performed may harm CECONOMY's net assets and earnings position. However, there are currently no indications of potential impairment.

COMPLIANCE RISKS (DATA PROTECTION)

Data protection is important for CECONOMY AG. Non-compliance with the high regulatory and documentary requirements can be penalized with considerable fines. It also increases the risk of reputational damage, claims for damages, official measures and other sanctions (risk no. 8). One of the core issues with regard to data protection in the CECONOMY Group is the processing of customers' and employees' personal data. CECONOMY is aware of its significant responsibility and the significance of this issue.

CECONOMY ensures compliance with statutory data protection and data security requirements on the basis of a data protection management system. As part of this data protection management system, employees in Germany and other country organizations are regularly trained on data protection law, and the data protection management concept is monitored and updated if necessary. Especially in connection with new business processes, CECONOMY adheres to the required "privacy by design/privacy by default" principles by implementing appropriate technical and organizational measures. CECONOMY is working to permanently improve processes and documentation. In view of the increased activity of authorities, the increasing complexity of systems and issues, particularly in combination with increasing online activities during the COVID-19 pandemic, CECONOMY considers the risk to be more significant and still high.

The following risks are analysed continuously on the basis of their general significance for risk management, but are not classified as high risks for CECONOMY as things stand.

The spin-off of the former METRO GROUP results in risks for CECONOMY, such as tax risks. These were continuously monitored and evaluated prior to and after the spin-off. The probability of occurrence for CECONOMY is estimated to be unlikely, and the risks are therefore considered to be not material.

Non-material risks can arise from the diverse legal provisions and self-imposed standards of conduct by which CECONOMY is bound. For example, CECONOMY may be exposed to antitrust law risks in connection with business relationships with suppliers, such as with regard to the resale prices of merchandise. Similarly, corruption risks arise for CECONOMY in connection with business relationships.

CECONOMY therefore has a risk-based compliance management system that is chiefly geared towards avoiding, detecting and sanctioning corruption and violations of antitrust law and serves to protect employees and companies belonging to CECONOMY from compliance violations. In addition, it is intended to protect the company from reputational and economic damage and limit the corporate management's liability in the event of compliance violations by individual employees. Employees in sensitive business segments receive intense training as part of the compliance management system.

Presentation of the opportunity situation

CECONOMY has diverse opportunities for sustained positive business development. They arise primarily from the consistent and early alignment with customers' needs. The central aim is to create added value for customers and to assist them in the digital world. To this end, CECONOMY is always developing new business models, solutions and formats and taking the opportunities offered by digitalization.

At the same time, political, economic and demographic developments and the increasing differentiation in the mature markets of Western Europe are also considered. CECONOMY analyses the relevant global and national trend landscape and makes the decisions required in order to make targeted use of opportunities in the future and to gain competitive advantages.

CECONOMY considers the opportunities below to be material in terms of potential positive effects on the corporate objectives for the next five years.

CORPORATE STRATEGY OPPORTUNITIES

Opportunities for CECONOMY's future success are increasingly arising with regard to the exploration of new and innovative business areas. Customer's requirements and behaviours are constantly changing as advances are made in digitalization and thus opening up new business areas in various sectors such as Smart Home, E-Sports, Healthcare and E-Mobility. CECONOMY sees potential in new business models that offer customers excellent added value, fit in with CECONOMY's strategy and build on the operating processes' existing strengths. This includes the expansion of the service portfolio with concepts in the stores, online and in customers' homes. The exploration of such new, innovative business areas and services is actively promoted by observing the changes in customer needs, identifying new trends and developing innovative ideas. CECONOMY is also continuously examining new concepts, strategic partnerships and acquisitions. New business areas can thus be occupied appropriately. As previously, CECONOMY intends to continue to encourage local and national market consolidation. The withdrawal of competitors would provide opportunities for further gains in market share. To this end, competitors are being analysed continuously and opportunities that arise are always reviewed. In financial year 2020/21, for example, 17 stores were acquired from Worten Equipamentos do Lar S.A. and reopened under the MediaMarkt brand. Furthermore, additional potential is seen in the repositioning of country organizations and subsidiaries that are operating in a difficult economic or highly competitive environment. In addition, a dialogue is maintained with relevant start-ups in order to gain insights into new business areas and develop innovative ideas.

CECONOMY is very well known in the countries where the Group is represented. Leading positions have been achieved in many markets, which must be further consolidated and extended. Ongoing transformation and repositioning measures, including within the reorganization and efficiency program and the introduction of a harmonized group-wide organizational structure ("Operating Model"), are aimed at improving the market position, making processes and decision-making channels more efficient and increasing profitability. Further opportunities arise, for example, from the consistent implementation of the business model transformation. This particularly relates to focus issues such as category management, supply chain, online and Services & Solutions, and the international expansion of successful marketplace activities. The experience gained from the COVID-19 pandemic will be used in a targeted way for the further expansion of necessary processes and structures, especially for the full implementation of an omnichannel sales model. CECONOMY is enhancing the customer-centric business models in ongoing business transformation projects. The aim is to generate opportunities from a persuasive customer value proposition that places CECONOMY in a unique position both in B2C and B2B. For this purpose, focus groups are analysed in order to focus strictly on customer needs.

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 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. Various additional projects to improve the tax rate have been or are being implemented.

A possible reversal of the impairment taken on the investment in Fnac Darty S.A. was included as a new opportunity. As the stock exchange price of the investment accounted for using the equity method was significantly above amortized cost on the closing date of the half-year report, 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 as of 31 March 2021. Further, future potential reversals of impairment on the investment in Fnac Darty S.A. of a maximum of €118 million and further potential value increases continue to be recognized as an opportunity.

The importance of sustainability as an issue is unchanged and, given current trends, its global importance will continue to grow. Customers, employees, investors, politicians and society have growing expectations, which CECONOMY intends to fulfil. To this end, a holistic sustainability strategy was developed and consistently implemented. As well as increasing the attractiveness of the brand, offering and private labels, sustainability is giving rise to a plethora of new business models for CECONOMY. These include the creation of a more sustainable product mix in the areas of circular economy business models, high-quality customer advice and education on sustainable consumption, and measures to reduce the CO_2 emissions of the company's own operations. The major significance for CECONOMY and the binding commitment to a better carbon footprint and a wider range of sustainable products is supported by the fact that CECONOMY AG was one of the first European retail companies to join the European Commission's "Green Consumption Pledge Initiative", a voluntary initiative launched as part of the European Climate Pact. These opportunities, like the new ESG-linked revolving credit facility and social engagement, can have a positive influence on CECONOMY's reputation. This is expected to help to increase sales in the medium term. Moreover, CECONOMY believes that a sharper focus on sustainability has a positive influence on the share. CECONOMY is to become more attractive to sustainability-oriented investors in particular and thus gain access to improved conditions.

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

The Management Board and Supervisory Board of CECONOMY AG are regularly informed about the company's opportunity and risk situation. To evaluate the present situation, the opportunities and risks are not only looked at in isolation. On the contrary, interdependencies are also analysed and assessed according to their probability or impact. The assessment found that the risks are manageable on the whole. Both individually and together, the identified risks pose no risk of illiquidity or overindebtedness – both of which could jeopardize CECONOMY AG and the Group as a going concern – within at least a year. CECONOMY is confident that the company's profitability provides a sound foundation for sustainable, positive business development and the use of diverse opportunities. The Management Board of CECONOMY AG does not currently anticipate that the opportunity and risk situation will change fundamentally.

REMUNERATION REPORT

This remuneration report describes the basic features of the remuneration system for the Management Board and the Supervisory Board of CECONOMY AG in accordance with the current statutory provisions and the recommendations of the German Corporate Governance Code (GCGC). It explains the structure and amount of the remuneration of the members of the Management Board and the Supervisory Board. It also describes the system of remuneration for the members of the Management Board and thus the rules and criteria by which the respective consideration for the work to be performed by the members of the Management Board of CECONOMY AG is determined.

In view of the implementation of the Second Shareholder Rights Directive in the *Aktiengesetz* (AktG – German Stock Corporation Act) by way of the corresponding resolution of the German Bundestag on 14 November 2019 and the applicability of the GCGC, as amended on 16 December, the system for the remuneration of members of the Management Board has been comprehensively reviewed and revised. The new regulations of stock corporation law on remuneration reports are effective the first time for financial years beginning on or after 31 December 2020. A remuneration report in accordance with stock corporation law will not be prepared voluntarily before this date.

2020/21 remuneration system

The Supervisory Board of CECONOMY AG has established the remuneration system for the structure and amount of Management Board remuneration, the basic features of which are defined below. This was done at its meetings in September and on 7 October 2020, and by way of other resolutions adopted on 14 October 2020 without convening a meeting of the Supervisory Board. This remuneration system applies effective from the start of financial year 2020/2021.

The Supervisory Board submitted this system to the Annual General Meeting of CECONOMY AG on 17 February 2021, where it was approved with 99.15 per cent of the vote. Immediately after the resolution by the Annual General Meeting to approve the remuneration system, the resolution and the remuneration system itself were made public in accordance with Sec. 120a para. 2 AktG. The resolution and the remuneration system will also remain published on CECONOMY AG's website for as long as the remuneration system remains in effect, or for at least ten years.

Procedures for the implementation and review of the remuneration system

The Supervisory Board makes decisions on the remuneration system, and on its implementation and the determination of the specific Management Board remuneration, following preparatory work by the Presidential Committee of the Supervisory Board.

If the Supervisory Board consults external remuneration experts on the further development of the remuneration system and to assess that the specific Management Board remuneration is appropriate and normal, it assures itself that such experts are independent before engaging them. The Supervisory Board was advised on how to devise certain objective and legal aspects of the remuneration system.

The Supervisory Board has the option of appropriately taking extraordinary developments into account, in particular by granting variable remuneration. In justified cases, entitlements to the payment of variable remuneration can be denied (penalty) or remuneration already paid can be claimed back (clawback).

The subsequent amendment of targets or the comparative parameters for variable remuneration (repricing) is precluded. However, if this is necessary in the interests of the long-term wellbeing of the company, the Supervisory Board can temporarily deviate from this remuneration system. Such deviations are permitted only on the basis of a resolution by the Supervisory Board as a whole, setting out the reasons for and duration of the deviation. Temporary deviations from all components of this remuneration system and, in particular, the variable remuneration components are possible.

HORIZONTAL REMUNERATION COMPARISON

In conjunction with the Supervisory Board's regular review of the remuneration system, which last took place in December 2020, it also assesses whether the specific total remuneration of the members of the Management Board is appropriate and normal.

This is firstly assessed by a horizontal comparison with MDAX companies. Since 2018, CECONOMY AG has been listed in the SDAX and has no longer been included in the MDAX. Owing to the relatively high shareholdings of its anchor shareholders, CECONOMY AG does not have the free float market capitalization necessary for the MDAX and its shares do not have necessary trading volume. However, in terms of the size criteria of sales, EBIT, headcount and overall market capitalization, CECONOMY AG is comparable to MDAX companies.

In this horizontal comparison, the total target remuneration currently planned/granted for the Chief Executive Officer and the other members of the Management Board of CECONOMY AG is compared against the total target remuneration granted for a selected peer group.

The comparison showed that the total target remuneration for the Chief Executive Officer was placed at the .42 percentile while the other members of the Management Board are placed at the .57 percentile. The structure of Management Board remuneration is comparable to that of the peer group. Taking into account the company's size relative to the selected peer group (.55 percentile), the Management Board remuneration is appropriate overall, in terms of both amount and structure.

VERTICAL REMUNERATION COMPARISON

The appropriateness of remuneration was also assessed by way of a vertical comparison with the senior management and workforce of CECONOMY in Germany as a whole. This comparison is based on the reference date of 30 September 2021 for this remuneration report. The Supervisory Board also considers the ratio of Management Board remuneration to the remuneration of senior management and the workforce as a whole in terms of its development over time.

The Supervisory Board determined how to define senior management and the relevant staff. By way of resolution dated 30 October 2018, the Supervisory Board defined the senior management of CECONOMY AG and the other relevant staff as follows:

- Senior management is formed by the Leadership Team of MediaMarktSaturn Retail Group and the Vice Presidents of CECONOMY AG.

- The other relevant staff are all employees of MediaMarktSaturn Retail Group in Germany and of CECONOMY AG.

By performing the vertical remuneration comparison with reference to the wage and salary structure in the company, the Supervisory Board ensures that, in the process of determining remuneration, it has also considered the relationship with the average remuneration of employees of the entire Group. The Supervisory Board considers the promotion of an understanding within the company relating to the development of the remuneration relationship between the Management Board level and the lower levels to be appropriate, and it serves in the discussion as a decision-making aid for assessing the given vertical normality.

Remuneration components from financial year 2020/21

CECONOMY AG, represented by the Supervisory Board, enters into contracts with the individual members of the Management Board that contain the remuneration components of the members of the Management Board.

OVERVIEW OF REMUNERATION COMPONENTS

The total remuneration of the members of the Management Board of CECONOMY AG consists of non-performance-based fixed remuneration components and performance-based variable remuneration components. The following chart provides an overview of the individual remuneration components:

Components of Management Board remuneration

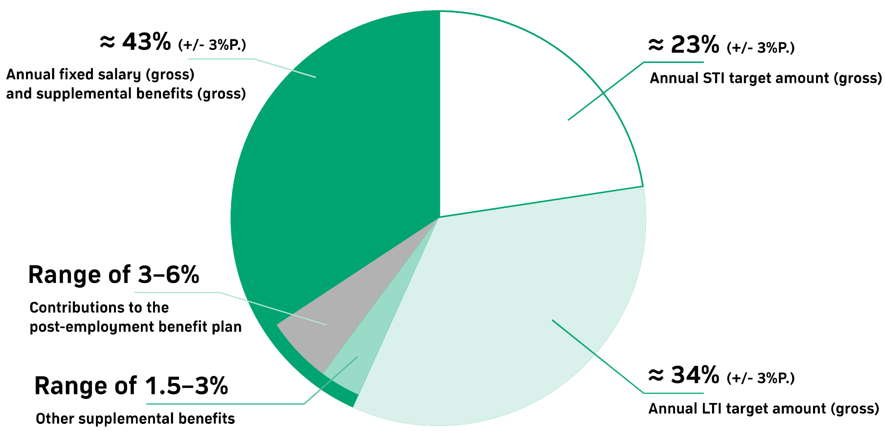
Total remuneration			
Fixed salary	**Supplemental benefits**	**Variable remuneration**	
Annual fixed remuneration	Pension contributions and conclusive list of other supplemental benefits (e.g. company car)	**Short-term incentive (STI):** Quantitative financial performance targets set for the financial year	**Long-term incentive (LTI):** Quantitative financial performance targets and quantitative non-financial performance targets set for a four-year period

Total target remuneration is designed so that, typically, the target amounts of the variable remuneration components outweigh the fixed remuneration components (fixed salary and supplemental benefits) and that, within the variable remuneration components, the share of long-term variable remuneration components outweighs the share of short-term variable remuneration components.

Approximately 43 per cent of the total target remuneration of an individual member of the Management Board should typically be accounted for by the fixed annual salary and supplemental benefits, while approximately 34 per cent is accounted for by the annual LTI target amount and approximately 23 per cent by the annual STI target amount. In certain cases, the Supervisory Board has the option of varying the percentage weighting within total target remuneration for the individual components by up to 3 percentage points. The relative share of contributions to the post-employment benefit plan should not exceed a range of 3 to 6 per cent of total target remuneration while other supplemental benefits should not exceed 1.5 to 3 per cent of total target remuneration.

The relative share of the different remuneration components within total target remuneration is visually presented as follows:

Relative share of the different remuneration components within total target remuneration



NON-PERFORMANCE-BASED FIXED REMUNERATION

The non-performance-based fixed remuneration consists of the fixed annual salary, the contributions for the post-employment benefit plan and the other supplemental benefits.

Fixed salary

The fixed salary is agreed with each Management Board member as fixed remuneration and is paid in monthly instalments. If the member of the Management Board only belongs to the Management Board for part of a financial year, the fixed salary is paid pro rata temporis.

Post-employment benefits

The members of the Management Board receive post-employment benefits in the form of a defined benefit direct contribution.

The post-employment benefit plan is financed by the member of the Management Board and the company together. The breakdown is defined as “5 + 10”. If Management Board members contribute 5 per cent of their own defined assessment basis (fixed salary and STI target amounts), the company pays double that amount. If a Management Board member departs before being entitled to pension benefits, the contributions are preserved at the level reached. Matching cover for the post-employment benefit plan is provided by Hamburger Pensionsrückdeckungskasse VVaG (HPR). The contributions bear interest according to the rules of HPR regarding participation features with a guarantee on contributions paid in.

Contributions by the company to the post-employment benefit plan are limited based on the set breakdown and assessment basis for each individual member of the Management Board; these contributions are also capped at €100,000 per year in each case.

Members of the Management Board also have the option to convert future remuneration components from the fixed salary and variable remuneration into entitlements to post-service benefit plans from HPR by way of tax-privileged deferred compensation.

A retirement pension and early retirement regulations are not agreed.

Supplemental benefits

In addition to the fixed salary and contributions to the post-employment benefit plan, the company exclusively grants the members of the Management Board the following supplemental benefits:

- Contributions to accident insurance
- Allowances for health/nursing insurance
- Assumption of health care costs
- Provision of a company car at the disposal of the member of the Management Board, including chauffeur

This conclusive list of supplemental benefits is capped at a combined amount of €50,000 per year.

PERFORMANCE-BASED VARIABLE REMUNERATION

The performance-based remuneration components are variable remuneration as a short-term incentive (STI) for the respective financial year and variable remuneration as a long-term incentive (LTI) over several financial years. The components have different bases of assessment and success parameters according to the respective performance periods. The granting of the STI and the LTI, and the corresponding incentive effects of these variable performance-based remuneration components, is dependent on financial and, for the LTI, also non-financial performance criteria.

The variable remuneration granted to the members of the Management Board is predominantly granted on the basis of the company’s shares: The variable remuneration components are mostly defined by the long-term variable components, which in turn are mainly dependent on financial performance criteria based on the key performance indicators of absolute total shareholder return and relative total shareholder return. These two performance indicators mean that the amount of any payment is linked to the performance of CECONOMY AG’s ordinary shares.

STI

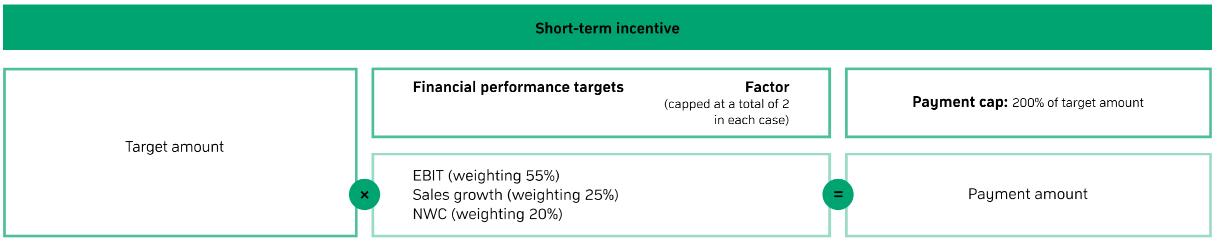
The short-term performance-based component is granted for one financial year and paid out after the end of that year. If a member joins or leaves the Management Board during a financial year, the STI is granted and paid pro rata temporis for that financial year. The STI is calculated exclusively on the basis of financial performance criteria. These are based on the following figures according to the consolidated financial statements of the company (adjusted for the effects of portfolio changes), which are included in the calculation with the indicated weighting:

- EBIT on the basis of absolute EBIT values with a weighting factor of 0.55

- Sales growth adjusted for exchange rates with a weighting factor of 0.25

- Net working capital (NWC) on the basis of absolute NWC values (four-quarter average) with a weighting factor of 0.2

Short-term performance-based remuneration



STI performance targets

The Supervisory Board defines the performance targets for all members of the Management Board uniformly on the basis of the business planning presented to it by the Management Board before the start of the financial year for which the STI is granted. Factors (achievement factors) are allocated to the degree of achievement for each indicator. At its due discretion, the Supervisory Board defines the lower threshold (entry barrier), the target for 100-per cent achievement and the value for 200-per cent achievement, at which the amount of the achievement factor is capped.

The STI performance targets are based on the following figures according to the consolidated financial statements of the company adjusted for the effects of portfolio changes and the effects of restructuring programmes (restructuring expenses and unplanned extraordinary income) if the Supervisory Board of CECONOMY AG has approved these programmes. In this context, portfolio changes exclusively include:

- Addition/disposal of a country organization

- Change in the business of a country organization with an effect of at least 50 per cent on that country's sales

- Acquisition/disposal/closure of companies or business operations (such as service business) with a material effect on the sales performance of the reportable segment in question (DACH, Western/Southern Europe, Eastern Europe) or the Group, but not typically recurring business transactions (such as the occasional opening of new stores or store closures)

Calculation of the payment amount

After the end of the financial year, the degree of achievement is measured for each indicator based on the respective achievement factors. Intermediate values are interpolated on a straight-line basis.

The total achievement factor is calculated from the individual established achievement factors based on their weighting. The STI payment amount is produced by multiplying the total achievement factor by the STI target amount. The payment amount is capped at double the target amount. Payment is made four months after the end of the financial year for which the STI in question was granted, but not before the approval of the consolidated financial statements for the respective financial year by the Supervisory Board. If a member leaves the Management Board during a financial year, STI entitlements not yet paid relating to the period before the end of the contract are paid pro rata temporis according to the originally agreed targets and at the time when they would originally be owed.

Specific STI targets in financial year 2020/21

The Supervisory Board has resolved to set the following STI thresholds (STI performance targets) for the members of the Management Board of CECONOMY AG for financial year 2020/21:

Performance targets of the short-term incentive 2020/21

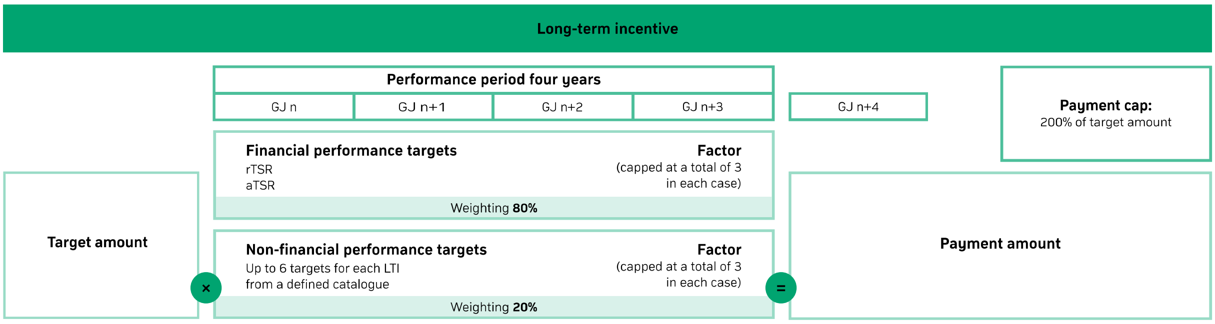
STI performance targets	EBIT[1] in € million	Sales growth[2] in %	NWC[3] in € million
0% Target	310.21	±0.00	1,248.75
100% Target	364.95	+2.12[2]	1,387.50[3]
200% Target	401.45	+3.18	1,526.25

1 Adjusted for earnings effects from companies accounted for using the equity method
2 Compared to IST 2019/20 (€20,790 million adjusted for currency effects at budget price and adjusted for portfolio changes: €20,665 million). Regarding the 100% target: +4.3% on FC IV 2019/20 (€20,365 million adjusted for currency effects at budget price and adjusted for portfolio changes: €20,241 million) as per budget for FY 2020/21
3 Based on 4-quarter average. Regarding the 100% target: Average of the planned figures as per budget for FY 2020/21, adjusted to account for effects from the planned early settlement of supplier invoices (known as dynamic discounting): €1,534 million (30 September 2020), €2,603 million (31 December 2020), €1,074 million (31 March 2021), €822 million (30 June 2021) and €905 million (30 September 2021). The planned figure as at 30 September 2021 in the budget for FY 2020/21 (€692 million) is stated prior to adjusting for the effects of dynamic discounting.

LTI

The long-term performance-based component is granted annually and paid out after a performance period of four financial years in total. If a member joins or leaves the Management Board during a financial year, the LTI is granted and paid pro rata temporis for that financial year. The calculation considers financial performance targets with a weighting of 80 per cent and non-financial performance targets with a weighting of 20 per cent. The Supervisory Board also defines the LTI performance targets for all members of the Management Board uniformly.

Long-term performance-based remuneration



Financial performance targets of the LTI

The financial performance criteria, which are equally weighted with a combined weight of 80 per cent, are the absolute total shareholder return (aTSR) and the relative total shareholder return (rTSR).

aTSR component: the aTSR target achievement factor is calculated as a percentage from the change in the end price of the ordinary share and the sum of the hypothetically reinvested dividends during the performance period in relation to the starting price of the ordinary share.

rTSR component: the target achievement factor of the rTSR component is calculated on the basis of the development of the shareholder return on the company's ordinary shares in the performance period relative to the benchmark indices, the MDAX and the STOXX Europe 600 Retail.

The relevant starting price of the company's ordinary share for the aTSR and rTSR components is calculated by taking the average of the XETRA closing prices over a period of 40 consecutive trading days immediately after the beginning of the financial year for which the LTI is granted. Four years later, the relevant end price is also calculated using the XETRA closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately after the beginning of the financial year. The opening and closing values for the benchmark indices for the rTSR component are calculated accordingly.

Non-financial LTI performance targets
The non-financial LTI performance criteria, which are weighted at 20 per cent in total, are based on up to six quantitative targets specifically formulated by the Supervisory Board for the following subject areas:

– Employee satisfaction

– Customer satisfaction

– Climate and environmental protection

– HR development and training

– Diversity

– Corporate culture and compliance

If the Supervisory Board does not define a specific weighting, the non-financial performance criteria are weighted equally to each other.

Calculation of the LTI payment amount
The thresholds for the financial and non-financial LTI performance targets are set by the Supervisory Board at its due discretion at the end of the financial year preceding the year in which the LTI will be granted. Factors (achievement factors) are allocated to the degree of achievement for each indicator. The Supervisory Board defines the lower threshold (entry barrier), the target for 100-per cent achievement and the value for 300-per cent achievement, at which the amount of the achievement factor is capped. The subsequent amendment of targets or the comparative parameters is precluded.

After the end of the respective performance period, the achievement factors are measured for the individual financial and non-financial performance targets. Intermediate values are interpolated on a straight-line basis. The weighted average of the achievement factors for the financial and non-financial performance targets forms the basis for the respective total achievement factor. This is capped at 3 in each case.

The resulting overall target achievement factors of the financial performance targets and the non-financial performance targets are used to calculate the overall target achievement factor of the LTI according to the defined weighting of the performance targets in relation to each other. The total achievement factor is capped at 3.

The target achievement factor calculated for the LTI as a whole is multiplied by the LTI target amount to give the payment amount. The payment amount is limited to a maximum of 200 per cent of the agreed individual target amount (payment cap).

The remuneration amount calculated for the LTI is paid out two months after the end of the performance period of the LTI in question. A requirement for this is that the entitled member of the Management Board of the company can prove the necessary investment in ordinary shares of the company according to the company's shareholding programme. If a member leaves the Management Board during a financial year, LTI entitlements not yet paid relating to the period before the end of the contract are paid pro rata temporis according to the originally agreed targets and at the time when they would originally be owed.

LTI targets in financial year 2020/21

The performance targets and weightings set by the Supervisory Board for the LTI tranche granted to the members of the Management Board of CECONOMY AG for financial year 2020/21 are as follows:

Performance targets of the long-term incentive 2020/21

LTI performance targets

Quantitative financial performance targets
80% weighting

rTSR (relative development of shareholder return compared to index performance)	Weighting 50%	**aTSR** (absolute development of shareholder return)	Weighting 50%

Quantitative non-financial performance targets
20% weighting

Diversity Share of women in management positions	**Levels 1+2** (Weighting 12.5%) **Level 3** (Weighting 12.5%)	**Customer satisfaction** Average NPS from all countries, weighted by sales	Weighting 25%
Employee satisfaction Average NPP on the basis of Group employee satisfaction surveys	Weighting 25%	**Climate and environmental protection** Reduction in direct carbon dioxide emissions (Scope 1 and 2)	Weighting 25%

For each of the LTI performance targets, the Supervisory Board has defined a lower threshold, a target value and a value for capping target achievement. The target ranges and target achievement are reported in specific detail after the tranche expires.

Variable remuneration – target amounts for 2020/21

In the two tables below, under the heading "Target amounts for Management Board remuneration", the variable remuneration is shown at the value as of the commitment date for an achievement of 100 per cent. The target amount was reduced pro rata temporis according to the length of service for the four members of the Management Board active in the financial year. These remuneration elements are supplemented by information on the minimum and maximum individually achievable remuneration.

Target amounts for Management Board remuneration in 2020/21 (1/2)

	Dr Bernhard Düttmann			Karin Sonnenmoser		
	01/10/2020–31/07/2021[1] Chief Executive Officer and Labour Director			01/10/2020–30/04/2021[2] Chief Financial Officer		
€ thousand	**100% target value**	**Minimum value**	**Maximum value**	**100% target value**	**Minimum value**	**Maximum value**
One-year variable remuneration (each pro rata temporis)	850	0	1,700	204	–	408
Multi-year variable remuneration (each pro rata temporis)	1,150	0	2,200	–[3]	–	–
Total	**2,000**	**0**	**3,900**	**204**	**–**	**408**

[1] Dr Düttmann's service agreement runs until 16 October 2021 without curtailment of his further claims; in accordance with this contract, he works in a supporting function on request from 1 August 2021.
[2] Ms Sonnenmoser's service agreement was terminated early as of 30 April 2021.
[3] In accordance with Ms Sonnenmoser's termination agreement, the outstanding multi-year variable remuneration was settled by way of a one-time payment.

Target amounts for Management Board remuneration in 2020/21 (2/2)

	Dr Karsten Wildberger			Florian Wieser		
	01/08/2021–30/09/2021 Chief Executive Officer and Labour Director			01/05/2021–30/09/2021 Chief Financial Officer		
€ thousand	100% target value	Minimum value	Maximum value	100% target value	Minimum value	Maximum value
One-year variable remuneration[1] (each pro rata temporis)	125	125	125	156	0	312
Multi-year variable remuneration (each pro rata temporis)	183	0	366	219	0	438
Total	**308**	**125**	**491**	**375**	**0**	**750**

[1] According to his contract, the amount of Dr Wildberger's STI for financial year 2020/21 is guaranteed (pro rata temporis).

Variable remuneration – Strategic element of performance criteria

The aim of the business strategy is that customers see the company as a trusted consultant and partner for all matters concerning consumer electronics products. The remuneration system of CECONOMY AG is geared towards promoting this business strategy and the long-term development of the company. This is achieved, in particular, by linking performance-based variable remuneration to share price development and to clearly definable performance indicators aligned with the sustainable ongoing development of the company.

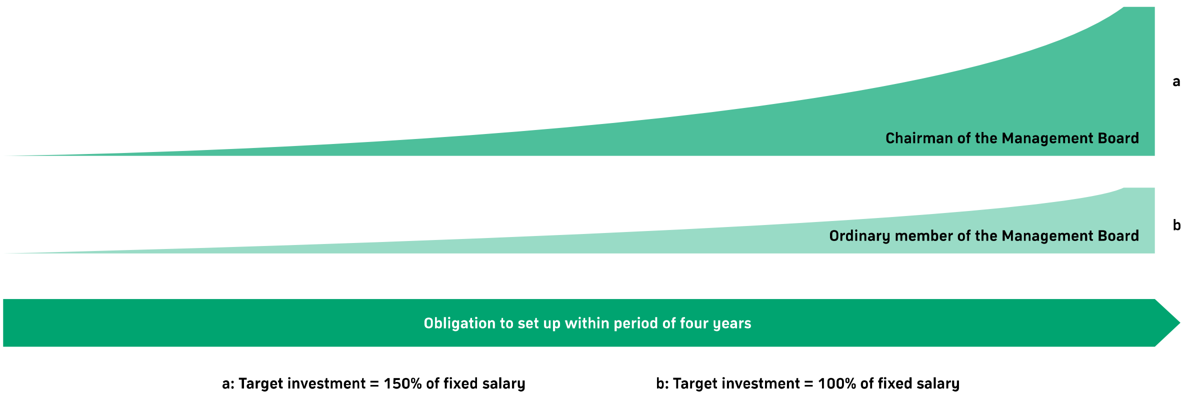
The short-term performance-based remuneration component creates incentives for continuously increasing the company's operational success and implementing initiatives to improve its profitability. Its ongoing nature means that the component is geared towards furthering the business strategy. The STI rewards the company's operating development on the basis of financial performance targets for the respective financial year. The performance targets are based on CECONOMY AG's key performance indicators (KPIs) of sales growth, EBIT and net working capital.

The long-term performance-based remuneration component rewards the company's development on the basis of quantitative financial and non-financial performance targets, each defined for a four-year period. The LTI is predominantly based on the share price and thus creates incentives for a sustainable and long-term increase in enterprise value, while also taking into account the concerns of shareholders and other stakeholders in the company. The non-financial goals focus on the key target group of the company's strategy, namely its customers and the key (non-financial) levers such as employee satisfaction, diversity and sustainability of business in order to successfully implement the strategy. Moreover, linking the payment of the LTI to an obligation to hold shares in CECONOMY AG ensures that the members of the Management Board have a long-term interest in increasing enterprise value.

Share ownership guidelines

Under CECONOMY AG's shareholding programme for Management Board members, the members of the Management Board are therefore obliged to purchase shares in the company amounting to a certain target investment and to hold them for the duration of their Management Board service. For the Chairman of the Management Board and for the ordinary members of the Management Board, the target investment is 150 per cent and 100 per cent, respectively, of their gross fixed salary at the end of the set-up stage. The total equivalent value must be spent as the purchase price for the shares acquired by each Management Board member. The set-up phase covers a period of four years from the start of the contract as a member of the Management Board.

Shareholding programme



The Management Board members are obliged to provide evidence of their current shareholding regularly and at the company's request. In order to receive payment from the LTI, the Management Board member must hold the relevant target investment in shares of the company. If the target investment is not sufficiently demonstrated, the Management Board member receives no payments from the LTI.

Total target remuneration

The total target remuneration of the individual member of the Management Board is the total of the fixed annual salary contractually agreed with the member of the Management Board, the supplemental benefits, the cost for the post-employment benefit plan and the annual STI and LTI target amounts. There is no provision for scheduled increases in compensation in line with length of service. This total target remuneration is appropriate to the responsibilities and performance of the respective member of the Management Board and the company's situation. It therefore fulfils the statutory requirements regarding the customary level of remuneration.

Maximum remuneration

The remuneration system stipulates maximum amounts, both as a whole and for the individual remuneration components. The maximum remuneration of the individual member of the Management Board is the total of the fixed annual salary contractually agreed with the member of the Management Board, the maximum amounts for the supplemental benefits and the post-employment benefit plan and the respective maximum variable remuneration components.

The maximum remuneration amounts to €5,150,000 for the Chief Executive Officer and €2,650,000 for the ordinary members of the Management Board. The Supervisory Board notes that these amounts are merely the maximum amounts possible assuming the consistent and maximum utilization of the corresponding ranges.

Penalties and clawbacks of variable remuneration components

Once paid, the member of the Management Board in question can do as he pleases with his performance-based variable remuneration components. However, if a Management Board member violates their statutory obligations in accordance with Sec. 93 AktG during or in the period up to one year after the end of the respective performance period of an STI or an LTI, or if there is cause to revoke the appointment of the Management Board member in accordance with Sec. 84 para. 3 sent. 1 AktG, the entitlements to payment of the variable remuneration components lapse (penalty) or can be reclaimed by the company after being paid (clawback).

Deduction of remuneration for side-line activities

If members of the Management Board serve as supervisory board members or hold similar offices within the Group, the remuneration for these activities counts towards their Management Board remuneration.

If the member of the Management Board performs side-line activities outside the Group, there are contractual assurances that the Supervisory Board can choose, in accordance with the recommendation under G. 16 of the GCGC, whether and to what extent the remuneration for side-line activities outside the Group must be deducted from Management

Board remuneration. By way of resolution dated 20 November 2020, the Supervisory Board has ruled that remuneration granted for supervisory board mandates held outside the Group will not be deducted until further notice.

Terms of service agreements

The term of Management Board contracts is always linked to the duration of the respective member's appointment to the Management Board. Contract terms can be extended for the period for which the member of the Management Board is re-appointed as a member of the Management Board. The Supervisory Board observes the restrictions of Sec. 84 AktG concerning the duration or appointment and re-appointment.

First-time appointments as a member of the Management Board should typically not last for longer than three years.

Management Board contracts do not provide for a right of ordinary termination for either party. However, the company and the member of the Management Board alike have a right to extraordinary termination for cause in accordance with Sec. 626 of the *Bürgerliches Gesetzbuch* (BGB – German Civil Code).

Regulations for the termination of Management Board service

If a member of the Management Board leaves the company regularly at the end of his or her term of office, entitlements acquired during the term of the service agreement do not fall due for payment prematurely. The same applies if a member of the Management Board ends his contract early.

In any instance of the early termination of an appointment as a member of the Management Board – in particular whether by mutual arrangement, by cancellation of appointment or resignation – the contract expires automatically after the end of the period stated in Sec. 622 para. 2 BGB without requiring separate notice of termination.

In the event of early termination, the members of the Management Board receive compensation for the contractual entitlements that would have arisen over the remaining term of their employment agreements, generally in the form of a one-time payment. This severance pay is capped at the maximum of the annual remuneration for two years, comprising the fixed salary and the STI target amount. If the remaining term of the contract is less than two years at the time of termination, the amount of severance pay is reduced pro rata temporis.

There is no entitlement to severance pay or other payments in the event of extraordinary termination by the company for cause (Sec. 626 BGB). Similarly, there is no entitlement to severance pay or other payments if the member of the Management Board resigns without cause.

In the event of contract termination, the LTI entitlements of a member of the Management Board not yet paid are forfeit in the following cases:

- Early dismissal of the member of the Management Board for cause in accordance with Sec. 84 para. 3 AktG

- Termination of the Management Board member's service agreement by the company for cause in accordance with Sec. 626 BGB

- Resignation by the member of the Management Board without cause

In the event of the death of a Management Board member during active service, the surviving dependants receive the fixed salary for the month of death and a further six months.

If the member of the Management Board becomes permanently unable to work during the term of his contract, the company is entitled to terminate his contract with notice of six months to the end of the quarter.

The Management Board contracts make no provision for benefits for early termination due to a change of control.

Deviations from the remuneration system and from GCGC recommendations

CECONOMY AG aims to comply with the provisions of the German Stock Corporation Act and the recommendations of the GCGC concerning Management Board remuneration.

CECONOMY AG outlines the level of conformity achieved and any deviations from the recommendations of the GCGC as currently amended (16 December 2019) in declarations of conformity, which it makes permanently available on the company's website www.ceconomy.de/en under Company – Corporate Governance.

Timing of determination and subsequent amendment of remuneration components

In accordance with G.7 GCGC, the Supervisory Board should establish performance criteria for each Management Board member covering all variable remuneration components; besides operating targets, such performance criteria should be geared mainly to strategic goals. In accordance with G.8 GCGC, the subsequent amendment of targets or the comparative parameters should be precluded. By way of an exception, these recommendations were not complied with in financial year 2020/21.

On 14 October 2020, the Supervisory Board resolved to amend the targets for the tranches of the long-term variable remuneration for financial years 2019/20 and 2018/19 in line with the changes in circumstances due to COVID-19. Moreover, the targets for all components of short-term remuneration should be based on the budget, and the budget for financial year 2020/21 was not presented to the Supervisory Board until October 2020 owing to the amended planning process on account of COVID-19.

Furthermore, the target for the goal selected by the Supervisory Board as a performance criterion for long-term remuneration for financial year 2020/21 – employee satisfaction – was not defined before the start of financial year 2020/21 as the Group employee satisfaction surveys necessary to establish a baseline and formulate a target had not yet been performed at that time.

The target for the STI for financial year 2020/21 was resolved by the Supervisory Board on 29 January 2021. The target for the LTI tranche for financial year 2020/21 was likewise resolved by the Supervisory Board on 29 January 2021; the target for employee satisfaction was added by way of a further Supervisory Board resolution on 15 September 2021.

Deviation due to the Management Board contracts of Dr Bernhard Düttmann

Dr Bernhard Düttmann was initially appointed as a member of the Management Board and Chief Executive Officer temporarily until 16 October 2020 as a stand-in for a missing member of the Management Board in accordance with Sec. 105 para. 2 AktG. As the appointment was limited to one year, the remuneration for Management Board services contractually agreed with Dr Düttmann, as an exception, did not contain any variable remuneration components. This was because the Supervisory Board did not consider variable remuneration to be suitable for the interim appointment. Thus, as an exception, the contract concluded with Dr Düttmann until 16 October 2020 does not comply with the GCGC recommendations on variable remuneration components in Management Board remuneration, in particular those in G. 6 to G. 11 GCGC.

Effective 17 October 2020, the Supervisory Board again appointed Dr Düttmann as a member of the Management Board and Chief Executive Officer. The Supervisory Board entered into a new contract with Dr Düttmann for his ongoing Management Board services that made provision for variable remuneration components as remuneration.

However, Dr Düttmann's contract with a term from 17 October 2020 until 16 October 2021 deviates from the remuneration system in that it does not contain any regulations on participation in CECONOMY AG's post-employment benefit plan.

Dr Düttmann handed the roles of Chief Executive Officer and Labour Director to Dr Wildberger as of 1 August 2021 and is available in a supporting function on request until his service agreement expires. This is a deviation from the remuneration system, according to which the term of Management Board contracts is always linked to the duration of the respective member's appointment to the Management Board.

Deviation due to contracts with Karin Sonnenmoser

The Management Board contract with Ms Karin Sonnenmoser, which was entered into on 1 February 2019 and remained in place until she left, deviated from the remuneration system in individual points. Also, it was not possible to take regulations of the GCGC as amended 16 December 2019 into account before the effective date.

Full compliance with the remuneration system introduced at the start of financial year 2020/21 would have required an adjustment of the valid Management Board contract by deleting the previously standard regulations on change of control, any subsequent extraordinary remuneration and early payment of STI and LTI entitlements not entirely fulfilled in the event of her appointment and Management Board contract being terminated by mutual arrangement and the addition of a regulation on the deduction of remuneration for side-line activities outside the Group.

Ms Sonnenmoser did not consent to an amendment of her ongoing Management Board contract for the purpose of taking GCGC recommendations into account. However, the new version of the GCGC does not necessitate an amendment of ongoing Management Board contracts for the purpose of taking its recommendations into account.

Furthermore, in accordance with G.12 GCGC, if a Management Board member's contract is terminated, the disbursement of any remaining variable remuneration components attributable to the period up until contract termination shall be based on the originally agreed targets and comparative parameters, and on the due dates or holding periods stipulated in the contract.

When she left, in accordance with the severance agreement between CECONOMY AG and Ms Sonnenmoser, the latter was paid an early one-time payment of €1,850,000 (gross) for the long-term remuneration components relating to the period before the termination of her contract. This also covers tranches not yet granted. The early one-time payment was based on a provision in her contract for the event of amicable termination. There was also a special payment of €17,850 for consulting costs. There has therefore been a one-time deviation from the conclusive list of supplemental benefits according to the remuneration system.

The payment of severance pay to Ms Sonnenmoser does not constitute a deviation, and the amount is not discussed below.

Deviation due to the Management Board contract of Dr Karsten Wildberger

Individual regulations agreed in Dr Karsten Wildberger's Management Board contract warrant a temporary deviation from the remuneration system:

The Management Board contract contains an agreement for the payment of one-time compensation of €2,400,000 (gross) for disadvantages experienced by Dr Wildberger as a result of the early departure of his previous employer. This results in a one-time deviation from the remuneration system as it does not structurally provide for such one-time payments.

Also, the provision of tax consulting services on ongoing tax matters in connection with Dr Wildberger's work for his previous employer was also agreed. There has therefore been a one-time and temporary deviation from the conclusive list of supplemental benefits according to the remuneration system.

For both deviations, the Supervisory Board adopted a resolution to the effect that they are necessary in the interests of the long-term wellbeing of the company.

Remuneration for Management Board members in office in 2020/21

This section of the remuneration report contains the remuneration of the members of the Management Board active in financial year 2020/21 in accordance with the principles of German Accounting Standard 17 (DRS 17). For multi-year variable remuneration, the fair value of the respective tranche at the time it was granted is shown.

Total remuneration of the Management Board in accordance with DRS 17 (1/2)

	Dr Bernhard Düttmann 01/10/2020–31/07/2021[1] Chief Executive Officer and Labour Director		Karin Sonnenmoser 01/10/2020–30/04/2021[2] Chief Financial Officer	
€ thousand	2019/20	2020/21	2019/20	2020/21
Fixed remuneration (including salary waiver)[3]	2,030	1,012	541	321
Supplemental benefits	0	23	32	23[4]
Total	**2,030**	**1,035**	**573**	**344**
Short-term incentive (STI) component	–	425	–	102
Long-term incentive (LTI) component	–	578	–	–
Total remuneration	**2,030**	**2,038**	**573**	**446**

[1] Dr Düttmann's service agreement runs until 16 October 2021; in accordance with this contract, he works in a supporting function on request from 1 August 2021.
[2] Ms Sonnenmoser's service agreement was terminated early as of 30 April 2021.
[3] Owing to the consequences of the COVID-19 pandemic, Dr Düttmann and Ms Sonnenmoser voluntarily accepted pay cuts in financial year 2019/20.
[4] The supplemental benefits include a one-time payment for consulting costs of €17,850.

Total remuneration of the Management Board in accordance with DRS 17 (2/2)

	Dr Karsten Wildberger 01/08/2021–30/09/2021 Chief Executive Officer and Labour Director		Florian Wieser 01/05/2021–30/09/2021 Chief Financial Officer	
€ thousand	2019/20	2020/21	2019/20	2020/21
Fixed remuneration	–	225	–	250
Supplemental benefits	–	2,404[1]	–	10
Total	**–**	**2,629**	**–**	**260**
Short-term incentive (STI) component	–	125	–	78
Long-term incentive (LTI) component	–	96	–	115
Total remuneration	**–**	**2,850**	**–**	**453**

[1] The supplemental benefits include a one-time compensation payment of €2.4 million.

Pension entitlements in financial year 2020/21

The members of the Management Board may receive pension entitlements on the basis of a defined contribution system described above under "Non-performance-based fixed remuneration". The individual service costs and present values of pension entitlements for the financial year are as follows:

Pension entitlements (HGB and IFRS)

€ thousand	Dr Karsten Wildberger 01/08/2021–30/09/2021 Chief Executive Officer and Labour Director	Karin Sonnenmoser 01/10/2020–30/04/2021 Chief Financial Officer	Florian Wieser 01/05/2021–30/09/2021 Chief Financial Officer	Total
Expense – post-service benefit plan (as per IFRS)	28	20	20	68
Expense – post-service benefit plan (as per HGB)	28	20	19	67
Provision recognized to 30/09/2021 (as per IFRS)	29	0	20	49
Provision recognized by 30/09/2021 (as per HGB)	29	0	19	48
Present value of pension obligations (as per IFRS)	52	290	145	487
Present value of pension obligations (as per HGB)	52	290	145	487

Termination benefits in financial year 2020/21

An agreement was reached with the former Chief Financial Officer Karin Sonnenmoser on the early termination of her service agreement in the reporting year. Her contract ended early as of 30 April 2021. Ms Sonnenmoser received termination benefits of €2,617,850 (gross) in the form of a one-time payment in financial year 2020/21. These consist of compensation for LTI entitlements of €1,850,000 in total, a special payment for consulting costs of €17,850 and severance pay of €750,000.

Dr Düttmann does not receive any termination benefits for his Board work in the financial year.

Remuneration of former members of the Management Board

Benefits of €3.0 million (2019/20: €3.0 million) were paid for former members of the Management Board of CECONOMY AG and of companies merged into CECONOMY AG and their surviving dependants in financial year 2020/21. This does not include the termination benefits paid to Ms Sonnenmoser.

The present value of obligations for ongoing pensions and pension entitlements in accordance with IFRS is €50.0 million as of 30 September 2021 (30/09/2020: €50.8 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €45.0 million (30/09/2020: €44.8 million).

Remuneration of Supervisory Board members

In accordance with Article 13 of the articles of association of CECONOMY AG, the members of the Supervisory Board receive fixed annual remuneration payable at the end of each financial year.

The individual amount of Supervisory Board remuneration accounts for the amount of work and the responsibility of the individual Supervisory Board members as a result of their supervisory role. The remuneration per individual member amounted to €80,000 until 31 May 2021 and has amounted to €70,000 since 1 June 2021.

In accordance with the provisions of the Articles of Association, the company also reimburses the members of the Supervisory Board for expenses incurred due to the performance of their duties. The members of the Supervisory Board are also reimbursed for any VAT incurred on the remuneration and reimbursement of expenses.

Due to their special roles, the Chairman of the Supervisory Board receives three times, the Vice Chairman and the Committee Chairmen twice and the members of the Supervisory Board's committees one-and-a-half times the remuneration of an ordinary Supervisory Board member, but not the Chairman and the members of the Mediation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act. The higher remuneration for membership or chairmanship of a committee only applies if at least two meetings or other resolutions took place in the financial year in question. The table below illustrates the multipliers that may be applicable to the fixed annual remuneration for individual Supervisory Board members:

Remuneration multipliers

Chairman of the Supervisory Board	●●●
Vice Chairman of the Supervisory Board	●●
Committee Chairs[1]	●●
Committee members[1]	●◖
Supervisory Board members	●

[1] At least two meetings/resolutions of the committee in the financial year in question

If a member of the Supervisory Board holds multiple offices at once, he or she receives remuneration for one office only, namely the office with the highest remuneration if the offices are differently remunerated.

Supervisory Board members who belonged to the Supervisory Board for only part of the financial year receive one-twelfth of the remuneration for each month commenced. Supervisory Board members who depart and are appointed within a month receive only one-twelfth of the annual remuneration for this month. This applies accordingly to memberships in a committee, the chairmanship or vice chairmanship of the Supervisory Board or chairmanship of a committee. The following table shows the figures based on this for financial year 2020/21.

The circumstances increasing the remuneration for individual Supervisory Board members and the periods of the memberships in the Supervisory Board or the committees are noted for each individual.

Remuneration of Supervisory Board members for financial year 2020/21 pursuant to Article 13 of the articles of association of CECONOMY AG

	Financial year[1]	Remuneration[2]
Thomas Dannenfeldt		
(18/02/2021–30/09/2021, Chairman of the Supervisory Board, Chairman of the Presidential Committee, Chairman of the Nomination Committee and Chairman of the Mediation Committee)	2019/20	0
	2020/21	**150,000**
Jürgen Fitschen		
(01/10/2020–17/02/2021, Chairman of the Supervisory Board, Chairman of the Presidential Committee, Chairman of the Nomination Committee and Chairman of the Mediation Committee)	2019/20	222,000
	2020/21	**100,000**
Sylvia Woelke		
(01/10/2020–30/09/2021, Vice Chairwoman of the Supervisory Board, Vice Chairwoman of the Audit Committee, member of the Presidential Committee and member of the Mediation Committee)	2019/20	134,666
	2020/21	**153,333**
Wolfgang Baur		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Kirsten Joachim Breuer		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Karin Dohm		
(01/10/2020–30/09/2021, Chairwoman of the Audit Committee)	2019/20	148,000
	2020/21	**153,333**
Daniela Eckardt		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Sabine Eckhardt		
(01/10/2020–30/09/2021)	2019/20	0
	2020/21	**76,667**
Dr Florian Funck		
(01/10/2020–30/09/2021, member of the Audit Committee)	2019/20	111,000
	2020/21	**115,000**
Ludwig Glosser		
(01/10/2020–30/09/2021, member of the Audit Committee and member of the Mediation Committee)	2019/20	111,000
	2020/21	**115,000**
Julia Goldin		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Jo Harlow		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Rainer Kuschewski		
(01/10/2020–30/09/2021, member of the Audit Committee)	2019/20	111,000
	2020/21	**115,000**
Stefanie Nutzenberger		
(16/09/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**

Remuneration of Supervisory Board members for financial year 2020/21 pursuant to Article 13 of the articles of association of CECONOMY AG

	Financial year[1]	Remuneration[2]
Claudia Plath		
(01/10/2020–30/09/2021, member of the Nomination Committee, since 01/12/2019 member of the Audit Committee and member of the Mediation Committee)	2019/20	111,000
	2020/21	**115,000**
Jens Ploog		
(01/10/2020–30/09/2021, member of the Presidential Committee)	2019/20	111,000
	2020/21	**115,000**
Birgit Popp		
(01/10/2020–20/07/2021)	2019/20	74,000
	2020/21	**65,000**
Dr Fredy Raas		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Jürgen Schulz		
(01/10/2020–30/09/2021)	2019/20	107,333
	2020/21	**76,667**
Regine Stachelhaus		
(01/10/2020–30/09/2021, member of the Presidential Committee and member of the Nomination Committee)	2019/20	111,000
	2020/21	**115,000**
Christoph Vilanek		
(01/10/2020–30/09/2021)	2019/20	74,000
	2020/21	**76,667**
Total	2019/20	1,943,999
	2020/21	**2,078,336**

[1] Values in euro and rounded in line with commercial practice; plus any VAT
[2] The 2019/20 figures are only shown for members of the Supervisory Board active in financial year 2020/21.

The members of the Supervisory Board were not granted benefits by other Group companies in financial year 2020/21.

DISCLOSURES PURSUANT TO SEC. 315A PARA. 1 AND SEC. 289A PARA. 1 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT BY THE MANAGEMENT BOARD

Composition of subscribed capital (Sec. 315a para. 1 no. 1 and Sec. 289a para. 1 no. 1 of the German Commercial Code (HGB))

CECONOMY AG's share capital as of 30 September 2021 was €918,845,410.90 and is divided into 356,743,118 no par value ordinary bearer shares (pro rata value of share capital: around €911,999,299, approx. 99.25 per cent) and 2,677,966 bearer preference shares (pro rata value of share capital: around €6,846,111, approx. 0.75 per cent). The pro rata value per share of the share capital is around €2.56.

Each ordinary share carries one vote. Ordinary shares also entitle the holder to receive dividends. Unlike ordinary shares, preference shares do not generally grant voting rights and provide a preferential right to profits in accordance with Sec. 21 of CECONOMY AG's articles of association. These state that:

"(1) Holders of preference shares without voting rights receive an advance dividend from annual balance sheet profit to be paid subsequently of €0.17 per preference share.

(2) If the distributable balance sheet profit in a financial year is not sufficient to pay the advance dividend, the arrears are payable without interest from the balance sheet profit for the following financial years in such a way that the older arrears are settled before the more recent ones and the preferred dividends payable for the financial year from this same year's profits are not paid until after all arrears have been repaid.

(3) After advance dividends have been distributed, holders of ordinary shares receive a dividend of €0.17 per ordinary share. An additional dividend of €0.06 per preference share, which may not be paid retroactively, is then paid to the holders of preference shares without voting rights. The additional dividend amounts to 10 per cent of dividends paid to holders of ordinary shares, taking into account para. 4, if this reaches or exceeds €1.02 per ordinary share.

(4) Holders of preference shares without voting rights and holders of ordinary shares participate in a further profit distribution equally in accordance with their share in share capital."

In particular, other rights associated with ordinary and preference shares are the right to attend the General Meeting (Sec. 118 para. 1 of the German Stock Corporation Act (AktG)), the right to request information (Sec. 131 AktG) and the right of rescission and annulment (Sec. 245 no. 1–3, 246, 249 AktG). In addition to the right to receive a dividend, shareholders also have pre-emption rights in the event of capital increases (Sec. 186 para. 1 AktG). They are also entitled to the liquidation proceeds following the liquidation of the company (Sec. 271 AktG) and to severance payment and compensation for certain structural measures, in particular in accordance with Sec. 304 et seqq., 320 b, 327 b AktG.

Restrictions that affect voting rights or the transfer of shares (Sec. 315a para. 1 no. 2 and Sec. 289a para. 1 no. 2 HGB)

To the Management Board's knowledge, the following agreements that may be considered restrictions within the meaning of Sec. 315a para. 1 no. 2 and Sec. 289a para. 1 no. 2 HGB are/were in place for financial year 2020/21:

There is a pooling agreement between Beisheim Capital GmbH, Dusseldorf, and Beisheim Holding GmbH, Baar (Switzerland), which includes the shares in CECONOMY AG held by Beisheim Capital GmbH and Beisheim Holding GmbH.

In preparation for the spin-off of CECONOMY AG (still operating as METRO AG at the time), each of the three principal shareholders of CECONOMY AG at the time – the Haniel shareholder group, the Schmidt-Ruthenbeck shareholder group (now Meridian Stiftung) and the Beisheim shareholder group – assumed a temporary lock-up obligation at standard market terms with CECONOMY AG regarding its CECONOMY shares. This obligation expired in financial year 2017/18. In addition, the three principal shareholders each agreed to further restrictions of sale.

There may also be statutory restrictions on voting rights, for example in accordance with Sec. 136 AktG or, where the company holds treasury shares, in accordance with Sec. 71 b AktG.

Shares in capital exceeding ten per cent of the voting rights (Sec. 315a para. 1 no. 3 and Sec. 289a para. 1 no. 3 HGB)

There are the following direct and indirect (pursuant to Sec. 34 of the German Securities Trading Act (WpHG)) shares in the capital that exceed ten per cent of the voting rights:

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

The information above is based primarily on notifications in accordance with Sec. 33 WpHG received and published by CECONOMY AG.

↗ Notifications of voting rights published by CECONOMY AG can be accessed online at www.ceconomy.de/en/ under Investor Relations – Legal Announcements.

Holders of shares with special rights and the form of controlling voting rights when employees hold an interest in capital (Sec. 315a para. 1 no. 4 and 5 and Sec. 289a para. 1 no. 4 and 5 HGB)

The company has not issued any shares with special rights in accordance with Sec. 315a para. 1 no. 4 and Sec. 289a para. 1 no. 4 HGB. Employees do not hold any interests in capital within the meaning of Sec. 315a para. 1 no. 5 and Sec. 289a para. 1 no. 5 HGB.

Provisions regarding the appointment and dismissal of members of the Management Board and changes to the articles of association (Sec. 315a para. 1 no. 6 and Sec. 289a para. 1 no. 6 HGB)

The appointment and dismissal of members of the Management Board of CECONOMY AG are determined by Sec. 84, 85 AktG and Sec. 30, 31, 33 of the German Co-determination Act (MitbestG). Sec. 5 of the articles of association of CECONOMY AG also stipulates that the Management Board must have at least two members and that the Supervisory Board determines how many members of the Management Board there are.

Changes to the articles of association of CECONOMY AG are governed by Sec. 179, 181, 133 AktG. In addition, there are also numerous other provisions in the Stock Corporation Act that may be applied in the event of a change to the articles of association and that modify or supersede the regulations described, for example Sec. 182 et seqq. AktG in the event of capital increases, Sec. 222 et seqq. AktG for capital reductions or Sec. 262 AktG if the AG is liquidated. In accordance with Sec. 14 of the articles of association of CECONOMY AG, changes that affect only the wording of the articles of association may be approved by the Supervisory Board without a resolution being passed by the General Meeting.

Authority of the Management Board to issue or buy back shares (Sec. 315a para. 1 no. 7 and Sec. 289a para. 1 no. 7 HGB)

AUTHORITY TO ISSUE NEW SHARES

The General Meeting held on 13 February 2019 authorized the Management Board, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 12 February 2024 up to a maximum of €321,600,000 by issuing new no-par value ordinary bearer shares against cash or non-cash contributions (Authorized Capital).

Shareholders have pre-emption rights. The new ordinary shares can also be acquired by one or more than one bank(s) determined by the Management Board in accordance with Sec. 186 para. 5 sentence 1 AktG or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG), who are obliged to offer them to the shareholders for subscription (indirect pre-emption right). However, the Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

(1) to eliminate fractional amounts;

(2) provided the ordinary shares are issued against non-cash contributions for the purpose of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises or interests in companies, and the total pro rata amount attributable to the new ordinary shares issued under disapplication of pre-emption rights does not exceed ten per cent of the share capital at the time this authorization takes effect;

(3) to grant a scrip dividend, where shareholders are given the opportunity to reinvest their dividend claim (in full or in part) in the company as a non-cash contribution in exchange for the granting of new ordinary shares from Authorized Capital;

(4) in the event of capital increases against cash contributions, to the extent required to grant pre-emption rights for new ordinary shares to holders of warrant or convertible bonds issued by the company or by Group companies in which the company holds at least a 90 per cent direct or indirect interest, to the extent that these holders would be entitled as shareholders after exercising their warrant or conversion right or fulfilling the warrant or conversion obligation or exercising the company's right to substitute;

(5) in the event of capital increases against cash contributions, where the total pro rata amount of the share capital of this capital increase attributable to the new ordinary shares issued under disapplication of pre-emption rights in accordance with Sec. 186 para. 3 sentence 4 AktG does not exceed ten per cent of the share capital, neither at the time this becomes effective nor – if this value is lower – at the time of exercising this authorization, and the issue price of the new ordinary shares is not significantly lower than the quoted market price of the company's ordinary shares that are already listed with the same terms within the meaning of Sec. 203 para. 1 and para. 2, 186 para. 3 sentence 4 AktG. The upper limit of ten per cent of share capital is reduced by the pro rata amount of share capital attributable to the company's ordinary shares that, during the term of the Authorized Capital, (i) are issued or sold as treasury shares under disapplication of shareholder pre-emption rights under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or (ii) that are issued from contingent capital to service warrant or convertible bonds issued or to be issued without pre-emption rights under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

Following this authorization, total ordinary shares issued under disapplication of shareholders' pre-emption right in accordance with section 2 or 5 against cash or non-cash contributions may not make up more than ten per cent of the share capital at the time the authorization takes effect. This upper limit must include ordinary shares that are reissued under disapplication of pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that are issued to service warrant or convertible bonds issued during the term of the authorization under disapplication of pre-emption rights in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the capital increases. Authorized Capital has not yet been utilized. There are no specific plans at present to exercise the authorization.

AUTHORITY TO ISSUE WARRANT AND/OR CONVERTIBLE BONDS

The General Meeting held on 13 February 2019 authorized the Management Board, with the approval of the Supervisory Board, to issue bearer warrant or convertible bonds (jointly "bonds") on one or more occasions until 12 February 2024 in a total nominal amount of up to €1,000,000,000 with or without a maturity date and to grant or impose warrant rights or obligations on the holders of warrant bonds and conversion rights or obligations the holders of convertible bonds for the ordinary bearer shares of CECONOMY AG with a pro rata amount of the share capital totalling up to €127,825,000 in accordance with the provisions of the conditions for the respective warrant or convertible bond (hereinafter referred to as "conditions"). This authorization provides contingent capital of up to €127,825,000 (Contingent Capital).

As well as in euro, the bonds can also be issued in the legal currency of an OECD country, provided this does not exceed the equivalent amount in euro. The bonds can also be issued by a CECONOMY AG Group company within the meaning of Sec. 18 AktG in which CECONOMY AG holds at least a 90 per cent direct or indirect interest. In this case, the Management Board is authorized, with the approval of the Supervisory Board to assume the guarantee for these bonds for the CECONOMY AG Group company and to grant or impose warrant or conversion rights or obligations for ordinary bearer shares in CECONOMY AG to the holders of the bonds.

The bonds are divided into partial bonds. If warrant bonds are issued, one or more than one warrant is attached to each bond which entitle or oblige the holder to subscribe to ordinary bearer shares of CECONOMY AG in accordance with the warrant conditions set out by the Management Board. The warrant conditions can specify that the warrant price may also be paid by transfer of bonds and, where applicable, an additional cash payment. Where this results in fractional shares, provisions may be established under which these fractional shares can be added up in accordance with the warrant or bond conditions, where applicable against an additional payment, in order to acquire full shares.

If convertible bonds are issued, the holder (in the case of bearer bonds) and in other cases the creditors of the bonds are granted the right to convert their bonds into ordinary bearer shares of CECONOMY AG in accordance with the convertible bond terms determined by the Management Board. The conversion ratio is determined by dividing the nominal amount or the issuing price of a bond that is lower than the nominal amount by the fixed conversion price for an ordinary bearer share of CECONOMY AG and can be rounded up or down to a whole number. In addition, an additional payment payable in cash and the consolidation or compensation for fractional shares that cannot be converted can also be determined. The conditions may include a variable conversion ratio and a set conversion price (subject to the minimum price determined below) with a specified range depending on how the price of the CECONOMY AG ordinary share performs during the term of the bond.

The conditions may establish the right of CECONOMY AG not to grant new ordinary shares in the event of conversion or if the warrant is exercised but instead to pay an amount which, for the number of shares otherwise to be provided, is equivalent to the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange (i.e. Xetra trading or a functional comparable successor system that replaces the Xetra system) during a period to be specified in the conditions. The conditions may also state that the bond with the warrant or conversion rights may, at the discretion of CECONOMY AG, be converted into existing shares of CECONOMY AG or another listed company as opposed to into new shares from contingent capital, or that the warrant or conversion right or obligation can be fulfilled by supplying such shares.

The conditions may also grant CECONOMY AG the right to grant the holders or creditors, in part or in full, ordinary shares in CECONOMY AG or another listed company when the bond with warrant or conversion rights or obligations matures instead of paying the cash amount due (maturity here also includes maturity as a result of termination).

The conditions may also include a warrant or conversion obligation at the end of the term (or at an earlier date or when a specific event occurs). The conditions may also entitle CECONOMY AG to settle in cash, in full or in part, any difference between the nominal amount and the issue amount of the bonds and the product of the conversion price and conversion ratio, where this is lower.

Shareholders are to be granted pre-emption rights to the bonds. The bonds can also be acquired by one or more than one bank(s) or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG), who are obliged to offer them to the shareholders for subscription indirectly within the meaning of Sec. 186 para. 5 AktG (indirect pre-emption right). If bonds are issued by a CECONOMY AG Group company within the meaning of Sec. 18 AktG in which CECONOMY AG holds at least a 90 per cent direct or indirect interest, CECONOMY AG must ensure that the statutory pre-emption right for shareholders of CECONOMY AG is granted in accordance with the provisions of the previous sentence.

However, the Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights to bonds,

(a) to exclude fractional amounts resulting from the subscription ratio;

(b) to the extent required to grant pre-emption rights to holders of warrant or conversion rights or obligations that have already been issued to the extent that these holders would be entitled as shareholders after exercising their warrant or conversion right or fulfilling the warrant or conversion obligation;

(c) provided the bonds are issued with warrant or conversion rights or obligations against cash payment and the issue price of the bonds is not significantly lower than the figure calculated using recognized actuarial methods within the meaning of Sec. 221 para. 4 sentence 2, 186 para. 3 sentence 4 AktG. However, this authorization to disapply pre-emption rights applies only for bonds with warrant or conversion rights or obligations relating to shares representing a pro rata amount of the share capital not exceeding ten per cent of the share capital in total, neither at the time this authorization becomes effective nor – if this value is lower – at the time of exercising this authorization. Against this upper limit of ten per cent of share capital is to be offset the pro rata amount of the share capital attributable to shares that have been issued under disapplication of pre-emption rights from the time this authorization was granted until it was utilized in accordance with Sec. 186 para. 3 sentence 4 AktG for bonds with conversion and/or warrant rights or obligations, either on the basis of the Management Board's authorization to disapply pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that have been disposed of as purchased treasury shares in mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG.

Following this authorization, the shares issued or to be issued to service warrant or convertible bonds issued under disapplication of shareholders' pre-emption rights may not make up more than ten per cent of the share capital at the time the authorization takes effect. This upper limit must include shares that are reissued under disapplication of pre-emption rights in direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, or that are issued from Authorized Capital under disapplication of pre-emption rights against non-cash contributions for the purpose of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises or interests in companies.

The following applies if bonds are issued that grant a warrant or conversion right or establish a warrant or conversion obligation. This does not affect Sec. 9 para. 1 and 199 para. 2 AktG and these must be observed: the warrant or conversion price to be determined for an ordinary share of CECONOMY AG must – with the exception of cases in which a warrant or conversion obligation or the right to substitute is provided – amount to at least 80 per cent of the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange in the last ten trading days before the day on which the Management Board passes its resolution on issuing the bond, or – where pre-emption rights are granted – at least 80 per cent of the volume-weighted average stock market price of the ordinary shares of CECONOMY AG in electronic trading on the Frankfurt Stock Exchange during the period in which the pre-emption rights can be exercised, with the exception of the days of this period required to give timely notice of the warrant or conversion price in accordance with Sec. 186 para. 2 sentence 2 AktG.

In the event that the conditions set out a conversion or warrant obligation at the end of the term (or at another time) or grant CECONOMY AG the right of substitution, the warrant or conversion price must, in accordance with the conditions, be no lower than the stated minimum price or must be equal to the volume-weighted average closing price of CECONOMY AG's ordinary share in electronic trading on the Frankfurt Stock Exchange during the ten trading days before or after the final maturity date or the other determined date, even if this average price is lower than the minimum price stated above. The pro rata amount of share capital for the ordinary shares of CECONOMY AG to be issued in the event of conversion or if the warrant is exercised must not exceed the nominal amount of the bonds.

Notwithstanding Sec. 9 para. 1 AktG, the warrant or conversion price can be reduced on the basis of an anti-dilution provision in accordance with the conditions if, during the warrant or conversion period, CECONOMY AG (i) increases share capital by way of a capital increase from retained earnings or (ii) increases share capital or sells treasury shares while granting exclusive pre-emption rights to its shareholders or (iii) issues, grants or guarantees additional bonds with warrant or conversion rights or obligations by granting exclusive pre-emption rights to its shareholders and in the cases described under (ii) and (iii) the holders of existing warrant or conversion rights or obligations are not granted any pre-emption rights for these to which they would be entitled after exercising the warrant or conversion right or fulfilling the warrant or conversion obligation. The warrant or conversion price can also be reduced by means of a cash payment when the warrant or conversion right is exercised or a warrant or conversion obligation is fulfilled. The conditions can also stipulate changes to the warrant or conversion rights or obligations in the event of a capital reduction or other measures or events that entail economic dilution of the value of the warrant or conversion rights or obligations (such as dividends paid, control assumed by third parties).

The Management Board is authorized, with the approval of the Supervisory Board, to determine further details regarding the issue and terms of the bonds, in particular interest rates, issue price, term and denomination, anti-dilution provisions and the warrant or conversion period, or to stipulate these in consultation with the corporate bodies of the CECONOMY AG Group company issuing the bonds within the meaning of Sec. 18 AktG.

The authorization to issue warrant and/or convertible bonds has not yet been exercised and there are no specific plans at present to exercise this authorization.

AUTHORITY TO ACQUIRE TREASURY SHARES

The company is permitted to purchase treasury shares in accordance with Sec. 71 AktG. A resolution adopted by the General Meeting held on 13 February 2019 authorized the company to purchase treasury shares of any share class until 12 February 2024 on the basis of Sec. 71 para. 1 no. 8 AktG. The authorization is restricted to the purchase of shares representing a pro rata share of no more than ten per cent of the share capital at the time this authorization becomes effective or – if this value is lower – of the share capital at the time such authorization is exercised. The shares purchased on the basis of this authorization, together with any treasury shares purchased for other reasons and held by the company or attributable to the company under Sec. 71 a et seqq. AktG, must at no time exceed ten per cent of the company's respective share capital.

At the discretion of the Management Board, the shares are purchased in each individual case on the stock exchange or by way of a purchase offer addressed to all shareholders. The authorization sets out provisions regarding the purchase price and the procedure in the event that a purchase offer addressed to all shareholders is oversubscribed.

The company is authorized to use treasury shares that have been or are to be acquired on the basis of the authorization described above or an authorization granted at an earlier date for all legally permitted purposes, in particular the following:

aa) To dispose of company shares (i) on the stock exchange or (ii) by offering them to shareholders;

bb) To float company shares on foreign stock exchanges on which they were not previously listed, where the authorization contains provisions regarding the initial price;

cc) To transfer company shares to third parties against non-cash contributions as part of business combinations or the (can also be indirect) acquisition of companies, parts of companies, enterprises, parts of enterprises, interests in companies or other assets;

dd) To sell company shares through channels other than the stock exchange or by offering them to all shareholders, provided they are sold against cash payment and at a price that is not significantly lower than the quoted market price of company shares with the same terms that are already listed at the time of the disposal. The authorization is restricted to the sale of shares representing a total pro rata share of no more than ten per cent of the share capital at the time this authorization becomes effective or – if this value is lower – at the time this authorization is exercised. This upper limit of ten per cent of share capital includes the pro rata amount of share capital (i) relating to company shares that are issued or sold during the term of this authorization under disapplication of pre-emption rights under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG, and (ii) relating to company shares issued or to be issued during the term of this authorization to service warrant or convertible bonds that were issued during the term of this authorization without pre-emption rights under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

ee) To transfer shares to the holders of warrant or convertible bonds of the company or its Group companies within the meaning of Sec. 18 AktG in accordance with the conditions of the warrant or convertible bonds; this also applies to transferring shares on the basis of exercising pre-emption rights which may be granted to the holders of warrant or convertible bonds of the company or its Group companies within the meaning of Sec. 18 AktG if treasury shares are sold by way of an offer to all shareholders or in the event of a capital increase with pre-emption rights, to the extent that the holders of warrant or convertible bonds would have pre-emption rights to the company's shares after exercising the warrant or conversion right or fulfilling the warrant or conversion obligation. Total shares transferred on the basis of this authorization must not account for more than a ten per cent pro rata share of the share capital at the time this authorization becomes effective or – if this value is lower – at the time of exercising this authorization, provided the shares are used to fulfil warrant or conversion rights or obligations granted or imposed under mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG. This upper limit of ten per cent of share capital includes the pro rata amount of share capital relating to company shares that are issued or sold as treasury shares during the term of this authorization under direct or mutatis mutandis application of Sec. 186 para. 3 sentence 4 AktG;

ff) To implement a scrip dividend, under which company shares are used to meet shareholders' dividend claims (including in part and optionally);

gg) To withdraw company shares without the need for an additional resolution of the General Meeting. They can also be withdrawn without reducing capital by increasing the pro rata amount of the company's share capital represented by the remaining no-par-value shares. In this case, the Management Board is authorized to amend the number of no-par-value shares in the articles of association.

All of the above authorizations relating to the acquisition and use of treasury shares acquired on the basis of the above or a previous authorization may be exercised in part or in full, on one or on more than one occasion, individually or jointly by the company or by its Group companies within the meaning of Sec. 18 AktG or by third parties acting for the account of the company or the third parties. All of the above authorizations may be exercised to acquire and use both ordinary shares and preference shares or to acquire and use only ordinary shares or only preference shares. The use of treasury shares in accordance with the authorizations stated in (bb), (cc), (dd), (ee), (ff) and (gg) above must be approved by the Supervisory Board. Shareholder pre-emption rights are disapplied for the use of treasury shares in accordance with the authorizations in (aa) (i), (bb), (cc), (dd) and (ee). If treasury shares are used in accordance with the authorization in (aa) (ii) by way of an offer to all shareholders in accordance with the principles of equal treatment (Sec. 53a AktG), the Management Board is authorized to disapply shareholders' pre-emption right for fractional amounts. The Management Board is also authorized to disapply the pre-emption right if treasury shares are used in accordance with the authorization in (ff).

The General Meeting held on 13 February 2019 also authorized the Management Board to purchase shares under the resolved authorization using put options, call options, future purchase agreements relating to company shares where there are more than two trading days between entering into the respective purchase contract and the transfer of the purchased shares ("forward purchases") or combinations of these instruments (put options, call options, future purchase agreements and combinations of these instruments are hereinafter jointly referred to as "derivatives"). All shares acquired using derivatives are restricted to shares representing no more than five per cent of the share capital at the time this authorization becomes effective or – if this value is lower – at the time of exercising this authorization. Each individual derivative must have a term of no longer than 18 months, must end no later than the close of day on 12 February 2024 and must be selected in a way that ensures the shares cannot be purchased using the derivatives after 12 February 2024. The derivatives may be concluded only with one or more than one independent bank(s) or by one or more than one company/companies under Sec. 53 para. 1 sentence 1 or Sec. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG). They must be structured so as to ensure that the derivatives are supplied only with shares that were previously acquired in accordance with the principles of equal treatment (Sec. 53a AktG); acquiring the shares on the stock market is sufficient.

The option premium received by the company for call options and put options must not be significantly lower than the theoretical market value of the respective options calculated using recognized actuarial methods. The purchase price to be paid per share when exercising put or call options or when the forward purchase matures must not be more than ten per cent higher or lower than the arithmetic mean of the closing auction price for shares in the corresponding share class in Xetra trading (or a functional comparable successor system that replaces the Xetra system) on the Frankfurt Stock Exchange during the last three trading days before concluding the derivative transaction in question (in each case excluding ancillary acquisition costs but including the option premium received or paid).

If treasury shares are acquired using derivatives in accordance with the provisions above, any shareholder rights to conclude such derivatives with the company are excluded, as is the shareholders' put option.

The provisions stated above for the use of treasury shares also apply for the use of the company's treasury shares acquired using derivatives.

The authorization granted by the resolution at the General Meeting on 13 February 2019 to purchase treasury shares in accordance with Sec. 71 para. 1 no. 8 AktG, including using derivatives, has not yet been exercised and there are no specific plans to exercise this authorization.

Material agreements conditional upon a change of control following a takeover bid (Sec. 315a para. 1 no. 8 and Sec. 289a para. 1 no. 8 HGB)

CECONOMY AG is the borrower in a syndicated loan agreement, which may be terminated by the lender in the event of a change of control. A change of control requires one or more parties acting in concert to obtain control over CECONOMY AG. In this case, each bank may revoke their loan commitment and require that loans issued under the agreement are repaid. These provisions in the event of a change of control are standard for the market and serve to protect creditors. The credit facilities had not been utilized as of 30 September 2021.

In addition, CECONOMY AG issued a five-year senior unsecured bond of €500 million. The bond conditions provide for a redemption right on the part of the bond creditor in the case of a change-of-control event. A change-of-control event in this sense is deemed to have occurred if a change of control has occurred in respect of which a rating downgrade has occurred. A change of control is deemed to have occurred if any person or persons acting in concert or any person or persons acting on behalf of any such person(s) at any time directly or indirectly acquire(s) (i) more than 50 per cent of the share capital of CECONOMY AG or (ii) such number of shares in the capital of CECONOMY AG carrying more than 50 per cent of the voting rights exercisable at respective General Meetings of CECONOMY AG.

Compensation agreements with members of the Management Board or employees in the event of a takeover bid (Sec. 315a para. 1 no. 9 and Sec. 289a para. 1 no. 9 HGB)

There are no compensation agreements within the meaning of Sec. 315a para. 1 no. 9 and Sec. 289a para. 1 no. 9 HGB with members of the Management Board or employees in the event of a takeover bid.

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

Overview of financial year 2020/21 and forecast of CECONOMY AG

As CECONOMY's management holding company, CECONOMY AG depends significantly on the Group's development with regard to business development, its situation and the anticipated development of its material opportunities and risks.

Given the holding structure, the most important key performance indicator for CECONOMY AG within the meaning of German Accounting Standard DRS 20 is – unlike when considering the Group as a whole – the net income under commercial law before dividends from subsidiaries and before expenses and income from profit and loss transfer agreements.

For financial year 2020/21, CECONOMY AG expected net income before dividends from subsidiaries and excluding income and expenses from profit and loss transfer agreements to be level with financial year 2019/20, which means earnings of €–43 million (previous year's figure excluding income from investments and excluding income and expenses from profit and loss transfer agreements). Net income in 2020/21 before dividends from subsidiaries and before income and expenses from profit and loss transfer agreements came to €–50 million. This was slightly lower than forecast, which primarily resulted from increased expenses in connection with the planned acquisition of the 21.62 per cent share in Media-Saturn-Holding GmbH held by Convergenta Invest GmbH.

CECONOMY AG's business development

CECONOMY AG's business development is shaped primarily by the performance and dividend policies of its investments. CECONOMY AG's financial statements in accordance with the requirements of commercial law serve as a basis for calculating dividends. The income statement and balance sheet for CECONOMY AG in accordance with the German Commercial Code (HGB) are shown below.

Income statement for the financial year from 1 October 2020 to 30 September 2021 pursuant to HGB

€ million	2019/20	2020/21
Revenue	5	7
Investment result	5	227
Net financial result	−12	−13
Other operating income	3	2
Personnel expenses	−19	−20
Depreciation, amortization and impairment losses on intangible and tangible assets	−1	−1
Other operating expenses	−18	−25
Income taxes	0	0
Earnings after tax	**−37**	**177**
Other taxes	−1	0
Net income for the year (previous year: net loss for the year)	**−38**	**177**
Loss carry-forward from the previous year	−53	−91
Balance sheet profit (previous year: balance sheet loss)	**−91**	**86**

Revenue includes €4 million in income from guarantee fees (2019/20: €2 million), which is primarily attributable to Media-Saturn-Holding GmbH, and €3 million (2019/20: €3 million) in service charges of CECONOMY AG to affiliated companies.

CECONOMY AG recognized an investment result of €227 million in financial year 2020/21 (2019/20: €5 million).

The income from investments relates to income from the distribution from CECONOMY Retail GmbH's capital reserve of €25 million (2019/20: €653 million), profit shares from the limited partnership investment in METRO PROPERTIES GmbH & Co. KG of €25 million (2019/20: €4 million) and dividend payments from the investment in METRO AG of €3 million (2019/20: €3 million).

The income from profit transfer agreements primarily includes €88 million for CECONOMY Retail International GmbH (2019/20: cost of loss absorption of €206 million), €86 million for CECONOMY Retail GmbH (2019/20: cost of loss absorption of €447 million) and €1 million for CECONOMY Data GmbH (2019/20: cost of loss absorption of €0 million).

The expenses from loss absorption of €1 million (2019/20: €2 million) relate to CECONOMY Digital GmbH.

A tax group for income and value-added tax purposes is formed with certain subsidiaries.

CECONOMY AG's net financial result primarily comprises interest expenses in connection with the syndicated loan agreements entered into in 2019/20 and 2020/21, the bond issued in financial year 2020/21, from the interest accrued on provisions for pensions and similar obligations and the promissory note loans. Furthermore, the net financial result consists of interest income from loans to subsidiaries and commitment fees and interest expenses passed on to Media-Saturn-Holding GmbH in connection with the syndicated loan agreements entered into in financial years 2019/20 and 2020/21, and the bond issued in financial year 2020/21. The interest income includes negative interest on bank balances of €1 million.

The other operating income relates to income from the reversal of provisions of €1 million (2019/20: €1 million) and other income of €1 million (2019/20: €2 million). The income from the reversal of provisions primarily relates to the reversal of provisions for VAT, financial statement costs and litigation risks. Other income mainly comprises cost transfers to Media-Saturn-Holding GmbH for costs incurred by third parties of €1 million.

Personnel expenses total €20 million in the past financial year 2020/21, €16 million of which attributable to wage and salary expenses.

In the past financial year 2020/21, CECONOMY AG's other operating expenses primarily include consulting expenses of €12 million (2019/20: €6 million) and other expenses in connection with the holding function. The increase in consulting expenses of €6 million primarily results from consulting services in financial year 2020/21 in connection with the planned acquisition of the 21.62 per cent minority shareholding in Media-Saturn-Holding GmbH held by Convergenta Invest GmbH.

For the appropriation of the balance sheet profit 2020/21, the Management Board of CECONOMY AG proposes to the General Meeting to distribute a dividend of €0.17 per ordinary share and €0.23 per preference share from the reported net income for the year of around €86 million, plus an advance dividend totalling €0.51 per preference share not paid for financial years 2017/18, 2018/19 and 2019/20 and payable subsequently in accordance with Sec. 21 para. 2 of the articles of association of CECONOMY AG, therefore around €63 million in total, with the remainder to be carried forward to new account.

Financial position of CECONOMY AG

CASH FLOWS

The securities include other securities of €100 million (30/09/2020: €0 million), comprising held-to-maturity (short-term) commercial papers measured at acquisition cost of €75 million and €25 million in bond funds held for short-term cash management and measured at the lower of cost and fair value.

The item cash on hand and bank deposits totalled €563 million as of the closing date (30/09/2020: €132 million) and comprises short-term deposits and financial investments at banks. Custodian fees of €1 million (30/09/2020: €0 million) were incurred in financial year 2020/21.

CAPITAL STRUCTURE

Equity and liabilities

€ million	30.09.2020	30.09.2021
Equity		
Share capital	919	919
Ordinary shares	912	912
Preference shares	7	7
(Contingent capital)	(128)	(128)
Capital reserve	321	321
Balance sheet profit (previous year: balance sheet loss)	−91	86
	1.149	**1.326**
Provisions	**124**	**130**
Liabilities	**1.004**	**892**
Deferred income	**2**	**9**
	2,279	**2,357**

On the equity and liabilities side of the balance sheet, equity accounted for €1,326 million (30/09/2020: €1,149 million) and provisions, liabilities and deferred income for €1,031 million (30/09/2020: €1,130 million). The equity ratio was 56.3 per cent as of the closing date in comparison to 54.4 per cent in the prior year. This change in equity reflects the balance sheet profit generated in financial year 2020/21. In liabilities, the issue of a five-year senior unsecured bond of €500 million is offset by the decline in liabilities to affiliated companies of €618 million.

The provisions comprise provisions for pensions and similar obligations of €114 million (30/09/2020: €116 million), tax provisions of €1 million (30/09/2020: €1 million) and other provisions of €15 million (30/09/2020: €7 million).

Provisions for post-employment benefit plans and similar obligations have been recognized for direct pension commitments in the amount of €79 million (30/09/2020: €81 million) and for shortfalls in underfunded pension funds in the amount of €35 million (30/09/2020: €35 million).

Assets from pension insurance of €34 million (30/09/2020: €33 million) were set off within the "provisions for post-employment benefit plans and similar obligations" item. Assets from pension reinsurance are pledged and secured against insolvency. The cost is primarily commensurate with the fair values of the pension reinsurance and the settlement amount of the obligations. No material offset expenses or income arose in this context.

Other provisions of €15 million (30/09/2020: €7 million) include a provision of €4 million (30/09/2020: €0 million) for the utilization of a guarantee issued for potential future bad debt losses from the sale of receivables from mobile phone contracts of Media-Saturn Deutschland GmbH to a financial institution. Other provisions include obligations to employees and to members of the Management Board of €3 million (30/09/2020: €3 million), €1 million of which (30/09/2020: €1 million) relates to bonus provisions, €1 million (30/09/2020: €1 million) to severance payment provisions and €1 million (30/09/2020: €1 million) to obligations for share-based payments. The miscellaneous provisions of €1 million (30/09/2020: €0 million) comprise contributions to Pensions-Sicherungs-Verein Versicherungsverein aG, Cologne, not yet invoiced for financial year 2020/21.

CECONOMY AG possesses liquidity reserves that, as well as the held liquidity, comprise syndicated credit facilities of €1,060 million, which were adjusted in financial year 2020/21. The new syndicated loan agreement replaces the credit facilities of €2,680 million adjusted in financial year 2019/20 on account of the pandemic. The new syndicated credit facility has two tranches, with tranche A comprising €707 million (term to 06/05/2026) and tranche B €353 million (term to 06/05/2024). Each tranche has two options to extend the term by a further year. The credit facilities had not been utilized as of 30 September 2021.

The liabilities from bonds of €500 million comprise a five-year senior unsecured bond of €500 million that, alongside the syndicated credit facilities, is a further foundation for the financing structure of CECONOMY.

The liabilities to banks of €251 million (30/09/2020: 250 million) include promissory note loans of €248 million, with remaining terms from less than one to six years, and interest liabilities for these promissory note loans of €1 million, plus interest liabilities of €2 million for the new bond of €500 million issued in financial year 2020/21.

Trade payables include cost and investment accounts.

Liabilities to affiliated companies of €133 million (30/09/2020: €751 million) include €108 million (30/09/2020: €96 million) from short-term financial investments by Group companies with CECONOMY AG plus €25 million (30/09/2020: €0 million) in liabilities to CECONOMY Retail GmbH from the transfer of a capital gains tax receivable, and €1 million (30/09/2020: €2 million) in loss absorption liabilities to CECONOMY Digital GmbH on the basis of the existing profit and loss transfer agreement. The decline in loss absorption liabilities as against the previous year primarily results from the settlement in financial year 2020/21 of profit and loss transfer liabilities of €447 million to CECONOMY Retail GmbH and of €206 million to CECONOMY Retail International GmbH for financial year 2019/20. These liabilities were settled by way of offsetting against existing distribution receivables from the capital reserve of CECONOMY Retail GmbH of €653 million and €203 million from the capital reserve of CECONOMY Retail International GmbH.

The other liabilities of €7 million (30/09/2020: €2 million) comprise VAT liabilities of €4 million (30/09/2020: €0 million), €3 million of which relates to VAT for financial years 2013 to 2016. There is a claim to reimbursement by METRO AG in the same amount. Furthermore, other liabilities comprise €2 million (30/09/2020: €1 million) in promissory note loan liabilities, primarily to insurance companies and €1 million (30/09/2020: €1 million) in liabilities from payroll and church taxes.

Deferred income includes income reveived in advance of €9 million in total. €4 million of this relates to the assumption of guarantees for Media-Saturn Deutschland GmbH for potential future bad debt losses from the sale of receivables from mobile phone contracts. The reversal through profit and loss takes place over the term of the guarantee. Another €5 million relates to the passing on of expenses for the new syndicated loan and in the bond issued to Media-Saturn-Holding GmbH. The reversal through profit and loss takes place over the term of the syndicated loan agreement or the bond.

The contingent liabilities as of 30 September 2021 primarily comprise €1,120 million (30/09/2020: €620 million) for the assumption of guarantees by CECONOMY AG to hedge operating liabilities of Media-Saturn companies. Based on the liquidity available at Media-Saturn companies and liquidity planning, the risk of utilization is considered low. There are also contingent liabilities of €39 million (30/09/2020: €21 million) for the assumption of a guarantee by CECONOMY AG to a financial institution to hedge against potential future bad debt losses from the sale of the receivables from mobile phone contracts of Media-Saturn Deutschland GmbH to a financial institution as well as CHF 105 million (30/09/2020: CHF 105 million) respectively €97 million (30/09/2020: €97 million) for a guarantee by CECONOMY AG to a bank to provide cover for the contractual obligations of PayRed Services AG, Switzerland, in connection with the sale of credit card receivables. On the basis of the financial calculations performed in a risk model analysis, the risk of utilization is classified as unlikely in both cases.

In addition, there is a contingent liability of €1 million (30/09/2020: €1 million) in the form of a contract performance guarantee by CECONOMY AG for the collateral to be provided pursuant to the property purchase agreement dated 7 April 2017 between CECONOMY Unterstützungskasse e. V. and Projektentwicklungsgesellschaft Kaispeicher Düsseldorf mbH & Co. KG for the contractual performance of the property purchase agreement. Utilization is classified as unlikely as the underlying obligation can be fulfilled by CECONOMY Unterstützungskasse e.V.

In addition, there are contingent liabilities from a framework agreement with a financial institution for insolvency protection of credit in the partial retirement block model of €1 million (30/09/2020: €1 million) through a directly enforceable guarantee by the financial institution for company employees and for Group employees for the benefit of the affiliated company Media-Saturn Deutschland GmbH. The company concerned can fulfil the obligations underlying the guarantees.

The spin-off of the former METRO GROUP in financial year 2016/2017 gives rise to a legal contingent liability from a five- or ten-year continuing liability in accordance with Sec. 133 para. 1 and 3 of the German Transformation Act (UmwG). The legal entities involved in the spin-off are liable as joint and several debtors for the liabilities (five years) and the pension obligations (ten years) of CECONOMY AG as the transferring legal entity that had been in existence since before the spin-off entered into force. On the basis of publicly available information, particularly METRO AG's rating, the risk of utilization from this contingent liability is classified as unlikely.

The year-on-year decline in contingent liabilities of €2,162 million primarily includes €2,680 million for a guarantee, which no longer exists, to banks for all liabilities of Media-Saturn-Holding GmbH under the syndicated loan agreement that was concluded in financial year 2019/20 and replaced in this financial year by the new syndicated loan agreement. This is primarily offset by an increase in contingent liabilities of €500 million from the assumption of guarantees to hedge operating liabilities of Media-Saturn companies.

CECONOMY AG enters into contingent liabilities only after weighing up all the risks and only in connection with its own operating activities. Provisions are recognized for any liability risks that actually materialize. As of the date of preparation of this report, the company is not aware of any liability claims.

The financial obligations from loans granted of €68 million (30/09/2020: €28 million) relate to interest to be paid over the coming years of €48 million, €44 million of which relates to the new bond of €500 million issued in financial year 2020/21 and €4 million to granted promissory note loans of €250 million. Further obligations of €20 million relate to outstanding commitment fees for the long-term syndicated credit facility with a nominal volume of €1,060 million (30/09/2020: €2,680 million), comprising €18 million in claims to reimbursement by a subsidiary.

The nominal value of the loan commitments to Group companies amounts to €1,265 million (30/09/2020: €368 million), of which €307 million (30/09/2020: €319 million) was utilized as of the closing date. The year-on-year increase in the nominal values of the loan commitments to Group companies primarily includes €846 million for a loan commitment to Media-Saturn-Holding GmbH granted in financial year 2020/21 and €50 million for an increase in a loan commitment to another subsidiary.

The obligations from rental agreements and leases primarily relate to the rental obligation for CECONOMY AG's rented building at Kaistrasse 3 in Düsseldorf. The tenancy began on 1 November 2019. The rental agreement has a term of ten years.

Asset position of CECONOMY AG

Assets

€ million	30/09/2020	30/09/2021
Fixed assets		
Intangible assets	0	0
Property, plant and equipment	2	1
Financial assets	933	933
	935	**934**
Current assets		
Receivables and other assets	1,210	750
Securities	0	100
Cash on hand and bank deposits	132	563
	1,342	**1,413**
Prepaid expenses	**2**	**10**
	2,279	**2,357**

CECONOMY AG's assets amounted to €2,357 million as of the closing date (30/09/2020: €2,279 million). The change compared with the previous year of €78 million primarily comprises an increase in liquid funds of €431 million due to the issue of a five-year senior unsecured bond of €500 million and a decline in receivables from affiliated companies of €456 million.

Intangible assets primarily include purchased software and licences. All depreciation and amortization for financial year 2020/21 was scheduled.

Property, plant and equipment primarily comprise business and office equipment. All depreciation and amortization for financial year 2020/21 was scheduled.

Shares in affiliated companies as of 30 September 2021 came to €920 million (30/09/2020: €920 million) and primarily comprise 100 per cent of the shares in CECONOMY Retail GmbH with a carrying amount of €901 million (30/09/2020: €651 million). CECONOMY Retail GmbH itself holds the majority of shares in Media-Saturn-Holding GmbH. The change in shares results from the contribution of shares in CECONOMY Retail International GmbH with a carrying amount of €250 million (30/09/2020: €250 million) to CECONOMY Retail GmbH. CECONOMY Retail International GmbH in turn holds a 24.296 per cent stake in Fnac Darty S.A., Ivry-sur-Seine, France. The shares were contributed at carrying amount. Shares in affiliated companies also include 100 per cent in MWFS Zwischenholding GmbH & Co. KG at a carrying amount of €10 million (30/09/2020: €10 million).

The investments comprise 6.61 per cent of shares in METRO PROPERTIES GmbH & Co. KG in the amount of €13 million (30/09/2020: €13 million) and the approximately one per cent share in METRO AG held directly by CECONOMY AG with a carrying amount of €1. The approximately one per cent share in METRO AG held directly by CECONOMY AG is restricted from sale for tax purposes until 1 October 2023.

Receivables from affiliated companies primarily comprise €302 million (30/09/2020: €313 million) in receivables from Group companies on account of CECONOMY AG's financing function as the holding company, €301 million of which relates to CECONOMY Retail GmbH and €1 million to CECONOMY Invest GmbH. Furthermore, the receivables from affiliated companies include a residual claim of €206 million from a distribution from the capital reserve of CECONOMY Retail GmbH through profit or loss from financial year 2019/20 of €653 million, €447 million of which was offset in this financial year against the loss absorption liability to CECONOMY Retail GmbH from financial year 2019/20. Furthermore, the receivables from CECONOMY Retail GmbH include a further receivable from a distribution from the capital reserve through profit or loss from financial year 2020/21 of €25 million. Moreover, receivables from affiliated companies comprise €175 million (30/09/2020: €0 million) in receivables on the basis of existing profit transfer agreements, €88 million of which relates to CECONOMY Retail International GmbH (30/09/2020: loss absorption liabilities of €206 million), €86 million to CECONOMY Retail GmbH (30/09/2020: loss absorption liabilities of €447 million) and €1 million to CECONOMY Data GmbH (30/09/2020: loss absorption liabilities of €0 million). Another €13 million in receivables from affiliated companies result from passing on of costs from third parties to subsidiaries (30/09/2020: €7 million).

Other assets primarily comprise €27 million in claims to tax refunds (30/09/2020: €32 million). Receivables from withheld tax on capital gains account for €26 million of this. €25 million of this (30/09/2020: €27 million) relates to the assumption of the receivable for capital gains tax of CECONOMY Retail GmbH resulting from the distribution of profits by Media-Saturn-Holding GmbH for financial year 2019/20 and €1 million (30/09/2020: €1 million) to METRO AG's dividend distribution for financial years 2018/19 and 2019/20. Other assets also include €1 million in value-added tax refund claims (30/09/2020: €1 million).

Prepaid expenses charges amounted to €10 million as of the closing date (30/09/2020: €2 million) and primarily include €5 million in commission in connection with the conclusion of the new syndicated loan agreement with a total credit facility of €1,060 million. Furthermore, prepaid expenses of €5 million were recognized for the bond issued on 24 June 2021 with a nominal value of €500 million, €3 million of which relates to a discount and €2 million to commission paid in advance. The prepaid expenses will be reversed through profit and loss over the respective term of the contract.

Opportunity and risk situation of CECONOMY AG

Given that CECONOMY AG is linked to its Group companies by way of financing commitments, guarantees and direct and indirect investments in investees, its opportunity and risk situation depends largely on the opportunity and risk situation of the CECONOMY Group. In this respect, the statements made by the company's management giving an overall assessment of the risk situation can be considered as a summary of CECONOMY AG's risk situation.

Forecast for CECONOMY AG

In its role as a management holding company, CECONOMY AG's performance depends chiefly on the performance and dividend policies of its investments. CECONOMY AG expects net income for the next financial year 2021/22, excluding dividends from subsidiaries and expenses and income from profit and loss transfer agreements, to be level with financial year 2020/21.

Planned investment by CECONOMY AG

As part of investments through CECONOMY, CECONOMY AG will support Group companies where necessary by increasing shares or capital or extending loans. In addition, intra-group share transfers may result in investments in shares in affiliated companies.

Declaration on corporate governance

The declaration on corporate governance is available on the company's website (www.ceconomy.de/en/) under Company – Corporate Governance.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement for the financial year from 1 October 2020 to 30 September 2021

€ million	Note no.	2019/20	2020/21
Sales	**1**	**20,831**	**21,361**
Cost of sales	2	−17,052	−17,705
Gross profit on sales		**3,779**	**3,656**
Other operating income	3	199	205
Selling expenses	4	−3,219	−3,136
General administrative expenses	5	−533	−538
Other operating expenses	6	−29	−9
Earnings share of operating companies recognized at equity	7	−267	154
Net impairments on operating financial assets and contract assets	8	−10	−5
Earnings before interest and taxes EBIT		**−80**	**326**
Other investment result	7	20	48
Interest income	9	9	14
Interest expenses	9	−60	−67
Other financial result	10	−14	−26
Net financial result		**−45**	**−31**
Earnings before taxes EBT		**−125**	**296**
Income taxes	12	−93	−53
Profit or loss for the period from continuing operations		**−218**	**243**
Profit or loss for the period from discontinued operations after taxes	13	6	13
Profit or loss for the period		**−211**	**256**
Profit or loss for the period attributable to non-controlling interests	14	21	24
from continuing operations		(19)	(21)
from discontinued operations		(1)	(3)
Profit or loss for the period attributable to shareholders of CECONOMY AG		−232	232
from continuing operations		(−237)	(222)
from discontinued operations		(5)	(10)
Earnings per share in € (basic = diluted)	**15**	**−0.65**	**0.65**
from continuing operations		(−0.66)	(0.62)
from discontinued operations		(0.01)	(0.03)

Reconciliation from profit or loss for the period to total comprehensive income for the financial year from 1 October 2020 to 30 September 2021

€ million	Note no.	2019/20	2020/21
Profit or loss for the period	**12, 13**	**−211**	**256**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**30**	**−5**	**34**
Remeasurement of defined benefit pension plans	31	3	22
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	23	1	−2
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	−8	13
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	25	−1	0
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**30**	**−10**	**−13**
Currency translation differences from translating the financial statements of foreign operations		−11	−11
Subsequent measurement of associates/joint ventures accounted for using the equity method	23	1	−2
Other comprehensive income	**30**	**−15**	**21**
Total comprehensive income	**30**	**−226**	**277**
Total comprehensive income attributable to non-controlling interests	30	27	18
Total comprehensive income attributable to shareholders of CECONOMY AG	30	−253	258

Statement of financial position as of 30 September 2021
Assets

€ million	Note no.	30/09/2020	30/09/2021
Non-current assets		**3,857**	**3,903**
Goodwill	19	524	524
Other intangible assets	20	102	125
Property, plant and equipment	21	567	507
Right-of-use assets	22	2,021	1,933
Financial assets	23	280	280
Investments accounted for using the equity method	23	266	425
Other financial assets	24	2	3
Other assets	24	11	8
Deferred tax assets	25	84	99
Current assets		**6,598**	**6,764**
Inventories	26	2,949	3,111
Trade receivables and similar claims	27	488	361
Receivables due from suppliers	24	1,302	1,142
Other financial assets	24	151	276
Other assets	24	154	183
Income tax assets		69	107
Cash and cash equivalents	29	1,484	1,582
		10,455	**10,667**

Equity and liabilities

€ million	Note no.	30/09/2020	30/09/2021
Equity	**30**	**548**	**757**
Share capital		919	919
Capital reserve		321	321
Reserves retained from earnings		−753	−527
Non-controlling interests		61	44
Non-current liabilities		**2,472**	**2,686**
Provisions for pensions and similar obligations	31	513	462
Other provisions	32	28	38
Borrowings	33, 35	1,850	2,109
Other financial liabilities	33, 36	36	43
Other liabilities	36	11	5
Deferred tax liabilities	25	33	29
Current liabilities		**7,435**	**7,224**
Trade liabilities and similar liabilities	33, 34	5,996	5,470
Provisions	32	151	108
Borrowings	33, 35	573	756
Other financial liabilities	33, 36	378	420
Other liabilities	36	231	359
Income tax liabilities	33	106	110
		10,455	**10,667**

Statement of changes in equity[1] for the financial year from 1 October 2020 to 30 September 2021

€ million	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	Currency translation differences from translating the financial statements of foreign operations	Remeasurement of defined benefit pension plans
01/10/2019	**919**	**321**	**0**	**23**	**–5**	**–309**
Profit or loss for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	–7	–9	2
Total comprehensive income	**0**	**0**	**0**	**–7**	**–9**	**2**
Capital increases	0	0	0	0	0	0
Distributions	0	0	0	0	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
30/09 or 01/10/2020	**919**	**321**	**0**	**15**	**–14**	**–306**
Profit or loss for the period	0	0	0	0	0	0
Other comprehensive income	0	0	0	1	–9	22
Total comprehensive income	**0**	**0**	**0**	**1**	**–9**	**22**
Capital increases	0	0	0	0	0	0
Distributions	0	0	0	0	0	0
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
30/09/2021	**919**	**321**	**0**	**16**	**–23**	**–284**

[1] Equity is explained in the notes – note 30 Equity.

Statement of changes in equity[1] for the financial year from 1 October 2020 to 30 September 2021

€ million	Subsequent measurement of associates/joint ventures accounted for using the equity method	Income tax attributable to items of other comprehensive income	Other reserves retained from earnings	Total reserves retained from earnings	Total equity before non-controlling interests	Non-controlling interests	Total equity
01/10/2019	**39**	**0**	**−226**	**−478**	**762**	**22**	**784**
Profit or loss for the period	−266	0	34	−232	−232	21	−211
Other comprehensive income	−7	−1	0	−21	−21	6	−15
Total comprehensive income	**−273**	**−1**	**34**	**−253**	**−253**	**27**	**−226**
Capital increases	0	0	0	0	0	0	0
Distributions	0	0	−8[3]	−8	−8	−6	−14
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	−26	−26	−26	18	−8
Other changes	12	0	0	13	13	0	13
30/09 or 01/10/2020	**−222**	**−1**	**−226**	**−753**	**487**	**61**	**548**
Profit or loss for the period	159	0	73	232	232	24	256
Other comprehensive income	11	0	0	26	26	−5	21
Total comprehensive income	**171**	**0**	**73**	**258**	**258**	**18**	**277**
Capital increases	0	0	0	0	0	0	0
Distributions	0	0	−8	−8	−8	−30	−38
Equity transactions with change in equity interest without obtaining/relinquishing control	0	0	−1	−1	−1	0	−1
Other changes	0	2	−25	−23	−23	−6	−30
30/09/2021	**−51**	**2**	**−187**	**−527**	**713**	**44**	**757**

[1] Equity is explained in the notes – note 30 Equity.

Cash flow statement[1] for the financial year from 1 October 2020 to 30 September 2021

€ million	2019/20	2020/21
EBIT	−80	326
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	1,071	621
Change in provisions for pensions and similar obligations	−53	−48
Change in net working capital[2]	314[3]	−354
Income taxes paid	17	−104
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	25	6
Other	−110	1
Cash flow from operating activities from continuing operations	**1,183[3]**	**450**
Cash flow from operating activities from discontinued operations	0	0
Cash flow from operating activities	**1,183[3]**	**450**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	−112	−141
Other investments	−72	−76
Financial investments and securities	−245	−218
Disposals of financial investments and securities	160	153
Disposals of companies	0	0
Disposal of long-term assets and other disposals	20	19
Cash flow from investing activities from continuing operations	**−248**	**−263**
Cash flow from investing activities from discontinued operations	0	0
Cash flow from investing activities	**−248**	**−263**
Profit distribution	−24	−21
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	−8	−1
Redemption of liabilities from put options of non-controlling interests	−5	−7
Proceeds from long-term borrowings	1,447	781
Redemption of lease liabilities	−530	−503
Redemption of other borrowings	−1,432[3]	−295
Interest paid	−54	−62
Interest received	9	14
Profit and loss transfers and other financing activities	−9	18
Cash flow from financing activities from continuing operations	**−606[3]**	**−77**
Cash flow from financing activities from discontinued operations	0	0
Cash flow from financing activities	**−606[3]**	**−77**
Total cash flows	**329**	**110**
Currency effects on cash and cash equivalents	−44	−12
Total change in cash and cash equivalents	**285**	**98**
Cash and cash equivalents as of 01/10	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 01/10	**1,184**	**1,484**
Total cash and cash equivalents as of 30/09	1,484	1,582
Less cash and cash equivalents recognized in assets in accordance with IFRS 5	0	0
Total cash and cash equivalents as of 30/09	**1,484**	**1,582**

[1] The cash flow statement is explained in the notes – note 40 Notes to the cash flow statement.
[2] Change in net working capital shown from the related statement of financial position items, mainly adjusted for non-cash items.
[3] Restated prior-year figure as a result of factoring transactions now reported on a gross basis.

NOTES

Segment reporting[1]

Operating segments

	Continuing operations											
	DACH		Western/ Southern Europe		Eastern Europe		Others		Consolidation		CECONOMY[2]	
€ million	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
External sales (net)	12,323	12,003	6,431	7,026	1,611	1,781	465	551	0	0	20,831	21,361
Internal sales (net)	21	28	3	3	0	0	7	8	–31	–39	0	0
Sales (net)	12,345	12,031	6,434	7,028	1,611	1,781	472	560	–31	–39	20,831	21,361
EBITDA	699	592	300	290	30	79	–39[3]	–13[3]	1	–1	991	948
EBITDA adjusted	744	607	290	313	38	78	–39	–21	1	–1	1,034	976
Scheduled depreciation/amortization and impairment losses	446	434	254	253	75	56	296	33	0	0	1,071	775
Reversals of impairment losses	0	4	0	0	0	0	0	150	0	0	0	154
EBIT	253	162	46	37	–45	23	–335[4]	105[4]	1	–1	–80	326
EBIT adjusted	297	184	41	67	–37	22	–67	–36	1	–1	236	237
Investments	284	414	160	271	58	58	61	13	0	0	562	757
Non-current segment assets	2,043	1,983	957	913	174	155	319	474	0	0	3,493	3,525
Investments accounted for using the equity method	(0)	(0)	(0)	(0)	(0)	(0)	(266)	(425)	(0)	(0)	(266)	(425)

[1] Segment reporting is explained in the notes – note 41 Segment reporting.
[2] Includes external sales in financial year 2020/21 of €9,739 million (2019/20: €10,160 million) for Germany, of €2,430 million (2019/20: €2,060 million) for Italy, of €2,232 million (2019/20: €1,872 million) for Spain, as well as non-current segment assets as of 30 September 2021 of €2,158 million (30/09/2020: €2,040 million) for Germany, and €343 million (30/09/2020: €340 million) for Italy.
[3] Includes income from operating companies recognized at equity in the Others segment in the amount of €22 million (2019/20: €1 million).
[4] Includes income from operating companies recognized at equity in the Others segment in the amount of €154 million (2019/20: expenses of €267 million).

Notes to the Group accounting principles and methods

Accounting principles

CECONOMY AG is a listed corporation based in Düsseldorf, Germany. It is registered at the Düsseldorf District Court under register number HRB 39473. The consolidated financial statements and combined management report are submitted to the operator of the German Federal Gazette and published in the German Federal Gazette. In addition, the components subject to disclosure requirements are also published for the first time in electronic reporting format ("ESEF format") in the German Federal Gazette. The entire annual report is also available online at www.ceconomy.de/en/.

The business purpose comprises trading business of all kinds, especially retail and wholesale of consumer electronics, and the manufacture and development of products for this purpose and all associated activities.

These consolidated financial statements of CECONOMY AG as of 30 September 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS). They apply all accounting standards and interpretations that have been adopted and whose application is mandatory in the European Union as of this date. Compliance with the standards and interpretations ensures that a true and fair view of CECONOMY's net assets, financial position and earnings position is presented.

This version of the consolidated financial statements complies with Sec. 315e of the German Commercial Code (HGB). This provides the legal basis for Group accounting in accordance with international standards in Germany together with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The date they were signed by the Management Board of CECONOMY AG (8 December 2021) is the same as the date on which the Management Board approved the consolidated financial statements for publication and submission to the Supervisory Board.

These consolidated financial statements are generally based on the historical cost method, with the significant exceptions of financial instruments measured at fair value and financial assets and liabilities measured at their fair values as an underlying transaction within a fair value hedge. Furthermore, non-current assets held for sale, disposal groups and discontinued operations are recognized at fair value less costs to sell if this value is lower than the carrying amount. Liabilities from cash-settled share-based payments are likewise stated at fair value. Moreover, provisions are measured at their expected settlement amount.

The income statement was prepared using the cost-of-sales method.

To enhance clarity and meaningfulness, certain items in the income statement and in the statement of financial position are combined. These items are presented and explained separately in the notes.

The consolidated financial statements were prepared in euros. All amounts are shown in millions of euros (€ million) unless stated otherwise. 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.

The following sections outline the accounting and measurement methods used to prepare the consolidated financial statements.

Application of new accounting methods

ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME IN FINANCIAL YEAR 2020/21

The following accounting standards and interpretations revised, supplemented and newly issued by the International Accounting Standards Board (IASB) were applied for the first time in these consolidated financial statements. Their application was mandatory for CECONOMY AG in financial year 2020/21 unless it is stated that they were applied early on a voluntary basis.

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 requires not only the availability of inputs but also the acquisition of a substantive process. The two stated criteria must significantly contribute to create output. Output focus on goods and services provided to customers. The narrower definition excludes returns in the form of lower costs. 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 consolidated 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) which considers reliefs to hedge accounting. It is clarified that a change as a result of IBOR reform will not result in the termination of existing hedge accounting. The amendments do not have significant impact on the consolidated financial statements of CECONOMY.

IAS 1 and IAS 8 (Definition of Material)

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

On 31 March 2021, the IASB extended the temporary amendment regarding COVID-19-related rent concessions by one year. It exempts lessees from the obligation to assess whether a rent concession meets the definition of a lease modification in accordance with IFRS 16. This rent concession must have been granted to the lessee in connection with the COVID-19 pandemic. CECONOMY has decided not to apply this optional relief.

ACCOUNTING STANDARDS THAT HAD BEEN PUBLISHED BUT NOT YET APPLIED IN FINANCIAL YEAR 2020/21

The IASB has issued or revised other accounting standards and interpretations that CECONOMY has not yet implemented in financial year 2020/21 because their application is not yet mandatory or they have not yet been endorsed by the European Commission.

Standard/ interpretation	Title	Start of application as per IFRS[1]	Application at CECONOMY AG from[2]	Approved by EU[3]
IFRS 10/IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Unknown[4]	Unknown[4]	No
IFRS 17	Insurance Contracts	01/01/2023	01/10/2023	Yes
IAS 1	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current	01/01/2023	01/10/2023	No
Various	Amendments to IFRS 4 Insurance Contracts	01/01/2021	01/10/2021	Yes
IFRS 9/IAS 39/ IFRS 7/IFRS 4/ IFRS 16	Financial Instruments: Disclosures (amended by Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16))	01/01/2021	01/10/2021	Yes
IFRS 3	Business Combinations (amendment: Reference to the Conceptual Framework)	01/01/2022	01/10/2022	Yes
IAS 16	Property, Plant and Equipment (clarification: Proceeds before Intended Use)	01/01/2022	01/10/2022	Yes
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (amendment: Onerous Contracts – Cost of Fulfilling a Contract)	01/01/2022	01/10/2022	Yes
Various	Annual Improvements to IFRS 2018–2020	01/01/2022	01/10/2022	Yes
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01/01/2023	01/10/2023	No
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8)	01/01/2023	01/10/2023	No
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	01/01/2023	01/10/2023	No

[1] Not including early application
[2] Application only from 1 October due to the financial year's deviation from the calendar; on the condition of EU endorsement
[3] As of 8 December 2021 (date of signature by the Management Board of CECONOMY AG)
[4] First-time application indefinitely postponed by the IASB

According to current estimates, the first-time application of the standards and interpretations listed in the table above and other standards amended in the annual improvements will have no material effects on the Group's net assets, financial position and earnings position.

Consolidated group

In addition to CECONOMY AG, the consolidated financial statements include all companies directly or indirectly controlled by CECONOMY AG, provided these companies are not insignificant for the consolidated financial statements individually or together. Control exists when a majority in the voting rights, the articles of association, a company contract or a contractual agreement enable control to be exercised over the financial and business policy of a company in order to draw a benefit from its activity.

Non-controlling interests are mainly held in Media-Saturn-Holding GmbH (MSH).

With CECONOMY AG, 420 German (30/09/2020: 448) and 394 international (30/09/2020: 394) companies are included in the consolidated financial statements.

In financial year 2020/21, the consolidation group changed as follows:

As of 01/10/2020	**842**
Disposals	34
Newly founded companies	6
As of 30/09/2021	**814**

The financial years of the vast majority of Group companies included in the consolidated financial statements end – as far as legally permissible – on 30 September. Companies whose financial year ends on a different date are consolidated on the basis of interim financial statements.

Deconsolidated companies are accounted for as Group companies up to the date of their disposal.

The disposals relate to 30 mergers and four liquidations.

The newly founded companies relate to six companies in Spain.

One subsidiary (30/09/2020: two subsidiaries) is not fully consolidated for reasons of materiality. Instead, it is carried at cost and recognized under financial investments.

STRUCTURED ENTITIES

CECONOMY held no interests in structured entities as of the closing date or the previous year's closing date.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Two associates/joint ventures (30/09/2020: three associates/joint ventures) are included in the consolidated financial statements using the equity method.

NON-CONTROLLING INTERESTS

There are material minority interests at the level of the subgroup holding company MSH, Ingolstadt, in particular, with a share of 21.62 per cent. There are also other small minority interests in the subgroup, which are included in the following disclosures. The following information relates to the subgroup level in year-on-year comparison.

There were minority interests of 21.62 per cent as of 30 September 2021, as in the previous year. Minority interests in equity amounted to €44 million on a consolidated basis, after €61 million in the previous year. Distributions of €30 million were made to minority interests compared with €6 million in the previous year. Sales generated at subgroup level amounted to €21,361 million (2019/20: €20,831 million). Non-controlling interests in profit or loss for the period from continuing operations amounted to €21 million in financial year 2020/21 (2019/20: €19 million).

The following disclosures on assets and liabilities include consolidations at subgroup level determined at the date of the preparation of the consolidated financial statements, but not the consolidations at Group level. Non-current assets amounted to €3,141 million as of 30 September 2021 (30/09/2020: €3,284 million), current assets to €6,023 million (30/09/2020: €6,400 million), non-current liabilities to €1,699 million (30/09/2020: €1,738 million) and current liabilities to €7,018 million (30/09/2020: €7,408 million).

Although resolutions at MSH's shareholders' meeting need more than 80 per cent of the votes cast in order to pass, the shareholders' meeting's powers are essentially limited to shareholder matters alone. These include the adoption of the annual financial statements, the appropriation of the balance sheet profit, formal approval of the management's activities, the appointment of the auditor and the appointment and dismissal of managing directors. With regard to the appropriation of the balance sheet profit, the full distribution principle laid down in MSH's articles of association must be complied with. This stipulates that the company's net profit plus any profit carry-forward and less any loss carry-forward must be distributed to shareholders in full. Deviation from this principle requires a unanimous resolution by the shareholders' meeting. The appointment and dismissal of managing directors is also restricted by the fact that CECONOMY has a unilateral right to appoint and dismiss one of the managing directors. Significant, relevant company activities, such as the approval of MediaMarktSaturn Retail Group's budget, do not fall under the scope of the shareholders' meeting's responsibility, but rather depend on the approval of MSH's advisory board, on which CECONOMY holds the majority of seats and whose resolutions require a simple majority of the votes cast. In particular, there are also statutory protections for cases of conflicts of interest.

↗ An overview of all material Group companies can be found under note 53 Overview of material fully consolidated Group companies. In addition, a full list of all Group companies and associates in accordance with Sec. 313 HGB is available on the website www.ceconomy.de/en/ under Investor Relations – Publications.

Consolidation principles

The financial statements of the domestic and international subsidiaries including in consolidation are prepared in accordance with IFRS 10 (Consolidated Financial Statements) using uniform accounting and measurement methods.

If the local financial years of consolidated subsidiaries do not end on CECONOMY AG's closing date of 30 September, interim financial statements were prepared for the purposes of IFRS consolidation. Subsidiaries are fully consolidated if they are material for the presentation of a true and fair view of the net assets, financial position and earnings position.

Capital consolidation follows the purchase method in accordance with IFRS 3 (Business Combinations). In the case of business combinations, the carrying amounts of the investments are set off against the revalued pro rata equity of the subsidiaries at the date of the acquisition. Positive differences remaining after the disclosure of hidden reserves and hidden burdens are capitalized as goodwill. Goodwill is tested for impairment once a year and during the year if there are indications of impairment. If the carrying amount of an entity to which goodwill has been allocated exceeds the recoverable amount, the goodwill is written down by the difference.

In the case of company acquisitions, the hidden reserves and hidden burdens attributable to non-controlling interests are also disclosed and shown in equity under "Non-controlling interests". CECONOMY does not make use of the option to recognize goodwill attributable to non-controlling interests. In accordance with IFRS 3, negative differences from a business combination are recognized through profit or loss after allocation of hidden reserves and hidden burdens, and a repeated review in the period in which the combination took place.

Acquisitions of additional interests in companies in which control has already been obtained are booked as equity transactions. Therefore, no adjustments are made to the fair value of the assets and liabilities and no gains or losses are recognized. A difference between the costs of the additional interest and the carrying amount of the net assets as of the acquisition date is directly set off against the capital attributable to the acquirer.

Amortization, impairment losses and reversals of impairment losses on interests in consolidated subsidiaries recognized in separate financial statements of consolidated subsidiaries are reversed.

Investments in associates and joint ventures are accounted for using the equity method, with existing goodwill included in the amount capitalized for investments. The recognition of earnings from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee conducts operating or non-operating activities. Operating activities include both the retail/wholesale business and support activities (e.g. leasing/letting commercial properties, purchasing, logistics). Earnings from operating associates, joint ventures and joint operations are included in operating EBIT, earnings from non-operating entities in the net financial result. Any deviating accounting and measurement methods in the financial statements of companies accounted for using the equity method are retained, provided they do not run significantly counter to CECONOMY's Group-wide accounting and measurement methods.

In the case of joint operations, each party in accordance with IFRS 11 reports its share in the jointly held assets and jointly incurred liabilities in its own statement of financial position.

Intra-Group profits and losses are eliminated. Sales, expenses, income, receivables and liabilities between consolidated Group companies, and provisions are consolidated. Intercompany profits in non-current assets and inventories from intra-Group trading are eliminated if not immaterial. Deferred taxes are recognized on consolidation procedures in accordance with IAS 12 (Income Taxes).

Unrealized gains from transactions with entities accounted for using the equity method are offset against the investment in the amount of the Group's share in the investee.

In the case of joint operations, each party reports its own share in the sales, income and expenses associated with the joint operation in its income statement.

A reduction in interest in subsidiaries must be presented in reserves retained from earnings as an equity transaction through other comprehensive income, as long as the parent company retains control. If a reduction or complete disposal of the interests results in the loss of control, the full consolidation of the subsidiary is ended as of the date on which the parent company loses the possibility of control. All previously fully consolidated assets, liabilities and equity items are derecognized at amortized Group carrying amounts. The interests disposed of are deconsolidated according to the general rules for deconsolidation. If there are remaining residual shares, they are recognized at fair value as a financial instrument according to IFRS 9 or as an investment measured according to the equity method according to IAS 28.

Currency translation

FOREIGN CURRENCY TRANSACTIONS

In the subsidiaries' separate financial statements, foreign currency transactions are measured at the exchange rate as of the date of the transaction. As of the closing date, monetary assets and liabilities in foreign currency are measured at the exchange rate as of closing date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Gains and losses from exchange rate fluctuations before the closing date are recognized through profit or loss. Currency translation differences from receivables and liabilities in foreign currency that are deemed a net investment in a foreign operation and from equity instruments held for sale and qualified cash flow hedges are recognized through other comprehensive income in reserves retained from earnings.

FOREIGN OPERATIONS

In accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates), the annual financial statements of foreign subsidiaries are translated into euros in keeping with the functional currency concept. Functional currency is the currency of the primary economic environment in which the subsidiary operates. The consolidated companies generally conduct their businesses independently in financial, economic and organizational terms, so the functional currency is usually their respective local currency. The assets and liabilities are therefore translated at the exchange rate as of closing date. Income statement items are translated at the average exchange rate during the financial year. Differences from the translation of financial statements of foreign subsidiaries are recognized through other comprehensive income and shown separately in reserves retained from earnings. If the foreign subsidiary is not fully owned by the parent company, the corresponding portion of the currency translation differences is allocated to the non-controlling interests.

In the year of disposal or at the date of closure of the business of a foreign subsidiary, currency translation differences are reversed through profit or loss via the net financial result. In the case of partial disposal without loss of control opportunity of a foreign subsidiary, the corresponding portion of the cumulative currency translation differences is allocated to the non-controlling interests. If foreign associates or jointly controlled entities are partially sold without loss of significant influence or joint control, the corresponding portion of the cumulative currency translation differences is recognized through profit or loss.

In financial year 2020/21, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

For the currencies of the most important countries for CECONOMY that are not members of the European Monetary Union, currency translation was based on the following exchange rates:

		Average rate per €		Closing rate per €	
		2019/20	2020/21	30/09/2020	30/09/2021
Pound sterling	GBP	0.87833	0.87384	0.91235	0.86053
Hong Kong dollar	HKD	8.70568	9.28025	9.07420	9.01840
Norwegian krone	NOK	10.55535	10.36198	11.10080	10.16500
Polish złoty	PLN	4.38844	4.53714	4.54620	4.61970
Russian rouble	RUB	77.50392	89.14979	91.77630	84.33910
Swedish krona	SEK	10.58222	10.18182	10.57130	10.16830
Swiss franc	CHF	1.07494	1.08737	1.08040	1.08300
Turkish lira	TRY	7.29146	9.62548	9.09900	10.29810
Hungarian forint	HUF	343.96227	357.56318	365.53000	360.19000

Source: European Central Bank

Income statement

RECOGNITION OF INCOME AND EXPENSES

CECONOMY sells a large number of standard products to customers. These customers are primarily end consumers.

When determining the timing of sales recognition, a distinction is generally drawn between four cases:

- In-store product business: sales from product sales are recognized at a point in time when control is transferred. As a rule, control is transferred at the point in time when the product is handed over to the customer and payment by the customer occurs at the same time.

- Online sales: sales are recognized at the time of the expected delivery of the product to the customer and this is not subject to significant judgements.

- Sale of services (over time): if the services constitute a separate performance obligation over time according to IFRS 15, sales are recognized over time as the performance obligation is satisfied. This applies in particular to the sale of extended warranties – for which CECONOMY acts as principal. Here, sales are recognized over the entire warranty period, comprising the statutory warranty period and the periods exceeding the statutory warranty period because uniform services in addition to the statutory warranty are provided over the entire term.

- Sale of services (at a point in time): if the services constitute a separate performance obligation at a point in time according to IFRS 15, sales are recognized on conclusion of the performance obligation. This particularly applies to the installation and delivery of products and brokerage commission for subsidized devices.

Obligations from the return of products are carried as a refund liability. For cases of expected returns, sales are recognized only for those products that are not expected to be returned. The estimate takes account of these to the extent that a significant reversal of sales is highly unlikely to occur as a result of the estimate.

When accounting for the sale of a subsidized device in connection with the brokerage of a service contract, two performance obligations are identified: sale of the device and performance of the service (brokerage of the mobile phone contract). To identify the respective transaction prices of the contract components, they are allocated on the basis of the relative stand-alone selling prices. There is an observable market price for the device. The brokerage commission is estimated according to the cost-plus margin approach. Both performance obligations are satisfied at the time of handover to the customer. As a result, the sales are recognized at a point in time.

CECONOMY exercises the option under IFRS 15.94 to recognize the costs to obtain and fulfil a contract directly as an expense if recognition as an asset would result in an amortization period of one year or less.

In addition, CECONOMY uses the practical expedient in accordance with IFRS 15.63 for financing components that allows the effects of a financing component not to be recognized if the period between the transfer of goods or services and the payment by the customer is one year or less.

Government grants are recognized if it is guaranteed with sufficient certainty that the eligibility criteria are met and the grants will actually be received. Grants that are performance-based and attributable to future periods are recognized on an accrual basis according to the associated expenses. Performance-based grants already received for subsequent periods are deferred and released pro rata in the subsequent periods. Grants for which the entitled beneficiary is the employee are shown as a transitory item.

Operating expenses are recognized on utilization of the service or when incurred.

The **net financial result** primarily comprises the other investment result, interest and currency effects. Interest is recognized as income or expense on an accrual basis, applying the effective interest method as appropriate. Interest expense on borrowings attributable directly to the acquisition or production of a qualifying asset is not recognized in profit or loss but instead must be capitalized as part of the cost of that asset in accordance with IAS 23 (Borrowing Costs). Distributions are recognized through profit or loss when the legal claim to payment is established.

INCOME TAXES

Income taxes relate to current and deferred income taxes. They are recognized through profit or loss unless they are associated with business combinations or items recognized directly in equity or through other comprehensive income.

Statement of financial position

GOODWILL

Goodwill is capitalized in accordance with IFRS 3 (Business Combinations). Goodwill resulting from a business combination is allocated to the group of cash-generating units that benefits from the synergies of the combination. A cash-generating unit is defined by IAS 36 (Impairment of Assets) as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

On the basis of the provisions of IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment annually as of the closing date. This test is performed at the level of a group of cash-generating units. This group is usually each country's organizational unit.

The capitalized goodwill is regularly tested for impairment once a year and during the year if there are indications of impairment. If impairment is found, it is recognized through profit or loss. To determine potential impairment, the recoverable amount of a group of cash-generating units is compared to the sum of the carrying amounts. Recoverable amount is the higher of value in use and fair value less costs to sell. The goodwill allocated to a group of cash-generating units is only impaired if the recoverable amount is smaller than the sum of the carrying amounts. Impairment is not reversed if the reasons for impairment recognized in previous periods cease to apply.

OTHER INTANGIBLE ASSETS

Purchased other intangible assets are carried at cost. **Internally generated intangible assets** are capitalized at development cost in accordance with IAS 38 (Intangible Assets). However, the costs of the research phase are not capitalized but recognized as an expense. Cost includes all costs directly attributable to development. This can include the following costs:

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead (directly attributable)	Material overhead
	Production overhead
	Amortization
	Development-related administrative costs

Borrowing costs are included in the calculation of cost only if they relate to a qualifying asset in accordance with IAS 23 (Borrowing Costs). A qualifying asset is a non-financial asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other intangible assets with a finite useful life are subsequently measured according to the cost model. The revaluation option is not exercised. All other intangible assets at CECONOMY with a finite useful life are subject to straight-line amortization. Capitalized internally generated and purchased software and similar intangible assets are amortized over a term of up to ten years. Licences are generally amortized over their term. These intangible assets are tested for impairment at every closing date. Impairment is recognized if the recoverable amount is less than the amortized cost. If the asset does not generate cash inflows that are largely independent of other assets or groups, the impairment test is performed at the level of the respective cash-generating unit or group of cash-generating units. The carrying amount of the cash-generating unit is compared with its recoverable amount. Impairment is reversed if the reasons for impairment recognized in previous periods cease to apply.

Other intangible assets with an indefinite useful life are not amortized but tested for impairment at least once a year. Impairment or reversals of impairment are recognized through profit or loss according to the cost principle.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost in accordance with IAS 16 (Property, Plant and Equipment). The cost of internally generated assets includes direct costs and directly attributable overhead. Borrowing costs are capitalized as part of cost only for qualifying assets. **Investment grants** received are recognized in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) by reducing the cost of the corresponding asset by the amount of the grant. The grants are not recognized as deferred income. **Asset retirement obligations** are included in cost at the discounted settlement amount. Subsequent costs of property, plant and equipment are only additionally capitalized if they result in a higher future economic benefit for CECONOMY.

Property, plant and equipment are subject exclusively to straight-line depreciation using the cost model according to IAS 16.30. The optional revaluation model in accordance with IAS 16.31 is not applied. The useful lives on which the depreciation is based fall within the following ranges, which are standardized throughout the Group:

Buildings	33 to 50 years
Leasehold improvements	15 years or shorter lease term
Business and office equipment	3 to 15 years

Capitalized asset retirement costs are written down proportionately over the useful life of the asset.

If there are indications of impairment of property, plant and equipment, an impairment test is carried out in accordance with IAS 36. Impairment is recognized on the property, plant and equipment if the recoverable amount is less than the amortized cost. If the asset does not generate cash inflows that are largely independent of other assets or groups, the impairment test is performed at the level of the respective cash-generating unit or group of cash-generating units. The carrying amount of the cash-generating unit is compared with its recoverable amount. Impairment is reversed if the reasons for impairment recognized in previous periods cease to apply.

If the reasons for impairment cease to exist, the impairment is reversed to amortized cost.

LEASES

Since 1 October 2019, CECONOMY has accounted for all leases as the lessee using the standardized right-of-use approach under IFRS 16. Under this approach, a liability is recognized for each lease that is equal to the present value of the future lease payments. Lease payments comprise the sum of all fixed lease payments less incentives for the conclusion of the lease and plus all variable lease payments that depend on an index or a rate. Variable payments that constitute fixed payments in substance and amounts expected to be payable under residual value guarantees are also included. Lease payments based on purchase price options and extension options are included if the lessee is reasonably certain to exercise them. Contractually agreed penalties for prematurely terminating the lease are also recognized, if it can be assumed that the lessee will terminate the lease prematurely. With the exception of real estate leasing, the fee is not divided into a lease component and a non-lease component. Variable lease payments are recognized as rental expenses.

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

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

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

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

CECONOMY has decided to recognize the leases relevant under IFRS 16 in a special data management and analysis system. This ensures that the leases are accounted for and measured in accordance with the requirements of IFRS 16 and that analysis is possible at all times.

The right-of-use approach is not applied to short-term leases (terms of no more than twelve months) or to low-value assets. Low-value assets are components of leases that, taken individually, are immaterial for the company's business activities. Instead, lease payments for short-term leases and leases of low-value assets are recognized as rental expenses.

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

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

CONTRACT ASSETS

Contract assets are reported under the "trade receivables and similar claims" balance sheet item. A contract asset represents the right to consideration in the form of payment from the customer if goods or services have been transferred to the customer but the right to consideration still depends on other factors such as the passage of time.

At CECONOMY, contract assets primarily arise from variable commission claims, e.g. from the brokerage of mobile phone contracts that are still linked to certain conditions. To calculate impairment on contract assets, CECONOMY applies the simplified approach according to IFRS 9 (Financial Instruments).

OTHER ASSETS

This means other receivables and assets, such as other entitlements to tax refunds. Prepaid expenses and deferred charges include transitory accruals.

FINANCIAL INSTRUMENTS

Unless they relate to **associates** as defined by IAS 28 (Investments in Associates and Joint Ventures) or **joint ventures** according to IFRS 11 (Joint Arrangements), **financial assets** are recognized according to the measurement categories described below.

On initial recognition, a financial instrument is generally measured at fair value. Transaction costs are included in all categories apart from "financial assets measured at fair value through profit or loss". They are always recognized as of the trade date. Trade receivables without a significant financing component are initially recognized at the transaction price.

Financial instruments are subsequently measured at either amortized cost or fair value, depending on their allocation to the measurement categories described below.

Financial assets are derecognized if the contractual rights to cash flows from the item are terminated or expired or the financial asset is transferred. In addition, financial assets are derecognized if substantially all the risks and rewards of ownership are neither transferred nor retained and control of the transferred financial asset is not retained. There is no full disposal if substantially all the risks and rewards of ownership are neither transferred nor retained and control of the receivables remains with CECONOMY. In this case, only a partial disposal of the receivables in recognized, taking the remaining continuing involvement into account. A financial liability is only derecognized if it is extinguished, i.e. when the obligations specified in the contract are settled, cancelled or expired.

Financial assets measured at amortized cost

All debt instruments that are held as financial assets to maturity or for which the objective is to realize contractual cash flows ("hold" business model) are measured at amortized cost. In addition, it is necessary that these financial instruments meet the SPPI (solely payments of principal and interest) criterion. The SPPI criterion is met if the contractual cash flows are solely unmodified and unleveraged payments of principal and interest on the principal amount outstanding.

For financial assets measured at amortized cost, impairment must be recognized for expected and incurred credit losses. A distinction is drawn here between the general and the simplified approach. CECONOMY applies the **general approach** unless there is voluntary measurement according to the simplified approach (see below). The impairment is recognized in three stages. Financial instruments whose credit risk has not significantly increased since initial recognition are recognized in stage 1.

On this basis, the impairment is measured at an amount equal to twelve-month expected credit losses. In stage 2, impairment is recognized at an amount equal to the expected credit losses over the lifetime of the financial instrument if the credit risk has significantly increased. Stage 3 relates to incurred losses, which are explained below. The general approach is applied in particular to receivables due from suppliers.

For the following items, the asset is impaired using the **simplified approach**: trade receivables, contract assets in accordance with IFRS 15 and lease receivables. An impairment matrix is created for each region (DACH, Western/Southern Europe, Eastern Europe and Others) for the calculation and recognition of expected credit losses. This recognizes the expected credit losses over the lifetime of the financial instrument. It is based on the receivables for which specific bad debt allowances have not yet been recognized. An individual rating is used to calculate the expected credit losses for trade receivables and contract assets due from providers.

At each closing date, financial assets are examined for substantial objective evidence of impairment (incurred credit losses). This evidence includes, for example, delays or defaults in principal or interest payments and significant financial difficulties on the part of the issuer or debtor. If such evidence exists, the amount of the impairment is calculated as the difference between the carrying amount of the asset and the present value of the (still) expected future cash flows. The effective interest rate previously used is used as the discount rate for the expected future cash flows. A specific bad debt allowance must always be recognized for financial assets with loss events.

Within CECONOMY, it is essentially the following financial assets that come under the “hold” business model:

– Loans.

– Trade receivables, unless they can be sold in a factoring or similar programme.

– Receivables due from suppliers: depending on the underlying circumstance, receivables due from suppliers are recognized as a reduction in cost, reimbursement or payment for services rendered. Supplier compensation is recognized on an accrual basis, provided it is contractually agreed and realization is likely. The accruals are based on projections, provided the supplier compensation is regularly tied to certain calendar year targets.

– Cash and cash equivalents: cash and cash equivalents include cheques, cash on hand, bank deposits and other financial assets that can quickly be converted into cash, such as available balances in lawyer trust accounts or money in transit with an original term of up to three months. They are measured at their nominal values.

– Securities, provided the defined conditions are met.

Financial assets measured at fair value through other comprehensive income with recycling
This measurement category includes all debt instruments contained within a portfolio for which there are two parallel objectives: firstly, to hold them to maturity and generate contractual cash flows and secondly, to sell the instruments before maturity (“hold and sell” business model).

These financial assets are subsequently measured at fair value, while changes in fair value are recognized through other comprehensive income. This does not include impairment gains and losses (see explanation under “financial assets measured at amortized cost”) or gains and losses from currency translation until the financial asset is derecognized or reclassified.

Within CECONOMY, the following financial assets generally come under the “hold and sell” business model:

– Trade receivables if they can be sold in a factoring or similar programme.

– Securities that are part of the liquidity reserve and are sold before maturity if liquidity is required.

Financial assets measured at fair value through other comprehensive income without recycling
Non-derivative equity instruments that are not held for trading can optionally be recognized in this measurement category. The gains and losses associated with the instrument are recognized in other comprehensive income. The amounts recognized in other comprehensive income are never (neither on derecognition nor in the event of impairment) reclassified to the income statement.

The following financial assets can in general be assigned to this category at CECONOMY:

– Investments in corporations.

– Securities, provided they meet the equity definition.

Financial assets measured at fair value through profit or loss
This measurement category, under which measurement is at fair value through profit or loss, comprises the following items:

- Debt instruments that are held in a portfolio with the objective of selling the instruments before maturity ("sell" business model) and that do not meet the SPPI criterion are measured at fair value through profit or loss. At CECONOMY, these include trade receivables if part of a correspondingly structured factoring or similar programme.

- Derivative financial instruments, provided they are not in an effective hedge.

- Equity instruments for which there is an intention to sell or for which there is no intention to sell and no optional allocation to the "measured at fair value through other comprehensive income without recycling" category.

Liabilities measured at amortized cost
All financial liabilities that are not measured at fair value through profit or loss (see below) must be measured at amortized cost. This measurement category primarily includes bond liabilities, liabilities to banks, liabilities from promissory notes, notes payable and trade liabilities.

Liabilities measured at fair value through profit or loss
The following financial liabilities, which are held for trading, are measured at fair value through profit or loss:

- Financial liabilities that were entered into with a short-term repurchase intention or that on initial recognition are part of a portfolio of clearly identifiable financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

- Derivative financial liabilities, provided they are not part of an effective hedge.

- Liabilities arising on the transfer of a financial asset that does not meet the criteria for disposal or is recognized according to the continuing involvement approach.

The fair value option is not exercised at CECONOMY, so there is no voluntary allocation of other financial liabilities to the category of financial instruments measured at fair value through profit or loss.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
In accordance with IAS 28, an investee is considered an associate if it is neither a subsidiary nor a joint venture of the investor and the investor has the ability to exercise significant influence over the financial and operating policies of the investee. Investments in associates are accounted for using the equity method in accordance with IAS 28. The carrying amounts of investments accounted for using the equity method are annually increased or decreased by pro rata earnings, distributions or other changes in equity. In the event of indications of a lower value of an investment, an impairment test is performed and, if necessary, impairment recognized through profit or loss. If the reasons for the impairment cease to apply, the impairment is reversed to the newly identified recoverable amount, but by no more than the previous impairment.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES
Deferred tax assets and deferred tax liabilities are determined in compliance with IAS 12 (Income Taxes) according to the concept of the balance sheet liability method. Deferred taxes result from temporary differences between the carrying amounts stated in the consolidated financial statements and the tax bases of assets and liabilities. Deferred tax assets are also recognized for tax loss and interest carry-forwards not yet used.

Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable income for the realization of the corresponding benefit will be generated in the future.

Deferred tax assets and deferred tax liabilities are offset if the income tax claims and liabilities are from/to the same tax authority and relate to the same tax subject or a group of different tax subjects that are assessed jointly for income tax purposes. Deferred tax assets are reassessed at every closing date and adjusted if necessary.

Deferred taxes are calculated on the basis of the tax rates expected in the individual countries on the date of realization. These are generally based on the statutory regulations in force or already enacted as of the closing date.

The assessment of deferred taxes reflects the tax consequences resulting from CECONOMY's expectations regarding the manner of recovery of the carrying amounts of its assets and fulfilment of its liabilities as of the closing date.

INVENTORIES

Merchandise accounted for as inventories is measured at cost in accordance with IAS 2 (Inventories). Cost is determined using the weighted average cost method. Supplier compensation classified as a reduction in cost reduces the carrying amount of inventories. Both internal and external costs are recognized as acquisition-related costs if they are directly attributable to the acquisition process.

Merchandise is measured on the closing date at the lower of cost and net realizable value. Individual deductions are recognized on merchandise if the net realizable value is lower than the carrying amount. Net realizable value is the expected recoverable sale proceeds less the directly attributable selling expenses still to be incurred up to the time of the sale. The IFRIC clarified in its agenda decision that the provisions of IAS 2 do not allow an entity to limit directly attributable selling expenses still to be incurred to incremental costs. Against this backdrop, the procurement and selling process was subjected to an indicative, holistic analysis, which considered both qualitative and quantitative aspects. This resulted in a mid-single digit amount in millions of euros, which decreased the measurement of inventories. The analysis will be refined in financial year 2021/22, whereby no material effects are expected as things stand.

If the reasons that resulted in impairment of merchandise no longer exist, the impairment is reversed accordingly.

As CECONOMY's inventories are never qualifying assets, interest expense on borrowings attributable to inventories is not capitalized in accordance with IAS 23 (Borrowing Costs).

The sub-item **"Assets for products to be returned (right of return)"** takes account of a customer's right of return. When products with a right of return are sold, sales are recognized only in the amount of the consideration to which the company is expected to be entitled. Therefore, the proportion of products that the company expects to be returned must be estimated and not included in the calculation of the transaction price.

INCOME TAX ASSETS AND LIABILITIES

The recognized income tax assets and liabilities relate to domestic and foreign income taxes for 2020/21 and from previous years. They are determined in accordance with the tax provisions of the country in question.

The calculation of income tax liabilities also includes the effects of tax risks. The assumptions and estimates on which these risks are based are regularly reviewed and accounted for in the tax calculation.

NON-CURRENT ASSETS HELD FOR SALE, LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets are classified as **non-current assets held for sale** pursuant to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) if the associated carrying amount is primarily to be realized through sale and not through continued use. A sale must be planned and achievable with high probability within the next twelve months. Immediately before the initial classification as held for sale, the carrying amounts of the asset must be measured in accordance with applicable IFRS. In the event of reclassification, the asset is recognized at the lower of carrying amount and fair value less cost to sell and presented separately in the statement of financial position. Liabilities related to assets held for sale are likewise shown separately in the statement of financial position.

In accordance with IFRS 5, a **discontinued operation** is recognized as such if it is held for sale or has already been sold. An operation is a component of an entity that represents either a separate major line of business or a geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Immediately before the initial classification as held for sale, the carrying amounts of the component must be measured in accordance with applicable IFRS. In the event of reclassification, the discontinued operation is carried at the lower of carrying amount and fair value less cost to sell. In the income statement, statement of financial position, cash flow statement and segment reporting, discontinued operations are presented separately and explained in the notes. The previous year's figures – with the exception of the statement of financial position – are adjusted accordingly. Intra-Group relationships with discontinued operations are not recognized in the statement of financial position up to the date of deconsolidation. In the income statement, trade relationships between continuing and discontinued operations are shown as expenses/income within continuing operations if the trade relationships continue after deconsolidation.

EMPLOYEE BENEFITS

Employee benefits include:

- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based payments

Short-term employee benefits include, for example, wages, salaries, social security contributions, paid annual leave, and paid sick leave and are recognized as liabilities at the repayment amount as soon as the associated work is performed.

Post-employment benefits are paid in connection with either a defined contribution or a defined benefit plan. For **defined contribution plans**, the periodic contribution obligation to the external pension provider is recognized as a pension expense as the same time as the work is performed. Missed or advance payments to the pension provider are recognized as a liability or a receivable, respectively. Liabilities with a maturity of over twelve months are discounted.

The actuarial calculation of pension provisions for post-employment benefit plans as part of a **defined benefit plan** is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. This benefit/years of service method uses biometric data and takes both the pensions and earned entitlements known at the closing date and the expected future increases in salaries and pensions into account. If the calculated performance obligation or the fair value of plan assets increases or decreases between the start and the end of a financial year due to experience-based adjustments (for example relating to a higher employee turnover rate) or changes in the underlying actuarial assumptions (for example in the discount rate), this results in actuarial gains and losses. These are recognized through other comprehensive income. Effects of plan changes and plan curtailments are recognized through profit or loss in service costs. The interest portion of additions to provisions included in pension expenses is recognized as interest expenses within the financial result. If there are plan assets, the size of the provision is determined by the difference between the present value of defined benefit obligations and the present value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary and death benefits) comprise the present value of future payments to employees or their surviving dependants less any associated assets, measured at fair value. The size of the provisions is determined on the basis of actuarial reports pursuant to IAS 19. Actuarial gains and losses are recognized through profit or loss in the period in which they are incurred.

Termination benefits relate to severance payments to employees. They are recognized through profit or loss as a liability if payments must be made to employees on the termination of the employment relationship on the basis of a contractual or constructive obligation. Such an obligation exists when a formal plan exists for the early termination of the employment relationship and it is not possible to withdraw from this plan. If the payment is due more than twelve months after the closing date, it must be carried at its present value.

The share bonuses granted under the share-based payment system are classified as **"cash-settled share-based payments"** pursuant to IFRS 2 (Share-based Payment). Proportionate provisions measured at the fair value of the obligations entered into are recognized for these bonuses, if any. The provisions are recognized proportionately through profit or loss as personnel expenses spread over the underlying vesting period. The fair value is recalculated using an option pricing model at every closing date during the vesting period up to the exercise date. The provision is adjusted accordingly through profit or loss. If the granted share-based payments were hedged with corresponding hedging transactions, the hedges are measured at fair value and recognized under other financial and non-financial assets. The part of the fluctuation in the fair value of the hedges that corresponds to the fluctuation in the fair value of the share-based payments is recognized through profit or loss as personnel expenses. The part of the fluctuations in the fair value exceeding this is recognized through other comprehensive income.

(OTHER) PROVISIONS

(Other) provisions are recognized in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) if there are legal or constructive obligations to third parties that are based on past transactions or events and are expected to lead to an outflow of resources that can be reliably estimated. The provisions reflect all discernible risks relating to the assumed settlement amount. In the case of a single obligation, the assumption is based on the settlement amount with the highest probability of occurrence. If the calculation of the provision for a single item reveals a range of equally likely settlement amounts, the recognized provision must equal the mean of these settlement amounts. In the event of a large population of similar items, the provision is recognized at the expected value obtained by weighting all possible outcomes by their associated probabilities.

Long-term provisions with a term of more than one year are discounted to the closing date at a matched-term interest rate, which reflects the current market expectations with regard to the time value of money. Provisions with a term of more than one year are discounted accordingly, provided the effect of the time value of money is material. Recourse claims are not offset against the provision amount, but are recognized separately as an asset, provided their realization is virtually certain.

Provisions for restructuring are recognized if the constructive obligation to restructure was formalized at the closing date by the adoption of a detailed restructuring plan and its communication to those affected. Restructuring provisions exclusively contain expenses that are essential for restructuring and not connected to the company's ongoing activities.

Provisions for warranties are recognized at the expected handling costs.

BORROWINGS AND OTHER FINANCIAL LIABILITIES

Financial liabilities designated as an underlying transaction within a fair value hedge are measured at fair value through profit or loss. The fair values of financial liabilities disclosed in the notes are calculated on the basis of the interest rates applicable on the closing date for the corresponding residual maturities and repayment structures.

Financial liabilities from leases are measured at the present value of the future minimum lease payments.

The sub-item "**Refund liability**" within the "Other financial liabilities (current)" balance sheet item takes account of a customer's right of return. When services with a right to a refund are offered, sales are recognized only in the amount of the consideration to which the company is expected to be entitled. Therefore, the proportion of products that the company expects to be returned must be estimated and not included in the calculation of the transaction price.

CONTRACT LIABILITIES

Contract liabilities are reported under the "Trade liabilities and similar liabilities" balance sheet item. A contract liability must be recognized if the customer has already paid but CECONOMY has not yet fulfilled the performance obligation to transfer goods or services to the customer.

At CECONOMY, contract liabilities primarily relate to deferred sales from customer loyalty programmes, the sale of vouchers and extended warranties and to prepayments received on orders.

OTHER LIABILITIES

Other liabilities are carried at their settlement amount.

Deferred income includes transitory accruals.

Other

CONTINGENT LIABILITIES

Contingent liabilities are, firstly, possible obligations that arise from past events but whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Secondly, contingent liabilities constitute present obligations that arise from past events but for which an outflow of resources is considered unlikely or a sufficiently reliable estimate of the amount of the obligation cannot be made. In accordance with IAS 37, such obligations are not recognized in the statement of financial position but rather disclosed in the notes. The calculation of the size of the contingent liabilities is based on the principles of provision measurement.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are used solely to reduce risk. They are used in line with the stipulations of the corresponding Group guideline.

All derivative financial instruments are measured at fair value in accordance with IFRS 9 and recognized under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms, if applicable including the credit margins or stock market prices relevant for CECONOMY using the mean rates on the closing date. If no stock market prices can be consulted, the fair value is calculated using recognized financial models.

In the event of an effective hedge accounting transaction (hedge accounting) according to IAS 39, changes in the fair value of derivatives designated as fair value hedges and fair value changes related to the hedged risk of the associated underlying transaction are recognized through profit or loss. For cash flow hedges, the effective portion of the change in the fair value of the derivative is recognized through other comprehensive income (OCI). It is not reclassified to the income statement through profit or loss until the underlying transaction affects profit or loss. The ineffective portion of the change in value of the hedging instrument is immediately recognized through profit or loss.

Summary of selected measurement methods

Item	Measurement method
Assets	
Goodwill	Cost (subsequent measurement: impairment test)
Other intangible assets	
Purchased other intangible assets	(Amortized) cost
Internally generated intangible assets	Development costs (direct costs and directly attributable overhead)
Property, plant and equipment	(Amortized) cost
Investments accounted for using the equity method	Equity method
Right-of-use assets	(Amortized) cost
Financial assets/other financial assets	
Financial assets measured at amortized cost	(Amortized) cost
Financial assets measured at fair value through other comprehensive income with recycling	At fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income without recycling	At fair value through other comprehensive income
Financial assets measured at fair value through profit or loss	At fair value through profit or loss
Inventories	Lower of cost and net realizable value
Trade receivables and similar claims	
Trade receivables	(Amortized) cost
Contract assets	(Amortized) cost
Receivables due from suppliers	(Amortized) cost
Other assets	(Amortized) cost
Cash and cash equivalents	Nominal value
Assets held for sale	Lower of carrying amount and fair value less cost to sell
Equity and liabilities	
Provisions	
Pension provisions	Projected unit credit method (benefit/years of service method)
Other provisions	Discounted settlement amount (with best-possible estimate)
Financial liabilities	
Liabilities measured at fair value through profit or loss	At fair value through profit or loss
Liabilities measured at amortized cost	(Amortized) cost
Lease liabilities	(Amortized) cost
Borrowings and other financial liabilities	At settlement amount or fair value
Other liabilities	Settlement amount
Trade liabilities and similar liabilities	
Trade liabilities	(Amortized) cost
Contract liabilities	Settlement amount

Judgements, estimates and assumptions

For the preparation of these consolidated financial statements, **judgements, estimates and assumptions** had to be made that had an impact on the recognition and amount of assets, income, expenses and contingent liabilities.

IMPACT OF COVID-19 ON ACCOUNTING

In preparing the consolidated 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, as well as the generally high volatility of regulations in connection with COVID-19, there was very high uncertainty over the company's business performance in financial year 2020/21.

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 (intangible) 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, the conduct of impairment tests did not provide any indication of impairment on the goodwill recognized.

The ad hoc and annual impairment tests resulted in total additional impairment for material and depreciable assets of €38 million (30/09/2020: €49 million), of which €26 million (30/09/2020: €21 million) related to property, plant and equipment, €12 million (30/09/2020: €27 million) to right-of-use assets and €0 million (30/09/2020: €1 million) to other intangible assets.

The ad hoc impairment test of investments resulted in an impairment reversal of around €150 million (30/09/2020: impairment of €268 million) on Fnac Darty S.A. and impairment of around €18 million (30/09/2020: €0 million) on PMG Retail Market Ltd.

In addition, temporary 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. Cumulative impairment of €158 million was recognized as of 30 September 2021 (30/09/2020: €151 million).

Recourse to the Group's syndicated credit facilities was not necessary despite the severe adverse impact on operating business as a result of the temporary store closures in the past financial year 2020/21. This applies both to the syndicated credit facilities of €1,060 million currently in place and to the credit facilities in place until 9 August 2021 under the syndicated loan agreement with the involvement of KfW existing until that date, which likewise had not been utilized at any time during the financial year.

JUDGEMENTS

Information on significant judgements that have the greatest material effect on the amounts reported in these consolidated financial statements is included in the following disclosures in the notes:

- Definition of the consolidation group by assessing control opportunities ("Consolidation group" section); this particularly affects investments whereby, due to special provisions in the articles of association, control opportunity is not necessarily associated with a simple majority of the voting rights.

- Determination of whether CECONOMY acts as principle or agent in sales transactions (note 1 Sales).

- Allocation of the transaction price on the basis of the relative standalone selling prices in the case of multicomponent transactions and the associated sales recognition (note 1 Sales).

ESTIMATES AND ASSUMPTIONS

Information on estimates and underlying assumptions with significant effects for these consolidated financial statements are included in the following disclosures in the notes:

- Group-wide definition of expected useful lives for depreciable assets (note 16 Scheduled depreciation/amortization and impairment losses, note 20 Other intangible assets and note 21 Property, plant and equipment).

- Ad hoc impairment test of depreciable assets (note 16 Scheduled depreciation/amortization and impairment losses, note 20 Other intangible assets and note 21 Property, plant and equipment).

- Annual test for indicators of impairment and, if necessary, impairment test of goodwill (note 19 Goodwill – including sensitivity analysis) and investments accounted for using the equity method (note 23 Financial investments and investments accounted for using the equity method).

- Measurement of the lease liability and right-of-use asset from leases – especially to determine the probability of exercise of extension and termination options for leases, impairment of the right-of-use asset, and the interest rate, which in the absence of an incremental interest rate is generally calculated on the basis of the respective incremental borrowing rate.

- Recoverability and definition of receivables – especially receivables due from suppliers and from commissions (note 24 Receivables due from suppliers, other financial assets and other assets and note 27 Trade receivables and similar claims).

- Measurement of variable supplier compensation (note 24 Receivables due from suppliers, Other financial assets and non-financial assets and note 26 Inventories).

- Measurement of contract assets (note 27 Trade receivables and similar claims).

- Measurement of inventories (note 26 Inventories).

- Calculation of provisions for pensions and similar obligations (note 31 Provisions for pensions and similar obligations).

- Calculation of other provisions – e.g. for Operating Model, warranties, taxes and risks from legal proceedings (note 32 Other provisions (non-current)/provisions (current)).

- Estimation of expected returns and the associated sales recognition (note 1 Sales).

- Calculation of the fair value less costs to sell of "non-current assets held for sale, liabilities related to assets held for sale and discontinued operations" (note 13 Profit or loss for the period from discontinued operations).

Although the estimates and assumptions were made with great care, actual figures may differ in individual cases. The estimates and assumptions used for the consolidated financial statements are regularly reviewed. Changes are recognized when better knowledge comes to light.

Capital management

The objectives of CECONOMY's capital management strategy are to secure business operations, increase the value of the company, create a solid capital base for funding future growth and guarantee capital service.

CECONOMY's capital management strategy has not changed compared with the previous year.

EQUITY, LIABILITIES AND NET LIQUIDITY/NET DEBT IN THE CONSOLIDATED FINANCIAL STATEMENTS

Equity amounts to €757 million (30/09/2020: €548 million), while liabilities come to €9,910 million (30/09/2020: €9,907 million).

Net debt amounted to €1,109 million as of 30 September 2021 (30/09/2020: €854 million). The increase in net debt is primarily due to the increase in borrowings. Adjusted for the recognition of lease liabilities in the statement of financial position due to IFRS 16, net liquidity amounted to €959 million (30/09/2020 adjusted: €1,287 million).

€ million	30/09/2020	30/09/2021
Equity	**548**	**757**
Liabilities	**9,907**	**9,910**
Net liquidity (+)/Net debt (–)	**–854**	**–1,109**
Borrowings	2,422	2,865
Cash and cash equivalents	1,484	1,582
Short-term financial investments[1]	85	175

[1] Included in the statement of financial position under "other financial assets (current)"

LOCAL CAPITAL REQUIREMENTS

CECONOMY's capital management strategy always aims to ensure that the Group companies are capitalized in line with local requirements. In financial year 2020/21, all external capital requirements were met. For example, these include compliance with a certain level of indebtedness or a fixed equity ratio.

Notes to the income statement

1. SALES

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

	DACH		Western/ Southern Europe		Eastern Europe		Others		CECONOMY	
€ million	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Product sales	11,583	11,349	6,122	6,669	1,552	1,716	445	525	19,701	20,259
Services & Solutions	741	654	309	357	59	65	20	27	1,129	1,102
Total sales	**12,323**	**12,003**	**6,431**	**7,026**	**1,611**	**1,781**	**465**	**551**	**20,831**	**21,361**

In comparison with the previous year, Group sales increased by 2.5 per cent to €21,361 million. The sales performance in the reporting period, which was achieved despite longer and more severe COVID-19 restrictions, was mainly driven by the sales growth in the online business. The successful campaigns around Black Friday and Cyber Week also had a positive impact on Group sales in the year as a whole. On the other hand, the sales performance in the brick-and-mortar business was significantly negative due to temporary closures of a large number of stores, especially in the winter months. National governments' measures to fight the spread of COVID-19 lasted many times longer than in the previous year and more extensively hindered the brick-and-mortar business, for example in Germany and the Netherlands. Of sales totalling €21,361 million (2019/20: €20,831 million), €6,932 million related to online sales (2019/20: €4,203 million).

28 new stores were opened in financial year 2020/21, of which three stores in Italy, seven stores in Turkey and 18 stores in Spain, including 17 stores formerly belonging to Worten Equipamentos do Lar S.A. that were reopened. A total of 33 stores were closed, of which 20 in Germany, seven in Poland, three in Belgium and one each in Austria, Italy and the Netherlands. The store network decreased to 1,018 stores as of the closing date.

2. COST OF MATERIALS

The cost of sales includes costs of materials for purchased goods of €17,285 million (2019/20: €16,669 million).

3. OTHER OPERATING INCOME

€ million	2019/20	2020/21
Income from deconsolidation	10	0
Income from rents and subleases incl. reimbursements of subsidiary rental costs	9	7
Gains from the disposal of fixed assets and gains from reversal of impairment losses	5	9
Services rendered to suppliers	27	21
Cost refunds	54	59
Miscellaneous	94	108
	199	**205**

The year-on-year decline in services rendered to suppliers resulted mainly from lower service charges in Poland and Italy.

Income from cost refunds primarily relates to services rendered for third parties.

The miscellaneous other operating income particularly includes income from government grants of €43 million (2019/20: €7 million), of which €40 million (2019/20: €4 million) relates to grants in response to the COVID-19 pandemic. The latter relate primarily to economic aid in connection with the temporary closure of stores. It also includes, among other things, income from claims for damages of €7 million (2019/20: €10 million) and income from the derecognition of statute-barred liabilities of €4 million (2019/20: €3 million).

4. SELLING EXPENSES

€ million	2019/20	2020/21
Personnel expenses	1,536	1,434
Cost of materials	1,683	1,703
	3,219	**3,136**

Under selling expenses, personnel expenses declined primarily because of lower expenses for severance payments in connection with the introduction of a harmonized group-wide organizational structure ("Operating Model"). Personnel expenses also include government grants in connection with the COVID-19 pandemic of €42 million (2019/20: €19 million).

In addition, the cost of materials increased primarily due to higher inventory management costs and higher costs for cashless payments. Closures and rent reductions due to the COVID-19 pandemic had the opposite effect.

5. GENERAL ADMINISTRATIVE EXPENSES

€ million	2019/20	2020/21
Personnel expenses	264	253
Cost of materials	269	285
	533	**538**

General administrative expenses decreased year on year in terms of personnel expenses. This is due to the introduction of a harmonized group-wide organizational structure ("Operating Model"). Personnel expenses also include government grants in response to the COVID-19 pandemic of €2 million (2019/20: €2 million).

The cost of materials increased, due primarily to IT costs.

6. OTHER OPERATING EXPENSES

€ million	2019/20	2020/21
Losses from the disposal of intangible assets	28	8
Miscellaneous	1	1
	29	**9**

The significant decrease in other operating expenses resulted from the losses from the disposal of intangible assets included in the previous year due to the realignment of the IT strategy.

7. EARNINGS SHARE OF OPERATING COMPANIES RECOGNIZED AT EQUITY/OTHER INVESTMENT RESULT

The earnings share recognized in operating earnings from operating companies recognized at equity relates to the investment in Fnac Darty S.A. and the investment in the Greek joint venture PMG Retail Market Ltd. For both investments, income of €154 million was recognized in profit or loss for financial year 2020/21 (2019/20: €–266 million).

In financial year 2020/21, as a result of the subsequent measurement of the investment in Fnac Darty S.A. accounted for using the equity method €29 million (2019/20: €3 million) was recognized in EBIT. Fnac Darty S.A. publishes information on profit or loss for the period only in the second and fourth quarters of a calendar year, with this information being the basis for the subsequent 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 had already developed so positively by 31 March 2021 that, as of this date, 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 31 March 2021 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. As in the previous year, a scenario- and free cash flow-based DCF method was used to determine the value in use in the sense of a long-term performance value. With this method, €415 million was determined as the recoverable amount of the investment in Fnac Darty S.A., resulting in a reversal of impairment of approximately €150 million which was recognized in EBIT.

In an overall assessment of indications of potential impairment or reversal of impairment, it was ultimately found that, as of 30 September 2021, the recoverable amount of the investment in Fnac Darty S.A. was not materially different from the amortized cost of this investment. On the one hand, a prolonged upward trend in the Fnac Darty S.A. stock exchange price can be observed on the capital market – also from the perspective of 30 September 2021 – but this positive development was already accounted for at the end of the first half of 2020/21. On the other hand, there were also no indications as of 30 September 2021 that the economic environment and the economic performance of Fnac Darty S.A. had observably deteriorated since 31 March 2021. Consequently, the carrying amount of the shares in Fnac Darty S.A. as of 30 September 2021 was still within the indicative value range determined as of 31 March 2021 by way of the scenario- and free cash flow-based DCF method.

For the investment in the Greek joint venture PMG Retail Market Ltd., the investment accounted for using the equity method was subsequently measured at a value of €–8 million (2019/20: €–2 million). The subsequent measurement is based on unpublished financial information. In addition, due to objective evidence indicating potential impairment of the investment in PMG Retail Market Ltd., a scenario- and free cash flow-based DCF method was used in financial year 2020/21 to determine the value in use in the sense of a long-term performance value. As a result, the recoverable amount was calculated as €0 million, which necessitated impairment of €18 million recognized in EBIT.

The other investment result recognized under the net financial result was €48 million (2019/20: €20 million). The €28 million improvement in the other investment result is primarily attributable to significantly higher investment income, which was realized as a result of the investment in METRO PROPERTIES GmbH & Co. KG. Here, it was particularly the sale of the Real property portfolio by a subsidiary of METRO PROPERTIES GmbH & Co. KG that mainly contributed to the realized investment income of €25 million (2019/20: €4 million). In addition, the other investment result also improved because the income from the investment in PJSC "M.video" was recognized at €20 million, €7 million higher than in the previous year (2019/20: €13 million). The income from the investment in METRO AG, likewise recognized in the other investment result, remained constant at €3 million (2019/20: €3 million).

↗ Additional information on the investments can be found under note 23 Financial investments and investments accounted for using the equity method.

8. NET IMPAIRMENTS ON OPERATING FINANCIAL ASSETS AND CONTRACT ASSETS

Net impairments came to €5 million in financial year 2020/21 (2019/20: €10 million).

↗ Additional information on net impairments can be found under note 28 Impairments of capitalized financial instruments and contract assets.

9. INTEREST INCOME/INTEREST EXPENSES

Interest income and interest expenses from financial instruments are allocated to the measurement categories pursuant to IFRS 9 according to the underlying transactions. The net interest result comprises the following:

€ million	2019/20	2020/21
Interest income	9	14
thereof from lease liabilities	(0)	(0)
thereof post-employment benefit plans	(0)	(1)
thereof from financial instruments of the measurement categories according to IFRS 9:		
Loans and receivables incl. cash and cash equivalents	(0)	(0)
Financial instruments measured at amortized cost	(6)	(9)
Financial instruments measured at fair value through other comprehensive income	(0)	(0)
Financial instruments measured at fair value through profit or loss	(0)	(0)
Interest expenses	−60	−67
thereof from lease liabilities	(−19)	(−21)
thereof post-employment benefit plans	(−4)	(−5)
thereof from financial instruments of the measurement categories according to IFRS 9:		
Financial instruments measured at fair value through profit or loss	(0)	(0)
Financial instruments measured at amortized cost	(−14)	(−10)
	−51	**−53**

10. OTHER FINANCIAL RESULT

Other financial income and expenses from financial instruments are allocated to the measurement categories pursuant to IFRS 9 according to the underlying transactions. In addition to income and expenses from the measurement of financial instruments in accordance with IFRS 9, this also takes into account measurements of foreign currency items under IAS 21.

€ million	2019/20	2020/21
Other financial income	37	48
thereof currency effects	(16)	(21)
thereof from currency hedges	(8)	(0)
Other financial expenses	−51	−74
thereof currency effects	(−29)	(−19)
thereof from currency hedges	(0)	(−10)
Other financial result	**−14**	**−26**
thereof from financial instruments of the measurement categories/standards according to IFRS 9		
Loans and receivables incl. cash and cash equivalents	(0)	(0)
Financial instruments measured at amortized cost	(−20)	(−15)
Financial instruments measured at fair value through other comprehensive income	(0)	(0)
Financial instruments measured at fair value through profit or loss	(7)	(−10)

Total comprehensive income from currency effects and measurement results of currency hedging transactions and currency hedging relationships comes to €−8 million (2019/20: €−6 million) and essentially relates to MediaMarkt Turkey.

Other financial income includes gains on remeasuring liabilities from non-Group shareholders' put options and from multi-year compensation payments to minority interests based on profit and loss transfer agreements concluded with selected store entities of €26 million (2019/2020: €13 million).

Besides currency effects, the increase in other financial expenses also results from expenses for credit and commitment fees for adjusted credit facilities in the past financial year 2020/21 of €32 million (2019/20: €13 million).

↗ Additional information on the potential impact of currency risks can be found under note 42 Management of financial risks.

11. NET GAINS/LOSSES BY MEASUREMENT CATEGORY

The main effects on earnings from financial instruments are as follows:

2019/20

€ million	Dividends paid	Interest income/ interest expenses	Changes in market value	Net impairments	Currency translation	Other	Net gains/ losses
Financial assets at amortized cost	0	1	0	−10	−2	0	−11
Financial assets at fair value through other comprehensive income (with recycling)	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income (without recycling)	20	0	0	0	0	0	20
Financial assets/liabilities at fair value through profit or loss	0	0	7	0	0	0	7
Financial liabilities at amortized cost	0	−8	0	0	−11	−4	−23
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0
	20	**−7**	**7**	**−10**	**−13**	**−4**	**−7**

2020/21

€ million	Dividends paid	Interest income/ interest expenses	Changes in market value	Net impairments	Currency translation	Other	Net gains/ losses
Financial assets at amortized cost	0	5	0	−5	6	1	8
Financial assets at fair value through other comprehensive income (with recycling)	0	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income (without recycling)	48	0	0	0	0	0	48
Financial assets/liabilities at fair value through profit or loss	0	0	−10	0	0	0	−10
Financial liabilities at amortized cost	0	−7	0	0	−4	−14	−25
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0
	48	**−2**	**−10**	**−5**	**2**	**−13**	**21**

Income and expenses from financial instruments are allocated to the measurement categories pursuant to IFRS 9 according to the underlying transactions.

Net results from the measurement of investments in the fair value category – through profit or loss and the dividends for investments in the fair value category – through other comprehensive income (without recycling) are included in the other investment result. Income and expenses from interest form part of the net interest result. Fair value measurements and the effects of other financial expenses and of currency translation for financial assets are recognized under other financial result. Earnings effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). Earnings effects from the disposal of assets that were classified at fair value – through other comprehensive income (with recycling) are recognized under the other financial result, unless these are operating receivables. Expenses from impairments of operating financial instruments are included in EBIT.

The other net gains/losses from financial liabilities measured at amortized cost of €−14 million (2019/20: €−4 million) mainly relate to expenses for credit and commitment fees of €32 million (2019/20: €13 million) and, in contrast, gains on remeasuring liabilities from non-Group shareholders' put options and from multi-year compensation payments to minority interests based on profit and loss transfer agreements concluded with selected store entities of €16 million (2019/20: €8 million).

↗ A detailed description of impairments can be found under note 28 Impairments of capitalized financial instruments and contract assets.

12. INCOME TAXES

Expected income taxes and deferred taxes for the individual countries are to be recognized as income taxes.

€ million	2019/20	2020/21
Current taxes	**111**	**72**
thereof Germany	(82)	(18)
thereof international	(29)	(54)
thereof tax expenses/income of current period	(105)	(70)
thereof tax expenses/income of previous periods	(7)	(2)
Deferred taxes	**−19**	**−19**
thereof Germany	(−6)	(−12)
thereof international	(−13)	(−7)
	93	**53**

The German income tax rate applicable to CECONOMY AG is made up of the corporate income tax of 15 per cent plus the solidarity surcharge of 5.5 per cent and the trade tax of 14.7 per cent with an average assessment rate of 420.15 per cent. This gives a total tax rate of 30.53 per cent, in line with the previous year's rates. Foreign income tax rates applied are based on the laws and regulations in place in each country and range from between 11.3 per cent and 27.9 per cent (2019/20: 9 per cent and 29.6 per cent).

€ million	2019/20	2020/21
Deferred taxes in the income statement	**−19**	**−19**
thereof from temporary differences	(−23)	(−2)
thereof from loss and interest carry-forwards	(4)	(−17)

In addition to the recognized income taxes, there are contingent liabilities in connection with uncertain income tax items for cross-border transfer pricing and for technical requirements of systems. Despite extensive documentation on cross-border transfer pricing, there is a minor residual risk that the local tax authorities do not permit the allocated costs to be deducted, even if the German tax law demands a cost allocation. Due to the high technical implementation pressure and the high documentation requirements, there is also a slight residual risk in connection with uniform accounting rules of IT systems.

Income tax expenses of €53 million (2019/20: €93 million) are €37 million lower than expected income tax expenses of €90 million (2019/20: €−38 million), calculated by applying the Group tax rate (30.53 per cent) to earnings before taxes.

The reconciliation of expected to recognized income tax expenses is as follows:

€ million	2019/20	2020/21
Earnings before taxes	**−125**	**296**
Expected income tax expenses (30.53%)	−38	90
Tax rate changes	0	0
Effects of differing national tax rates	5	−10
Tax expenses and income relating to other periods	8	3
Effects of non-creditable taxes	0	3
Non-deductible business expenses for tax purposes	20	6
Effects of not recognized or impaired deferred taxes	42	37
Additions and reductions for local taxes	1	6
Tax holidays	−11	−13
Permanent differences	68	−69
Other deviations	−2	−2
Income tax expenses according to the income statement	**93**	**53**
Group tax rate (in %)	**−74**	**17.8**

The permanent differences mainly relate to the subsequent measurement of the investments in Fnac Darty S.A. of €–55 million (2019/20: €70 million).

As in the previous year, current income tax expenses were reduced only immaterially due to the use of previously unrecognized tax losses in financial year 2020/21. Furthermore, reversal of impairment losses for deferred tax assets on loss carry-forwards and temporary differences resulted in deferred tax income of €18 million (2019/20: €10 million).

13. PROFIT OR LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS AFTER TAXES

Financial year 2020/21 includes income of €13 million from discontinued operations in connection with the disposal of the Russian MediaMarkt business in financial year 2017/18 (2019/20: €6 million). In the past financial year 2020/21, this results mainly from the reversal of other provisions.

14. PROFIT OR LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The profit or loss for the period attributable to non-controlling interests includes €50 million (2019/20: €54 million) in profit shares and €27 million (2019/20: €33 million) in loss shares. Discontinued operations accounted for profit shares of €3 million (2019/20: €1 million) and loss shares of €0 million (2019/20: €0 million). These were profit/loss shares of non-controlling shareholders of the MediaMarktSaturn Retail Group.

15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit or loss for the period attributable to shareholders of CECONOMY AG by the number of shares outstanding. When calculating earnings per share, an additional dividend is subtracted from the profit or loss for the period attributable to the shareholders of CECONOMY AG. In accordance with Sec. 21 para. 2 of the articles of association of CECONOMY AG, the preference shareholders are entitled to an advance dividend to be paid subsequently of €0.17 per preference share. There was no dilution effect, which may result from potential shares, in the reporting period or in the previous year.

	2019/20	2020/21
Number of no-par-value shares outstanding	359,421,084	359,421,084
Profit or loss for the period attributable to shareholders of CECONOMY AG (€ million)	−232	232
Earnings per share in € (basic = diluted)	**−0.65**	**0.65**
from continuing operations	(−0.66)	(0.62)
from discontinued operations	(0.01)	(0.03)

Earnings per share amounted to €0.65 (2019/20: €–0.65), of which €0.62 is attributable to continuing operations (2019/20: €–0.66 million) and €0.03 to discontinued operations (2019/20: €0.01).

Earnings per preference share amounted to €0.71 (2019/20: €–0.48) in the past financial year 2020/21 and is higher than earnings per share by the amount of the additional dividend of €0.06, which may not be paid retroactively. In the previous year, the earnings per preference share included the advance dividend of €0.17 per preference share to be paid subsequently for financial year 2019/20 in accordance with the articles of association of CECONOMY AG.

16. SCHEDULED DEPRECIATION/AMORTIZATION AND IMPAIRMENT LOSSES

Scheduled depreciation/amortization and impairments recognized in EBIT of €775 million (2019/20: €1,071 million) included impairments of €57 million (2019/20: €316 million). Of this, €26 million (2019/20: €21 million) are related to property, plant and equipment, €18 million (2019/20: €268 million Fnac Darty S.A.) to the stake held in the Greek joint venture PMG Retail Market Ltd., €12 million (2019/20: €27 million) to right-of-use assets, and €0 million (2019/20: €1 million) to other intangible assets. Impairments of property, plant and equipment mainly relate to the Western/Southern Europe segment. Impairments of right-of-use assets mainly relate to the DACH segment.

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

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	3	0	4
thereof scheduled depreciation/amortization	(0)	(1)	(0)	(3)	(0)	(4)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	12	180	558	0	750
thereof scheduled depreciation/amortization	(0)	(12)	(160)	(531)	(0)	(702)
thereof impairment losses	(0)	(0)	(21)	(27)	(0)	(47)
General administrative expenses	0	16	18	15	0	49
thereof scheduled depreciation/amortization	(0)	(15)	(18)	(15)	(0)	(48)
thereof impairment losses	(0)	(1)	(0)	(0)	(0)	(1)
Other operating expenses	0	0	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of operating companies recognized at equity	0	0	0	0	268	268
thereof impairment losses	(0)	(0)	(0)	(0)	(268)	(268)
Total	**0**	**29**	**199**	**576**	**268**	**1,071**
thereof scheduled depreciation/amortization	(0)	(28)	(178)	(549)	(0)	(755)
thereof impairment losses	(0)	(1)	(21)	(27)	(268)	(316)

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	9	177	522	0	708
thereof scheduled depreciation/amortization	(0)	(9)	(151)	(509)	(0)	(670)
thereof impairment losses	(0)	(0)	(26)	(12)	(0)	(38)
General administrative expenses	0	16	16	16	0	48
thereof scheduled depreciation/amortization	(0)	(16)	(16)	(16)	(0)	(48)
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Other operating expenses	0	0	0	0	0	0
thereof impairment losses	(0)	(0)	(0)	(0)	(0)	(0)
Earnings share of operating companies recognized at equity	0	0	0	0	18	18
thereof impairment losses	(0)	(0)	(0)	(0)	(18)	(18)
Total	**0**	**25**	**193**	**539**	**18**	**775**
thereof scheduled depreciation/amortization	(0)	(25)	(167)	(526)	(0)	(719)
thereof impairment losses	(0)	(0)	(26)	(12)	(18)	(57)

Of impairments totalling €57 million (2019/20: €316 million), the DACH segment accounted for €12 million (2019/20: €11 million), the Western/Southern Europe segment for €21 million (2019/20: €12 million), the Eastern Europe segment for €5 million (2019/20: €15 million) and the Others segment for €19 million (2019/20: €278 million).

17. PERSONNEL EXPENSES

Personnel expenses comprise the following:

€ million	2019/20	2020/21
Wages and salaries	1,610	1,484
Social security expenses, expenses for post-employment benefit plans and related employee benefits	358	340
thereof post-employment benefits	(28)	(29)
	1,969	**1,824**

Wages and salaries listed under personnel expenses include expenses associated with the introduction of a harmonized group-wide organizational structure ("Operating Model") amounting to €36 million (2019/20: €66 million). Variable remuneration increased from €62 million in the previous year to €68 million in financial year 2020/21.

The decline in personnel expenses was mainly driven by the introduction of the harmonized group-wide organizational structure ("Operating Model").

Personnel expenses include cost-reducing government grants in connection with COVID-19 totalling €44 million (2019/20: €22 million).

The average number of employees in the Group during the year was as follows:

Workforce by headcount	2019/20	2020/21
Wage-/salary-earning employees	55,174	52,549
Trainees	2,565	2,417
	57,739	**54,966**

This includes 16,110 part-time employees (2019/20: 17,852). 5,059 of the wage/salary earning employees are in management positions (2019/20: 4,522) and 47,490 are non-executive staff (2019/20: 50,651). 30,187 members of staff were employed outside Germany (2019/20: 31,333).

18. OTHER TAXES

Other taxes (such as land tax, vehicle tax, excise and transfer tax) break down as follows:

€ million	2019/20	2020/21
Other taxes	**10**	**14**
thereof from selling expenses	(9)	(13)
thereof from general administrative expenses	(1)	(1)

Notes to the statement of financial position

19. GOODWILL

Goodwill was €524 million (30/09/2020: €524 million).

As of the reporting date, goodwill was broken down among the following groups of cash-generating units:

	30/09/2020		30/09/2021	
		WACC		WACC
	€ million	%	€ million	%
Germany	314	5.5	314	5.7
Italy	72	7.1	72	6.9
Netherlands	51	5.7	51	5.7
Spain	49	6.4	49	6.2
Other countries	38		38	
	524		**524**	

Based on the provisions of IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment annually as of 30 September. However, if there are indications that goodwill may be impaired, it is also necessary to perform an impairment test during the year. This impairment test is performed at the level of a group of cash-generating units. This group is usually each country's organizational unit.

The impairment test compares the total carrying amounts of the group of cash-generating units against the recoverable amount. The recoverable amount is the fair value minus selling expenses, which is calculated from the discounted future cash flow using inputs for level 3 of the fair value hierarchy.

↗ The fair value hierarchy is described under note 39 Carrying amounts and fair values according to measurement categories.

Expected cash flows are based on a qualified planning process, taking into account past figures within the company as well as external economic data. The detailed planning period is three years. In deviation from this, in financial year 2020/21 the detailed planning period was extended by two additional financial years to a total of five financial years. This is intended to better reflect the short- to medium-term distortion as a result of the COVID-19 pandemic – primarily the sales and earnings slump in the financial years directly affected by national restrictions and the recovery in the subsequent financial years. After a period of three financial years, it is assumed that the country organizations are not yet in a steady state that is suitable for the perpetual annuity calculation. In line with the approach in the previous year, an annual growth rate of 1.00 per cent is assumed following the detailed planning period.

The weighted average cost of capital (WACC) is calculated as the capitalization rate using the capital asset pricing model. An individual peer group of comparable companies is assumed for all groups of cash-generating units operating in the same business unit. The capitalization rates are also determined under the assumption of a basic interest rate of 0.2 per cent (30/09/2020: 0.0 per cent) and a market risk premium of 7.5 per cent (30/09/2020: 7.1 per cent) and a beta factor of 1.16 (30/09/2020: 1.08). In deviation from this, the capitalization rate for Switzerland was derived using a basic interest rate of −0.1 per cent (30/09/2020: 0.0 per cent), a market risk premium of 6.0 per cent (30/09/2020: 7.1 per cent) and a beta factor of 1.13 (30/09/2020: 1.08). Country-specific risks premiums are charged both for the cost of equity and for borrowing costs. Capitalization rates after taxes, calculated individually for each group of cash-generating units, range from 4.3 per cent to 6.9 per cent (30/09/2020: 5.5 per cent to 7.1 per cent).

The budget planning of the previous year and especially the budget for financial year 2020/21 were 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 their completion. Prolonged, widespread temporary closures of a significant portion of CECONOMY's brick-and-mortar business were not foreseeable at that time and were therefore not taken into account in the preparation of the budget.

Contrary to this assumption, however, the new and extended lockdowns have had a substantial impact on CECONOMY's business activities since mid-December 2020. Therefore, ad hoc goodwill impairment tests were also performed during financial year 2020/21. Despite an adverse impact on the earnings position, these ad hoc impairment tests carried out as of 31 March and 30 June 2021 did not provide any indication of impairment on the goodwill recognized.

In addition – as in the previous year – the annual impairment tests of goodwill in financial year 2020/21 were performed as of 30 September 2021.

For goodwill considered to be material, the mandatory annual impairment test as of 30 September 2021 made the following assumptions regarding sales, EBIT and the target EBIT margin for the purpose of valuation during the detailed planning period. The EBIT margin represents the ratio of EBIT to sales.

	Sales	**EBIT**	**EBIT margin**	**Detailed planning period (years)**
Germany	Slight growth	Solid growth	Solid growth	5
Italy	Slight decline	Slight growth	Slight growth	5
Netherlands	Slight growth	Significant growth	Significant growth	5
Spain	Slight growth	Slight growth	Slight growth	5

The mandatory annual test likewise confirmed the value of all goodwill capitalized as of 30 September 2021.

In addition to the impairment test, three sensitivity analyses were conducted for each group of cash-generating units. In the first sensitivity analysis, the growth rate was set at one percentage point lower. In the second sensitivity analysis, the capitalization rate for each group of cash-generating units was raised by ten per cent. The third sensitivity analysis applied a flat-rate ten per cent reduction to the assumed perpetual EBIT. These changes to the underlying assumptions would also not result in impairment for any of the groups of cash-generating units.

€ million	Goodwill
Cost	
As of 01/10/2019	531
Currency translation	0
Additions to consolidation group	0
Disposals	0
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09 or 01/10/2020	531
Currency translation	0
Additions to consolidation group	0
Disposals	0
Reclassifications to IFRS 5	0
Transfers	0
As of 30/09/2021	531
Impairment	
As of 01/10/2019	7
Currency translation	0
Additions	0
Additions to impairment	0
Disposals	0
Reclassifications to IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/09 or 01/10/2020	7
Currency translation	0
Additions	0
Additions to impairment	0
Disposals	0
Reclassifications to IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/09/2021	7
Carrying amount as of 01/10/2019	524
Carrying amount as of 30/09/2020	524
Carrying amount as of 30/09/2021	**524**

20. OTHER INTANGIBLE ASSETS

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Cost		
As of 01/10/2019	391	(152)
Currency translation	–2	(0)
Additions to consolidation group	0	(0)
Additions	37	(23)
Disposals	–25	(–24)
Reclassifications to IFRS 5	0	(0)
Transfers	0	(–1)
As of 30/09 or 01/10/2020	400	(150)
Currency translation	0	(0)
Additions to consolidation group	0	(0)
Additions	49	(22)
Disposals	–11	(0)
Reclassifications to IFRS 5	0	(0)
Transfers	1	(12)
As of 30/09/2021	439	(183)
Scheduled amortization and impairment losses		
As of 01/10/2019	276	(75)
Currency translation	–1	(0)
Additions	28	(11)
Additions to impairment	1	(0)
Disposals	–5	(–4)
Reclassifications to IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/09 or 01/10/2020	298	(83)
Currency translation	0	(0)
Additions	25	(10)
Additions to impairment	0	(0)
Disposals	–11	(0)
Reclassifications to IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	1	(–1)
As of 30/09/2021	314	(92)
Carrying amount as of 01/10/2019	115	(77)
Carrying amount as of 30/09/2020	102	(68)
Carrying amount as of 30/09/2021	**125**	**(91)**

Other intangible assets include exclusively intangible assets with a limited useful life. These are thus amortized and subject to an impairment test only when necessary.

Additions totalling €49 million (2019/20: €37 million), of which €22 million (2019/20: €23 million) is attributable to internally generated intangible assets, mainly relating to software under development in the amount of €20 million (2019/20: €22 million). The other additions of €28 million (2019/20: €13 million) mainly include concessions, rights, licences and brands of €15 million (2019/20: €11 million).

Disposals amounted to €1 million (2019/20: €20 million), of which €0 million (2019/20: €20 million) is attributable to internally generated intangible assets. In the previous year, these related to software under development. The other disposals of €1 million (2019/20: €0 million) mainly relate to concessions, rights, licences and brands of €1 million (2019/20: €0 million).

Scheduled amortizations amounted to €25 million (2019/20: €28 million). Of this, €16 million (2019/20: €15 million) was recognized in general administrative expenses, €9 million (2019/20: €12 million) in selling expenses and €0 million (2019/20: €1 million) in cost of sales.

There were impairments of €0 million in financial year 2020/21 (2019/20: €1 million). In the previous year, these related to software under development.

As in the previous year, there are no restrictions on ownership or title for intangible assets. Purchase obligations of €2 million (30/09/2020: €2 million) were concluded for intangible assets.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of €507 million (30/09/2020: €567 million) was recognized as of 30 September 2021. Changes in property, plant and equipment can be seen in the following table.

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Cost				
As of 01/10/2019	5	2,865	13	2,884
Currency translation	0	−29	−1	−30
Additions to consolidation group	0	0	0	0
Additions	0	100	8	109
Disposals	0	−129	−1	−129
Reclassifications to IFRS 5	0	0	0	0
Transfers	0	9	−9	0
As of 30/09 or 01/10/2020	5	2,817	10	2,833
Currency translation	0	−5	−1	−5
Additions to consolidation group	0	0	0	0
Additions	0	134	22	156
Disposals	0	−216	−1	−217
Reclassifications to IFRS 5	0	0	0	0
Transfers	0	12	−9	3
As of 30/09/2021	5	2,742	23	2,770
Scheduled depreciation and impairment losses				
As of 01/10/2019	5	2,188	0	2,193
Currency translation	0	−21	0	−21
Additions	0	178	0	178
Additions to impairment	0	21	0	21
Disposals	0	−104	0	−104
Reclassifications to IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/09 or 01/10/2020	5	2,261	0	2,266
Currency translation	0	−3	0	−3
Additions	0	167	0	167
Additions to impairment	0	26	0	26
Disposals	0	−196	0	−196
Reclassifications to IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	3	0	3
As of 30/09/2021	5	2,258	0	2,262
Carrying amount as of 01/10/2019	0	677	13	691
Carrying amount as of 30/09/2020	0	557	10	567
Carrying amount as of 30/09/2021	**0**	**485**	**23**	**507**

Property, plant and equipment decreased by €60 million from €567 million to €507 million as depreciation and disposals exceeded investments.

Scheduled depreciations amounted to €167 million (2019/20: €178 million). Of this, €151 million (2019/20: €160 million) was recognized in selling expenses, €16 million (2019/20: €18 million) in general administrative expenses and €0 million (2019/20: €0 million) in cost of sales.

In the past financial year 2020/21, impairments totalling €26 million (2019/2020: €21 million) were recognized on property, plant and equipment. Here, sustained losses of and decisions to close stores, allocated to property, plant and equipment, resulted in impairment tests at the level of the respective store as cash-generating unit. In this impairment test, the carrying amount of the cash-generating unit was compared with its recoverable amount. The recoverable amount was calculated as the fair value minus selling expenses, which is calculated from the discounted future cash flow using inputs for level 3 of the fair value hierarchy. The comparison of the carrying amounts of these cash-generating units with the recoverable amounts resulted in the impairment stated.

The stores for which impairment was recognized on property, plant and equipment due to sustained losses in previous years underwent a test in the reporting period to determine whether the reasons for the impairment had ceased to exist. In the past financial year 2020/21 and in the previous year, this test did not result in the reversal of impairment losses on property, plant and equipment.

There were no restrictions on title in the form of liens or encumbrances for property, plant and equipment in neither financial year 2020/21 nor in the previous year.

Purchase obligations of €17 million (30/09/2020: €12 million) were concluded for property, plant and equipment.

22. RIGHT-OF-USE ASSETS

On conclusion of a contract, CECONOMY determines whether the contract is, or contains, a lease in accordance with IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease contract conveys the right to control the use of an identified asset if the lessee has the right to draw substantially all the economic benefits from using the asset throughout the period of use and to make decisions about the use of the identified asset during the lease term.

All stores in the Group are leased. These comprise land and buildings for the electronics stores as well as additional warehouse space. These real estate leases are generally concluded for a non-cancellable basic rental period of between five and ten years, but generally always include extension or termination options for reasons of operational flexibility. Some leases contain additional rent adjustments based on the development of the consumer price index. The lease conditions are agreed individually; there are leases with fixed lease payments as well as variable rental conditions depending on sales. Leases for movable assets largely relate to leased vehicles and IT equipment, as well as some leases for electronic shelf labels.

The carrying amounts of the right-of-use assets from leases developed as follows:

€ million	Real estate	Vehicle fleet	IT infrastructure	Business and office equipment	Total
Right-of-use assets as of 01/10/2020	**1,982**	**6**	**19**	**15**	**2,021**
Currency translation	−4	0	0	0	−4
Additions	542	2	6	0	551
Disposals	−93	0	−6	0	−100
Depreciation and impairment	−523	−3	−9	−4	−539
Reversals of impairment losses	4	0	0	0	4
Right-of-use assets as of 30/09/2021	**1,907**	**5**	**10**	**11**	**1,933**

In addition to the depreciation, impairment and reversals of impairment losses, the following lease expenses were recognized in profit or loss for the period:

€ million	2019/20	2020/21
Interest expenses	19	21
Expenses for short-term leases accounted for in accordance with IFRS 16.6	4	3
Expenses for leases for low-value assets accounted for in accordance with IFRS 16.6	10	11
Expenses for variable lease payments	14	14
	47	**49**

Sustained losses and decisions to close stores resulted in impairment tests at the level of the respective store as cash-generating unit. In this impairment test, the carrying amount of the cash-generating unit was compared with its recoverable amount. The recoverable amount of the right-of-use asset for real estate was calculated on the basis of indexed benchmark rents for each store. In addition, the benchmark rents determined by experts were discounted by an interest rate based on the respective current incremental borrowing rate over the remaining non-cancellable rental period. Store-related risk assessments and contract-specific circumstances were also included in the calculation. The comparison of the carrying amounts of these cash-generating units with the recoverable amounts resulted in an impairment of €12 million (2019/20: €27 million) and a reversal requirement of €4 million (2019/20: €0 million) because the reasons for the impairment had ceased to exist.

In the past financial year 2020/21, the total cash outflow for leases amounted to €543 million (2019/20: €576 million).

Variable lease payments
As well as fixed lease payments, real estate leases for retail spaces can also or exclusively include sales-based lease payments. The expected future variable lease payments of sales-based rents amount to €87 million (2019/20: €73 million) over a planning period of three years.

Extension and termination options
Many real estate leases contain extension and termination options, which CECONOMY can in some cases exercise up to one year before the end of the non-cancellable lease term. Where possible, extension options are sought to be included in new leases in order to ensure operational flexibility. The options are used to limit the duration of the contract commitment as far as possible for individual contracts and thus to maximize operational flexibility regarding duration and the closure of stores. These options can usually be exercised only by CECONOMY and not by the lessor. At the commencement date, it is assessed whether the exercise of extension or termination options is reasonably certain. It is reassessed whether the exercise of extension or termination options is reasonably certain upon the occurrence of either a significant event or a significant change in circumstances.

The potential future lease payments from contractual options that could be exercised before 30 September 2031 but are not recognized in the statement of financial position amount to €2,321 million (30/09/2020: €2,404 million). These unilateral options, which can only be exercised by CECONOMY, give the company more freedom in store decisions, but do not constitute a financial obligation as of the current closing date.

Future cash outflows from leases already concluded
As of 30 September 2021, there are future payment obligations of €19 million (30/09/2020: €7 million) for leases that had not yet commenced and were therefore not included in the measurement of lease liabilities.

There are no lease payments from subleases that CECONOMY will receive from properties in the future and that are classified as finance leases (30/09/2020: €0 million).

Lease payments from subleases that are classified as operating leases and that CECONOMY will receive in the future amount to €7 million nominally (30/09/2020: €8 million).

They break down as follows:

€ million	30/09/2020	30/09/2021
Up to 1 year	2	3
1 to 2 years	2	2
2 to 3 years	2	1
3 to 4 years	1	1
4 to 5 years	1	0
Over 5 years	0	0
	8	**7**

23. FINANCIAL INVESTMENTS AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Financial assets
Financial assets of €280 million (30/09/2020: €280 million) were recognized as of 30 September 2021.

Financial assets include €266 million (30/09/2020: €268 million) in investments and €13 million (30/09/2020: €13 million) in loans.

In addition to the PJSC "M.video" investment, included in financial assets in the amount of €188 million as of 30 September 2021 (30/09/2020: €200 million), an approximately one per cent share in METRO AG amounting to €41 million (30/09/2020: €31 million) and a 6.61 per cent interest in METRO PROPERTIES GmbH & Co. KG of €35 million (30/09/2020: €35 million) are also recognized under financial assets.

The approximately one per cent share held directly by CECONOMY AG in METRO AG is subject to a seven-year tax vesting period, meaning that it cannot be sold without incurring negative tax consequences. The vesting period ends on

30 September 2023. On 19 September 2016, CECONOMY AG and the current METRO AG entered into an option agreement on the remaining partnership interest in METRO PROPERTIES GmbH & Co. KG. Under this agreement, CECONOMY AG grants METRO AG a call option and METRO AG grants CECONOMY AG a put option in relation to this partnership interest in CECONOMY AG. Each of the options can be exercised only in certain time-frames of six months in each case. The call option cannot be exercised until three years after the spin-off takes effect and the put option until seven years after the spin-off takes effect. The disposal, transfer and pledging of company shares is linked to approval requirements in the company agreement.

These investments are recognized at fair value through other comprehensive income in accordance with exercising the option. Information on other investments recognized at fair value through other comprehensive income is given in the following table.

€ million	Fair value as of 30/09/2020	Investment income recognized in 2019/20	Fair value as of 30/09/2021	Investment income recognized in 2020/21
METRO AG	31	3	41	3
PJSC "M.video"	200	13	188	20
METRO PROPERTIES GmbH & Co. KG	35	4	35	25
Others	2	0	3	0
Total	**268**	**20**	**266**	**48**

€–2 million (2019/20: €1 million) was reported in other comprehensive income in financial year 2020/21.

Investments accounted for using the equity method

As of 30 September 2021, investments accounted for using the equity method of €425 million were recognized (30/09/2020: €266 million). The investment accounted for using the equity method in the associate Fnac Darty S.A., which had a carrying amount of €425 million as of 30 September 2021 (30/09/2020: €241 million), is material.

Fnac Darty S.A., a leading French retailer for consumer electronics and household appliances, is classified as an associate within the meaning of IAS 28 and is included in CECONOMY's consolidated financial statements using the equity method. The shareholding as of 30 September 2021 was 24.30 per cent (30/09/2020: 24.44 per cent).

CECONOMY reported profit for the period of €180 million in financial year 2020/21 (2019/20: €–265 million). This particularly includes a reversal of impairment of €150 million, which partially compensated for the impairment of €268 million recognized in the previous year on the investment in Fnac Darty S.A.

↗ Additional information on the impairment reversal and the impairment test of the investment in Fnac Darty S.A. can be found under note 7 Earnings share of operating companies recognized at equity/other investment result.

In addition, pro rata net income recognized through profit or loss, effects from the change in equity interest and write-downs on hidden reserves were recognized in profit or loss for the period at €29 million (2019/20: €3 million).

€11 million (2019/20: €–7 million) was recognized in other comprehensive income in financial year 2020/21.

Reconciliation of financial market information for Fnac Darty S.A. to the carrying amount of the investment

€ million	30/09/2020	30/09/2021
Net assets 100%[1]	1,271	1,409
CECONOMY's share in net assets	311	342
Impairment on the carrying amount of the investment	–268	0
Reversal of impairment on the carrying amount of the investment	0	150
Adjusted goodwill from purchase price allocation	198	–67
Carrying amount of the investment	**241**	**425**

[1] Derived from the interim financial report as of 30 June 2020 and the interim financial report as of 30 June 2021

Fnac Darty S.A. issues information on profit or loss for the period only in the second and fourth quarters of a calendar year. This information forms the basis of the adjustment to the equity investment.

The following table provides information about Fnac Darty S.A.:

	Fnac Darty S.A.	
€ million	30/09/2020	30/09/2021
Size of share (in %)	24.44	24.30
Pro rata stock market value	251	369
Carrying amount	240	425
Disclosures on the income statement	**2019/20[1]**	**2020/21[2]**
Sales	2,849	3,465
Post-tax earnings from continuing operations	–77	1
Post-tax earnings from discontinued operations	–42	17
Other comprehensive income	–10	27
Total comprehensive income	–128	44
Dividends paid to the Group	0	7
Disclosures on the statement of financial position	**30/06/2020[1]**	**30/06/2021[2]**
Non-current assets	3,825	3,875
Current assets	2,333	1,899
Non-current liabilities	2,227	2,199
Current liabilities	2,698	2,166

[1] Information according to the interim financial report as of 30 June 2020 for the period 1 January 2020–30 June 2020
[2] Information according to the interim financial report as of 30 June 2021 for the period 1 January 2021–30 June 2021

In addition to Fnac Darty S.A., CECONOMY holds a 25 per cent stake in the Greek joint venture PMG Retail Market Ltd., which was founded in financial year 2019/20 by Media-Saturn-Holding GmbH (MSH) and Olympia Group Ltd. (Olympia). PMG Retail Market Ltd. is classified as a joint venture and is recognized in CECONOMY's consolidated financial statements using the equity method in accordance with IAS 28.

The table below shows CECONOMY's share in certain earnings figures of PMG Retail Market Ltd. and its subsidiaries:

€ million	2020[1]	2021[2]
Profit or loss from continuing operations	–5	–5
Post-tax profit or loss from discontinued operations	0	0
Other comprehensive income	0	–
Total comprehensive income	**–5**	**–5**

[1] The information is based on unpublished financial information from PMG Retail Marked Ltd. for the short financial year from 21 November 2019 to 31 December 2020 and the likewise unpublished financial information of the subsidiaries for financial year 2020.
[2] The information is based on unpublished financial information for the period from January to June 2021. The other comprehensive income of PMG Retail Market Ltd. and its subsidiaries is calculated exclusively for the purposes of the annual financial statements.

For the investment in the Greek joint venture PMG Retail Market Ltd., the investment accounted for using the equity method was first subsequently measured at €–8 million (2019/20: €–2 million). The subsequent measurement is based on unpublished financial information. In addition, due to objective evidence indicating potential impairment, a scenario- and free cash flow-based DCF method was used in financial year 2020/21 to determine the value in use in the sense of a long-term performance value. This resulted in impairment of €18 million recognized in EBIT. After this impairment, the carrying amount as of 30 September 2021 was €0 million (30/09/2020: €26 million).

24. RECEIVABLES DUE FROM SUPPLIERS, OTHER FINANCIAL ASSETS AND OTHER ASSETS

	30/09/2020			30/09/2021		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Receivables due from suppliers	**1,302**	**1,302**	**0**	**1,142**	**1,142**	**0**
Securities	85	85	0	175	175	0
Miscellaneous financial assets	68	66	2	104	101	3
Other financial assets	**153**	**151**	**2**	**279**	**276**	**3**
Other entitlements to tax refunds	101	101	0	127	127	0
Prepaid expenses and deferred charges	61	51	10	62	54	8
Miscellaneous other assets	2	2	0	2	2	0
Other assets	**164**	**154**	**11**	**192**	**183**	**8**

Receivables due from suppliers in the amount of €1,142 million (30/09/2020: €1,302 million) essentially include invoiced receivables and accruals for subsequent supplier compensation (such as costs of bonuses and advertising).

The €175 million (30/09/2020: €85 million) recognized under short-term securities comprises money market securities of €100 million (30/09/2020: €0 million) and purchased commercial paper of €75 million (30/09/2020: €85 million).

Miscellaneous financial assets increased to €104 million (30/09/2020: €68 million). Refund claims against a bank from the sale of receivables in the mobile communications area are a key component of miscellaneous financial assets.

Other entitlements to tax refunds include input taxes that cannot yet be offset of €87 million (30/09/2020: €75 million), entitlements to VAT refunds of €25 million (30/09/2020: €17 million) and other entitlements to tax refunds of €15 million (30/09/2020: €9 million).

Prepaid expenses include accrued rent, lease and interest prepayments and other deferred assets.

25. DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

Deferred tax assets on loss carry-forwards and temporary differences before offsetting were recognized at €175 million (30/09/2020: €145 million), representing a rise of €30 million against the figure as of 30 September 2020. Deferred tax liabilities before offsetting came to €105 million (30/09/2020: €94 million) and increased by €11 million in comparison to 30 September 2020. Deferred tax assets and liabilities are offset within each company or tax group. After offsetting, €99 million in deferred tax assets and €29 million in deferred tax liabilities were recognized as of the closing date.

Deferred taxes relate to the following balance sheet items:

	30/09/2020		30/09/2021	
€ million	Assets	Liabilities	Assets	Liabilities
Goodwill	0	3	0	3
Other intangible assets	18	11	26	17
Property, plant and equipment	16	14	11	15
Inventories	24	1	31	1
Receivables and other assets	5	32	7	34
Provisions for pensions and similar obligations	40	9	36	5
Other provisions	12	5	8	8
Borrowings	0	0	0	2
Other financial and non-financial liabilities	26	16	19	16
Outside basis differences	0	3	0	2
Write-downs of temporary differences	−58	0	−42	0
Loss carry-forwards	60	0	77	0
Subtotal before offsetting	**145**	**94**	**175**	**105**
Offsetting	−61	−61	−76	−76
Carrying amount of deferred taxes	**84**	**33**	**99**	**29**

The table below shows the loss and interest carry-forwards in the Group as a whole:

€ million	30/09/2020	30/09/2021
Corporate tax losses	2,159	2,369
Trade tax losses	1,798	2,059
Interest carry-forwards/other carry-forwards	84	173

€1,466 million (30/09/2020: €1,353 million) of corporate income tax loss carry-forwards as of 30 September 2021 is attributable to German companies and €903 million (30/09/2020: €806 million) to foreign companies. Trade tax loss carry-forwards include €125 million (30/09/2020: €132 million) of loss carry-forwards relating to local taxation of companies outside Germany.

In addition to the interest carry-forward of €132 million (30/09/2020: €40 million), a carry-forward item within the meaning of Sec. 4f of the German Income Tax Act (EStG) arose in financial year 2017/18 in connection with the disposal of certain pension obligations. This item is reversed over 15 years and totalled €40 million (30/09/2020: €44 million) as of 30 September 2021.

With regard to the loss and interest carry-forwards and temporary differences in the Group as a whole (see table above), no deferred tax assets are recognized on the basis of a current five-year plan in the following amounts, as it is unlikely that the claims will be realized in the short to medium term:

€ million	30/09/2020	30/09/2021
Corporate tax losses	1,927	2,086
Trade tax losses	1,617	1,816
Interest carry-forwards/other carry-forwards	84	173
Temporary differences	234	168

In accordance with IAS 12 (Income Taxes), deferred tax liabilities are to be recognized for the difference between the pro rata equity of a subsidiary recognized in the consolidated statement of financial position and the carrying amount of the investment for this subsidiary on the parent company's tax balance sheet (known as outside basis differences), if realization is expected. These differences are chiefly the result of retained earnings of German and foreign subsidiaries. No deferred taxes were calculated on these retained earnings because they are reinvested indefinitely or are not subject to taxation. Dividend taxation would have to be paid on any dividends from subsidiary corporations. In addition, dividends from countries outside Germany could trigger a withholding tax. As of 30 September 2021, €2 million (30/09/2020: €3 million) was recognized in deferred tax liabilities from outside basis differences for planned dividend payments.

The table below shows the tax effects on components of other comprehensive income:

			2019/20			2020/21
€ million	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Currency translation differences from translating the financial statements of foreign operations	−11	0	−11	−11	0	−11
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	1	0	1	−2	0	−2
Remeasurement of defined benefit pension plans	3	−1	1	22	0	22
Subsequent measurement of associates/joint ventures accounted for using the equity method	−7	0	−7	11	0	11
	−14	**−1**	**−15**	**21**	**0**	**21**

26. INVENTORIES

Inventories rose by €162 million in comparison to the previous period, from €2,949 million to €3,111 million.

The increase was mainly attributable to the Western/Southern Europe segment at €117 million and the Eastern Europe segment at €27 million.

Inventories contain impairments of €158 million (30/09/2020: €151 million).

CECONOMY's inventories are subject to retentions of title customary under industry standards.

Assets in connection with right of return are recognized under inventories in the amount of €14 million (30/09/2020: €15 million).

27. TRADE RECEIVABLES AND SIMILAR CLAIMS

Trade receivables and similar claims decreased from €488 million to €361 million.

€ million	30/09/2020	30/09/2021
Trade receivables	212	183
Contract assets	276	179
Trade receivables and similar claims	**488**	**361**
thereof remaining term ≤12 months	(380)	(280)
thereof remaining term > 12 months	(108)	(81)

The €29 million decline in CECONOMY's trade receivables against the previous period from €212 million to €183 million is primarily attributable to the DACH segment at €24 million.

Contract assets of €179 million (30/09/2020: €276 million) primarily represent claims from mobile communications providers. As soon as the claim arising from a contract asset is substantiated, it is transferred to trade receivables.

The item Trade receivables and similar claims recognized under current assets includes items with a remaining term of over one year in the amount of €81 million (30/09/2020: €108 million), which result primarily from claims from mobile communications providers.

Both trade receivables and contract assets contain continuing involvements from factoring programmes.

As part of the revolving sale of receivables from the Swiss customer financing programme, PayRed Card Services AG guarantees to service a limited number of customer defaults. A continuing involvement in the amount of the nominal volume of the default guarantees provided of €15 million (30/09/2020: €15 million) was recognized as a liability, and the customer receivables in the same amount were not fully derecognized. As of 30 September 2021, the carrying amount of the original asset was €89 million (30/09/2020: €91 million).

The risk that a high default on receivables from Swiss customer receivables that have already been sold will impact CECONOMY's earnings is limited to the cumulative nominal volume of the default guarantee. Opportunities are presented by a low default rate leading to low utilization of the default guarantees.

There are no restrictions regarding the transferred assets.

Revolving commission receivables due from contract partners in the mobile communications area were sold as part of two further factoring programmes. Here, CECONOMY provides guarantees for partial defaults by the end customer of up to a maximum of €43 million (30/09/2020: €30 million). Thus, a continuing involvement was recognized as a liability and the customer receivables in the same amount were not fully derecognized. The carrying amount of the original asset as of 30 September 2021 was €164 million (30/09/2020: €98 million).

The risk that a high default on receivables from receivables that have already been sold will impact CECONOMY's earnings is limited to the cumulative nominal volume of the default guarantee. This risk is accounted for in the form of a provision of €4 million (30/09/2020: €1 million). Opportunities are presented by a low default rate leading to low utilization of the default guarantees.

There are no restrictions regarding the transferred assets.

28. IMPAIRMENTS OF CAPITALIZED FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

Capitalized financial instruments are impaired via an allowance account and reduce the carrying amount of the financial assets.

General approach
Impairment is to be calculated in accordance with the general approach for all financial instruments measured at amortized cost or at fair value through other comprehensive income with recycling and that do not fall under the simplified approach.

In financial year 2020/21, CECONOMY applied the general approach, including stages 1 and 2 for the expected credit risk, exclusively for receivables due from suppliers. For all other financial instruments covered by the general approach, only impairments that have already occurred within the meaning of stage 3 are recognized; their amounts are immaterial in terms of risk provisioning.

The following table shows the gross carrying amounts of the impairments on receivables due from suppliers:

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit-impaired	30/09/2020 Total
Suppliers with investment grade credit ratings	704	0	0	704
Other suppliers	491	105	20	616
	1,195	**105**	**20**	**1,320**

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit-impaired	30/09/2021 Total
Suppliers with investment grade credit ratings	499	0	0	499
Other suppliers	486	152	22	660
	986	**152**	**22**	**1,159**

The “other suppliers” category includes suppliers with a non-investment grade credit rating and suppliers for which an industry average was used as the basis of the calculation for materiality reasons or due to a lack of credit rating.

Impairments in 2020/21 for expected losses and losses already incurred for receivables due from suppliers correspond to the general approach and are presented below:

€ million	Stage 1 Credit risk unchanged since recognition	Stage 2 Increased credit risk	Stage 3 Credit-impaired	Total
Risk provisions as of 30 September 2020	**2**	**1**	**16**	**18**
Newly granted/purchased financial assets	0	0	1	1
Remeasurement of impairment	0	0	0	0
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Sold financial assets	−1	0	−2	−2
Other changes[1]	0	0	0	0
Risk provisions as of 30 September 2021	**1**	**1**	**15**	**17**

[1] Other changes include currency translation differences, changes to the consolidation group and changes to model parameters/assumptions.

Receivables due from suppliers that were written down in financial year 2020/21 and that are not yet subject to enforcement measures amount to €8 million (30/09/2020: €12 million).

Simplified approach
In financial year 2020/21, the simplified approach was used for trade receivables measured at amortized cost and for contract assets, in each case excluding the part relating to a continuing involvement.

Risk provisions for this item are generally measured on the basis of impairment matrices. Receivables were pooled together in various portfolios with similar risk elements in order to calculate the expected credit losses. These portfolios correspond to CECONOMY’s operating segments and are based on similar economic conditions and business activities of the operations.

The impairment is recognized for a portion of the trade receivables with the impairment matrix applied. If an individual approach is not taken, the impairment matrix is applied. The following table shows the gross carrying amounts:

€ million	Total carrying amount as of 30/09/2020	Thereof not past due, not impaired	Thereof past due, not impaired: Due within the last 90 days	91 to 180 days past due	181 to 270 days past due	271 to 360 days past due	More than 360 days past due
Expected default rate (in %)	3.1	1.2	2.5	7.1	18.8	18.0	24.6
Gross carrying amount excluding impaired receivables	87	60	17	3	2	2	3
Risk provision	**3**	**1**	**0**	**0**	**0**	**0**	**1**

€ million	Total carrying amount as of 30/09/2021	Thereof not past due, not impaired	Thereof past due, not impaired: Due within the last 90 days	91 to 180 days past due	181 to 270 days past due	271 to 360 days past due	More than 360 days past due
Expected default rate (in %)	1.4	0.2	1.7	4.5	7.7	19.8	13.4
Gross carrying amount excluding impaired receivables	98	73	15	3	2	1	4
Risk provision	**1**	**0**	**0**	**0**	**0**	**0**	**1**

In addition to the risk provisions shown in the table above, €14 million (30/09/2020: €12 million) in specific bad debt allowances was recognized on the gross carrying amount of €122 million (30/09/2020: €117 million).

Trade receivables that were written down in financial year 2020/21 and that are not yet subject to enforcement measures amount to €18 million (30/09/2020: €11 million).

Trade receivables and contract assets from mobile communications providers are measured individually using the individual providers' credit risks. As in the previous year, minor risk provisions were made on a gross carrying amount of €198 million (30/09/2020: €342 million). Of the gross carrying amount, 94.9 per cent (30/09/2020: 99.2 per cent) of the mobile communications providers meet investment grade criteria and thus have a good to very good credit rating.

In addition to the risk provisions shown above, as in the previous year, €0 million in specific bad debt allowances was recognized on a gross carrying amount of the trade receivables and contract assets from mobile communications providers.

€ million	2020/21
Impairments as of 30/09/2020 as per IFRS 9	**15**
Currency translation	0
Additions	12
Reversal	–8
Reclassifications to IFRS 5	0
Utilization	–4
Transfers	0
Impairments as of 30/09/2021 as per IFRS 9	**16**

↗ Additional information on credit rating and credit risks can be found under note 42 Management of financial risks and in the notes to the Group accounting principles and methods.

29. CASH AND CASH EQUIVALENTS

€ million	30/09/2020	30/09/2021
Cheques and cash on hand	51	51
Bank deposits and other financial assets that can quickly be converted into cash	1,433	1,531
	1,484	**1,582**

↗ For details, please refer to the cash flow statement and note 40 Notes to the cash flow statement.

30. EQUITY

Share capital has not changed in terms of its amount or breakdown into ordinary and preference shares in comparison to 30 September 2020 and comes to €918,845,410.90. It is divided as follows:

No-par value bearer shares, pro rate value per share in the share capital approx. €2.56		30/09/2020	30/09/2021
	Number	356,743,118	356,743,118
Ordinary shares	€ approx.	911,999,300	911,999,300
	Number	2,677,966	2,677,966
Preference shares	€ approx.	6,846,111	6,846,111
Total shares	**Number**	**359,421,084**	**359,421,084**
Total share capital	**€ approx.**	**918,845,411**	**918,845,411**

Each ordinary share carries one vote. In particular, ordinary shares also entitle the holder to receive dividends. Unlike ordinary shares, preference shares do not generally grant voting rights and provide a preferential right to profits in accordance with Sec. 21 of CECONOMY AG's articles of association. These state that:

"(1) Holders of preference shares without voting rights receive an advance dividend from annual balance sheet profit to be paid subsequently of €0.17 per preference share.

(2) If the distributable balance sheet profit in a financial year is not sufficient to pay the advance dividend, the arrears are payable without interest from the balance sheet profit for the following financial years in such a way that the older arrears are settled before the more recent ones and the preferred dividends payable for the financial year from this same year's profits are not paid until after all arrears have been repaid.

(3) After advance dividends have been distributed, holders of ordinary shares receive a dividend of €0.17 per ordinary share. An additional dividend of €0.06 per preference share, which may not be paid retroactively, is then paid to the holders of preference shares without voting rights. The additional dividend amounts to 10 per cent of dividends paid to holders of ordinary shares, taking into account para. 4, if this reaches or exceeds €1.02 per ordinary share.

(4) Holders of preference shares without voting rights and holders of ordinary shares participate in a further profit distribution equally in accordance with their share in share capital."

Authorized capital

The General Meeting held on 13 February 2019 authorized the Management Board, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 12 February 2024 up to a maximum of €321,600,000 by issuing new no-par value ordinary bearer shares against cash or non-cash contributions (Authorized Capital). The Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in certain, pre-defined cases. Authorized Capital has not yet been utilized.

Contingent capital

The General Meeting held on 13 February 2019 resolved to contingently increase share capital by up to €127,825,000, divided into up to 50,000,000 no-par value ordinary bearer shares (contingent capital). This contingent capital increase relates to a Management Board authorization, with the approval of the Supervisory Board, to issue bearer warrant or convertible bonds (jointly "bonds") on one or more occasions until 12 February 2024 in a total nominal amount of up to €1,000,000,000, and to grant or impose warrant rights or obligations on the holders of warrant bonds and conversion rights or obligations on the holders of convertible bonds for the ordinary bearer shares of CECONOMY AG with a pro rata amount of the share capital totalling up to €127,825,000, in accordance with the provisions of the conditions for the respective warrant or convertible bond, or to grant CECONOMY AG the right to grant shares in CECONOMY AG or another listed company in full or in part instead of repaying the bonds in cash. The Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in certain, pre-defined cases. No warrant and/or convertible bonds have yet been issued on the basis of the authorization described above.

Acquisition of treasury shares

On the basis of Sec. 71 para. 1 no. 8 AktG, the General Meeting held on 13 February 2019 authorized the company to purchase treasury shares of any share class until 12 February 2024 that represent a total of no more than ten per cent of the share capital at the time this authorization becomes effective or – if this value is lower – of the share capital at the time such authorization is exercised. This authorization has not yet been exercised by the company or by an independent business or a business in which the company holds a majority interest, or by another business acting on behalf of the company or on behalf of an independent business or a business in which the company holds a majority interest.

↗ Further information on Authorized Capital, Contingent Capital and the authorization to issue warrant and/or convertible bonds and to purchase treasury shares can be found in the combined management report – Disclosures pursuant to Sec. 315a para. 1 and Sec. 289a para. 1 of the German Commercial Code and explanatory report by the Management Board.

Capital reserve
The capital reserve amounts to €321 million (30/09/2020: €321 million).

Reserves retained from earnings
Reserves retained from earnings include cumulative other comprehensive income and other reserves retained from earnings.

€ million	30/09/2020	30/09/2021
Gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income	15	16
Currency translation differences from translating the financial statements of foreign operations	−14	−23
Remeasurement of defined benefit pension plans	−306	−284
Subsequent measurement of associates/joint ventures accounted for using the equity method	−222	−51
Income tax attributable to items of other comprehensive income	−1	2
Other reserves retained from earnings	−226	−187
	−753	**−527**

Reserves retained from earnings increased by €227 million year on year from €−753 million to €−527 million as of 30 September 2021. This is primarily attributable to the positive development of the profit or loss for the period attributable to shareholders of CECONOMY AG of €232 million (2019/20: €−232 million). In addition to the reversal of the impairment of the Fnac Darty S.A. share of €150 million in the second quarter of 2020/21, after impairment of €268 million in the previous year, a €14 million improvement in the financial result and an €40 million reduction in income tax expenses also had a positive effect on the profit or loss for the period.

The distributions of €8 million (2019/20: €8 million) result exclusively from distributions to minority shareholders, whose shares are reported in full as liabilities due to put options.

The changes in the financial instruments shown above and the related deferred tax effects include gains/losses on remeasuring financial instruments measured at fair value through other comprehensive income of €1 million (2019/20: −€7 million) and related in the past financial year 2020/21 to the subsequent measurements of the PJSC "M.video" investment of €−9 million and the METRO AG investment of €10 million.

↗ An overview of the tax effects on components of other comprehensive income can be found under note 25 Deferred tax assets/deferred tax liabilities.

Non-controlling interests
Non-controlling interests include third party interests in the equity of consolidated subsidiaries. In the past financial year 2020/21, they amounted to €44 million (30/09/2020: €61 million). The decline of €18 million resulted primarily from distributions of €30 million, of which €26 million was attributable to Convergenta Invest GmbH. This includes distributions of €2 million (2019/20: €2 million) to minority shareholders, whose shares are reported in full as liabilities due to put options. Total comprehensive income of €18 million (2019/20: €27 million) developed particularly positively.

Material non-controlling interests are held only in Media-Saturn-Holding GmbH.

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

No dividend was distributed for financial year 2019/20 on account of CECONOMY AG's net loss under German commercial law. The balance sheet loss of €91 million was carried forward to new account as a loss carry-forward.

For the appropriation of the balance sheet profit 2020/21, the Management Board of CECONOMY AG proposes to the General Meeting to distribute a dividend of €0.17 per ordinary share and €0.23 per preference share from the reported net income for the year of around €86 million, plus an advance dividend totalling €0.51 per preference share not paid for financial years 2017/18, 2018/19 and 2019/20 and payable subsequently in accordance with Sec. 21 para. 2 of the articles of association of CECONOMY AG, therefore around €63 million in total, with the remainder to be carried forward to new account.

31. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are recognized in accordance with IAS 19 (Employee Benefits).

Provisions for pensions and similar obligations include obligations that mostly relate to benefits from provisions for post-employment benefit plans. These are defined benefit claims from direct commitments (employer's commitments) and from external pension providers (benevolent funds in Germany and pension funds or insurance companies outside Germany). The external provider's assets serve exclusively to finance pension claims and quality as plan assets. In accordance with the respective benefit plans, pension benefits are based on income and length of employment. Pension benefits based on the length of employment at the company are granted on the basis of fixed amounts.

The most important defined benefit pension plans are described below:

- CECONOMY provides many of its employees in **Germany** with commitments for retirement, disability and surviving dependants' benefits. New commitments are granted in the form of defined benefit commitments within the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which include payment contribution and employer-matching components. The contributions are paid into a pension liability policy, which provides the benefits due in the event of entitlement. A provision is recognized for claims not covered by the pension liability policy.

- In addition, there are also various pension plans that can no longer be taken out that generally provide for life-time pensions from retirement or from the time of a recognized disability. Benefits are for the most part defined as a fixed amount or as an annual increase. In special cases, benefits are calculated taking into account statutory pensions. These commitments provide for widows' benefits at varying levels depending on the benefit that the former employee received or would have received in the case of disability. The old commitments are partially funded by assets held in benevolent funds. Parts not funded by assets are funded by provisions. The bodies (Management Board and general meeting) of the benevolent funds are composed of both employer and employee representatives. The Management Board is responsible for deciding on the use of funds and investments. It can engage third parties to manage the fund assets. There are no statutory minimum funding requirements. In the event that agreed benefits cannot be provided from the benevolent fund's assets, the employer must provide these benefits directly.

- In Switzerland, the Federal Law on Occupational Old-Age, Survivors' and Disability Benefit Plans (BVG) legally requires the employer to insure employees in a benefit plan. The statutory minimum benefits set out a defined pension plan with a guaranteed interest rate. The BVG also sets minimum contributions. Contributions are paid into a pension fund as a percentage of the pensionable salary and converted into retirement benefits upon retirement using conversion rates. The retirement plans are available to new employees. The pension fund takes the legal form of a foundation. Pension plans in Switzerland are recognized as defined benefit plans. In addition to statutory minimum entitlements, CECONOMY also grants employees in Switzerland additional pension commitments.

- Further pension schemes are recognized as a total under **Other countries**.

The following table gives an overview of the percentage breakdown of the present value of defined benefit obligations for CECONOMY countries with material obligations:

%	30/09/2020	30/09/2021
Germany	85	84
Switzerland	12	12
Other countries	3	4
	100	**100**

CECONOMY's plan assets are split in percentage terms between the following countries:

%	30/09/2020	30/09/2021
Germany	59	59
Switzerland	41	41
Other countries	0	0
	100	**100**

The obligations stated are measured on the basis of actuarial calculations in accordance with the relevant IAS 19 principles. Measurements are based on the legal, economic and tax situation in each country.

The average assumptions for the key parameters shown below were based on measurements calculated on the basis of actuarial calculations.

	30/09/2020			30/09/2021		
%	Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	0.70 to 1.20	0.19	1.89	0.90 to 1.00	0.10	2.01
Inflation rate	1.50	0.00	0.00	1.50	0.00	0.00

The present value of defined benefit obligations for the material share of the obligation in Germany (CECONOMY AG and CECONOMY Retail GmbH) is measured using an actuarial interest rate of 0.90 per cent. This rate is determined on the basis of the yield on premium corporate bonds and the term of the underlying obligations. A standardized actuarial interest rate of 1.00 per cent is applied for the MediaMarktSaturn Retail Group companies in the eurozone (Germany, Austria and Italy). This rate is based on the corresponding average duration of the obligations in these countries. For countries without a liquid market to set interest rates of suitable corporate bonds, yields on government bonds were used as a reference when setting the actuarial interest rate instead.

As well as the actuarial interest rate, inflation represents another key actuarial parameter. The expected inflation rate and a real rate of increase were used to calculate the nominal rate of increase for salaries and wages. The rate of pension growth in Germany is based directly on inflation, to the extent that pension adjustments are to be determined with the rise in costs of living. Pension adjustments in companies outside Germany are also generally set depending on inflation.

The other immaterial parameters used when measuring pension obligations correspond to CECONOMY's long-term expectations. The influence of changes in fluctuation and mortality assumptions was analysed for the material plans. Calculations of the mortality rate for the German Group companies are based on Professor Klaus Heubeck's 2018G mortality tables.

Measurements on the basis of actuarial calculations for outside Germany are based on country-specific mortality tables. The resulting effects from fluctuation and mortality assumptions were assessed as immaterial and were not shown as separate components.

A sensitivity analysis is shown below for the material measurement parameters regarding the present value of defined benefit obligations. The actuarial interest rate and the inflation rate were identified as material parameters for the present value of defined benefit obligations. The sensitivity analysis used the same methods as in the previous year. Changes to the parameters that are considered reasonably possible were taken into consideration. The sensitivity analysis does not include stress tests or worst-case scenarios. The range of potential parameter changes was selected based on past observations over a number of years. The fact that potential future developments were inferred almost exclusively on the basis of past figures represents a methodological limitation.

The impact on the present value of defined benefit obligations of the actuarial interest rate increasing/decreasing by 100 basis points or the inflation rate increasing/decreasing by 25 basis points is shown below:

				30/09/2020			30/09/2021
€ million		Germany	Switzerland	Other countries	Germany	Switzerland	Other countries
Actuarial interest rate	Increase by 100 basis points	−46.20	−9.80	−2.50	−40.60	−9.70	−2.40
	Decline by 100 basis points	53.50	12.90	3.00	47.00	12.70	2.90
Inflation rate	Increase by 25 basis points	11.50	1.80	0.00	10.30	1.80	0.00
	Decline by 25 basis points	−11.20	−1.90	0.00	−9.90	−1.80	0.00

CECONOMY is exposed to various risks as a result of its commitments to defined benefit pension claims. These risks include general actuarial risks on the basis of measuring the pension obligation (such as interest rate risks) and capital and investment risks for the plan assets.

With regard to financing future pension payments from indirect commitments and stable policy reserves, CECONOMY invests plan assets mostly in low-risk types of investment. Financing for direct pension commitments is secured by CECONOMY’s operating cash flow.

The percentage breakdown of the fair value of plan assets among the individual asset categories is as follows:

		30/09/2020		30/09/2021
	%	€ million	%	€ million
Fixed-interest securities	16	32	16	34
Shares, funds	16	32	14	30
Real estate	44	88	48	105
Other assets	24	48	22	50
	100	**200**	**100**	**219**

Fixed-interest securities, shares and funds are regularly traded on active markets. Market prices are thus available. Within the “fixed-interest securities” asset category, investments are made only in investment grade corporate bonds, government bonds and German covered bonds. Geographical diversification minimizes the risk in the “shares and funds” category.

Property assets not used by the company itself and insured benefits are not traded on an active market.

Other assets essentially include receivables from insurance companies in Germany. These are top insurance companies.

The actual gain on plan assets came to €33 million in the reporting period (2019/20: €−1 million).

For financial year 2021/22, employer payments to external pension providers of €3 million and employee contributions of €3 million to plan assets are expected, with these contributions attributable to contribution payments in Switzerland and Germany.

The changes in the present value of defined benefit obligations are as follows:

€ million	2019/20	2020/21
Present value of defined benefit obligations		
At beginning of period	748	695
Recognized through profit or loss	**7**	**8**
Interest expenses	4	5
Current service cost	3	3
Past service cost (incl. curtailments and amendments)	0	0
Income from settlement	0	0
Recognized through other comprehensive income under "remeasurement of defined benefit pension plans"	**–5**	**1**
Actuarial gains/losses from change		
in demographic assumptions (–/+)	0	–2
in financial assumptions (–/+)	–6	–6
due to experience adjustments (–/+)	1	10
Other effects	**–55**	**–52**
Benefit payments (incl. tax payment)	–59	–56
Contributions from plan participants	4	3
Change in consolidation group/transfers	0	0
Currency effects	0	0
At end of period	**695**	**651**

Overall, changes in actuarial parameters resulted in a reduction in the present value of defined benefit obligations of €6 million (2019/20: decrease of €6 million). The effects mostly resulted from the increase in the actuarial interest rates used.

The weighted average duration of defined benefit obligation for the countries with material pension obligations was:

Years	30/09/2020	30/09/2021
Germany	9	9
Switzerland	14	14
Other countries	13	13

The present value of defined benefit obligations is allocated to the individual groups of beneficiaries as follows:

%	30/09/2020	30/09/2021
Active members	12	13
Former claimants	9	9
Pensioners	79	78

The fair value of plan assets developed as follows:

€ million	2019/20	2020/21
Change in plan assets		
Fair value of plan assets as of beginning of period	192	200
Recognized through profit or loss	**1**	**1**
Interest income	1	1
Recognized through other comprehensive income under "remeasurement of defined benefit pension plans"	**–1**	**32**
Gains/losses on plan assets not including return on plan assets (+/–)	–1	32
Other effects	**8**	**–14**
Benefit payments (incl. tax payment)	–38	–35
Settlement payments	0	0
Employer contributions	42	17
Contributions from plan participants	4	3
Change in consolidation group/transfers	0	0
Currency effects	0	0
Fair value of plan assets as of end of period	**200**	**219**

€ million	30/09/2020	30/09/2021
Financing status		
Present value of defined benefit obligations	695	651
Fair value of plan assets	–200	–219
Asset adjustment (asset ceiling)	1	10
Net liability/asset	**496**	**442**
thereof recognized as provision	(–496)	(–442)
thereof recognized as net assets	(0)	(0)

At the company in Switzerland, the plan assets exceeded the value of the obligation at the closing date. As the company cannot draw any economic benefit from the overfunding, the balance sheet figure was reduced to €0 in application of IAS 19.64 (b). The change in the effect of the asset ceiling of around €9 million (2019/20: €1 million) was recognized in other comprehensive income.

The pension expenses from direct and indirect commitments of the post-employment benefit plans break down as follows:

€ million	2019/20	2020/21
Current service cost[1]	3	3
Net interest expenses	4	4
Past service cost (incl. curtailments and amendments)	0	0
Settlements	0	0
Other pension expenses	0	0
Pension expenses	**7**	**7**

[1] Contributions from employees are set off here.

In addition to the expenses from defined benefit commitments, there were expenses for payments to external pension providers in the financial year of €23 million (2019/20: €22 million) and payments to statutory pension insurance providers of €126 million (2019/20: €144 million) for defined contribution pension commitments.

Media-Saturn Netherlands participates in a multi-employer plan classified as a defined contribution pension plan. The plan is typical for the Netherlands and is subject to strict regulation. In the event of deficient cover, Media-Saturn Netherlands is not obliged to compensate for this deficient cover with higher contributions in the future. In the event of a surplus, Media-Saturn Netherlands has no claim to this income. Over 30,000 companies in the retail industry participate in the plan, with contributions collected for a total of more than 310,000 employees from all companies. Media-Saturn Netherlands currently contributes to the plan for 5,616 employees. The contributions are calculated for five years and correspond to a fixed percentage of an employee's salary (currently 24.75 per cent), whereby employees make a portion of the contributions for salaries above €14,447 and no more contributions have to be made for salaries above €58,311. In financial year 2020/21, contributions to "Bedrijfspensioenfonds voor de Detailhandel" are expected to amount to around €9.3 million. In September 2021, the coverage ratio was 112.1 per cent (September 2020: 104.2 per cent). On dissolution of or withdrawal from the plan, Media-Saturn Netherlands is not obliged to compensate for deficits and will not participate in any asset surplus.

Provisions for obligations similar to pensions primarily include obligations from anniversary and death benefits, continued salary payments in the event of death and partial retirement arrangements. Provisions of €20 million (30/09/2020: €18 million) were recognized for these obligations. The obligations are measured on the basis of actuarial reports. The measurement parameters used are essentially identical to those of the post-employment benefit plans.

32. OTHER PROVISIONS (NON-CURRENT)/PROVISIONS (CURRENT)

Other provisions (non-current)/provisions (current) developed as follows in the reporting period:

€ million	Real estate related obligations	Obligations from trade transactions	Taxes	Miscellaneous	Total
As of 30/09 or 01/10/2020	**19**	**18**	**40**	**102**	**179**
Currency translation	0	0	0	0	0
Addition	12	20	24	37	93
Reversal	−3	−1	−9	−50	−63
Utilization	−4	−19	−18	−21	−63
Interest portion in addition/change in interest rate	0	0	0	0	0
Reclassifications to IFRS 5	0	0	0	0	0
Transfer	0	0	0	0	0
As of 30/09/2021	**24**	**17**	**36**	**68**	**146**
Long-term	9	0	10	19	38
Short-term	15	17	27	49	108
As of 30/09/2021	**24**	**17**	**36**	**68**	**146**

Provisions for real estate-related obligations relate to rental obligations of €15 million (30/09/2020: €14 million) and asset retirement obligations of €9 million (30/09/2020: €5 million).

Provisions for warranties of €17 million (30/09/2020: €18 million) are a significant component of the provisions for obligations from trade transactions.

As in the previous year, the provisions for tax risks of €36 million (30/09/2020: €40 million) mainly include provisions for VAT matters.

The miscellaneous provisions include provisions for severance payments of €28 million (30/09/2020: €47 million), which in financial year 2020/21 mainly resulted from the new organizational structure ("Operating Model") and related in particular to the DACH and Western/Southern Europe segments. There are also provisions for legal risks of €9 million (30/09/2020: €8 million) and for interest on tax provisions of €9 million (30/09/2020: €12 million). The reversals primarily include provisions in connection with the introduction of a harmonized organizational structure ("Operating Model") and provisions for legal risks, which were mainly recognized in the DACH segment.

It is assumed that the majority of the provisions (€108 million of a total of €146 million) will result in payouts within a year. Of the non-current portion of the provisions of €38 million, €10 million is attributable to provisions for tax risks, €9 million to interest on tax provisions, €9 million to real estate-related obligations, €5 million to provisions for severance payments and €4 million to provisions for guarantee and warranty risks. The real estate-related obligations relate to provisions for asset retirement obligations. For these types of provisions, the payout dates are related to the respective remaining terms of the rental agreements.

↗ Additional information on provisions for share-based payments included in miscellaneous provisions can be found under note 48 Executives' long-term incentive.

The interest rates for non-interest-bearing non-current provisions range between 0.00 and 0.44 per cent (30/09/2020: 0.00 and 0.68 per cent) depending on the term, country and currency.

33. LIABILITIES

€ million	30/09/2020 Total	Remaining term Up to 1 year	Remaining term 1 to 5 years	Remaining term Over 5 years	30/09/2021 Total	Remaining term Up to 1 year	Remaining term 1 to 5 years	Remaining term Over 5 years
Trade liabilities and similar liabilities	**5,996**	**5,890**	**106**	**0**	**5,470**	**5,394**	**76**	**0**
thereof bills of exchange liabilities (non-interest-bearing)	463	463	0	0	354	354	0	0
Bonds	0	0	0	0	497	2	495	0
Liabilities to banks	30	30	0	0	50	50	0	0
Promissory note loans	251	1	239	12	251	190	50	12
Lease liabilities	2,141	541	1,301	298	2,067	514	1,284	270
Borrowings	**2,422**	**573**	**1,540**	**310**	**2,865**	**756**	**1,828**	**281**
Payroll liabilities	227	227	0	0	243	243	0	0
Liabilities from other financial transactions	1	1	0	0	2	2	0	0
Miscellaneous financial liabilities	186	150	20	16	218	175	27	16
Other financial liabilities	**414**	**378**	**20**	**16**	**463**	**420**	**27**	**16**
Other tax liabilities	194	194	0	0	334	334	0	0
Deferred income	46	35	11	0	28	23	5	0
Miscellaneous non-financial liabilities	3	3	0	0	2	2	0	0
Other liabilities	**243**	**231**	**11**	**0**	**364**	**359**	**5**	**0**
Income tax liabilities	**106**	**106**	**0**	**0**	**110**	**110**	**0**	**0**
	9,181	**7,178**	**1,677**	**326**	**9,272**	**7,040**	**1,935**	**298**

34. TRADE LIABILITIES AND SIMILAR LIABILITIES

The trade liabilities and similar liabilities item decreased from €5,996 million in the previous year to €5,470 million.

€ million	30/09/2020	30/09/2021
Trade liabilities	5,587	5,152
Contract liabilities	365	261
Liabilities from continuing involvement	44	57
Trade liabilities and similar liabilities	**5,996**	**5,470**
thereof remaining term ≤12 months	(5,890)	(5,394)
thereof remaining term > 12 months	(106)	(76)

The decline in trade liabilities was due mainly to the DACH segment at €327 million and the Western/Southern Europe segment at €110 million.

Contract liabilities totalled €261 million (30/09/2020: €365 million). These resulted from payments received that were not yet recognized as sales. The contract liabilities primarily include deferred sales from extended warranties of €78 million (30/09/2020: €143 million) and deferred sales from the sale of vouchers of €123 million (30/09/2020: €119 million). The sales recognized in financial year 2020/21 from performance obligations satisfied (or partially satisfied) in previous periods amounted to €287 million (30/09/2020: €339 million).

The "trade liabilities and similar liabilities" item recognized under current liabilities includes items with a remaining term of over one year in the amount of €76 million (30/09/2020: €106 million), which primarily include deferred sales from extended warranties.

The liabilities from continuing involvement were recognized in connection with three factoring programmes. The corresponding assets are reported under the "trade receivables and similar claims" item.

35. BORROWINGS

Borrowings comprise liabilities from bonds, liabilities to banks, promissory notes and lease liabilities. In total, borrowings increased by €443 million from €2,422 million in the previous year to €2,865 million. The increase is mainly attributable to the issue of a corporate bond of €500 million in the past financial year 2020/21.

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 30 September 2021, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of up to six years. As mentioned above, CECONOMY AG also issued a five-year senior unsecured bond of €500 million. The bond was issued on 24 June 2021.

For obtaining short-term financial funding, CECONOMY AG has a multi-currency commercial paper programme with a maximum volume of €500 million. There was no outstanding commercial paper as of 30 September 2021.

In addition, multi-year, syndicated credit facilities are available to CECONOMY AG in a total amount of €1,060 million. These came into effect on 9 August 2021 following the company's termination of the previously existing syndicated credit facility with the involvement of KfW and had not been utilized as of 30 September 2021.

Undrawn credit facilities of CECONOMY AG

	30/09/2020			30/09/2021		
		Remaining term			Remaining term	
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Bilateral credit facilities	9	9	0	0	0	0
Utilization	–9	–9	0	0	0	0
Undrawn bilateral credit facilities	**0**	**0**	**0**	**0**	**0**	**0**
Syndicated credit facilities	2,680	0	2,680	1,060	0	1,060
Utilization	0	0	0	0	0	0
Undrawn syndicated credit facilities	**2,680**	**0**	**2,680**	**1,060**	**0**	**1,060**
Total credit facilities	2,689	9	2,680	1,060	0	1,060
Total utilization	–9	–9	0	0	0	0
Total undrawn credit facilities	**2,680**	**0**	**2,680**	**1,060**	**0**	**1,060**

The default of a creditor can be covered at all times by the existing unutilized credit facilities or the available money and capital market programmes. CECONOMY therefore bears no creditor default risk.

CECONOMY generally does not provide collateral for borrowings.

The tables below outline the maturity structure of borrowings from bonds and promissory note loans. In addition to current account liabilities, the liabilities to banks resulted mainly from the temporary utilization of local credit facilities. The stated carrying amounts and fair values include accrued interest, the remaining term of which is less than one year in each case.

Bonds

		30/09/2020				30/09/2021			
		lominal value	lominal value	Carrying amount	Fair value	lominal value	lominal value	Carrying amount	Fair value
Currency	Remaining term	Million currency	€ million	€ million	€ million	Million currency	€ million	€ million	€ million
EUR	Up to 1 year	0	0	0		0	0	2	
	1 to 5 years	0	0	0		500	500	495	
	Over 5 years	0	0	0		0	0	0	
	Total	**0**	**0**	**0**	**0**	**500**	**500**	**497**	**496**

Promissory note loans

		30/09/2020				30/09/2021			
		lominal value	lominal value	Carrying amount	Fair value	lominal value	lominal value	Carrying amount	Fair value
Currency	Remaining term	Million currency	€ million	€ million	€ million	Million currency	€ million	€ million	€ million
EUR	Up to 1 year	0	0	1		189	189	190	
	1 to 5 years	239	239	239		50	50	50	
	Over 5 years	12	12	12		12	12	12	
	Total	**250**	**250**	**251**	**248**	**250**	**250**	**251**	**253**

The table below shows the interest rate structure of the borrowings from bonds and promissory note loans:

Bonds

			30/09/2020	30/09/2021
Interest rate structure	Currency	Remaining term	Nominal value € million	Nominal value € million
Fixed interest	EUR	Up to 1 year	0	0
		1 to 5 years	0	500
		Over 5 years	0	0
Variable interest	EUR	Up to 1 year	0	0
		1 to 5 years	0	0
		Over 5 years	0	0

Promissory note loans

			30/09/2020	30/09/2021
Interest rate structure	Currency	Remaining term	Nominal value € million	Nominal value € million
Fixed interest	EUR	Up to 1 year	0	120
		1 to 5 years	148	28
		Over 5 years	12	12
Variable interest	EUR	Up to 1 year	0	69
		1 to 5 years	91	22
		Over 5 years	0	0

The fixed interest rates of the short- and medium-term borrowings and the interest reset dates of all fixed interest borrowings primarily correspond to the remaining terms shown. The interest reset periods of variable interest rates are less than one year.

↗ The effects of interest rate changes in the variable portion of the borrowings on CECONOMY's profit or loss for the period and equity are described in detail under note 42 Management of financial risks.

36. OTHER FINANCIAL LIABILITIES AND NON-FINANCIAL LIABILITIES

			30/09/2020			30/09/2021
			Remaining term			Remaining term
€ million	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year
Payroll liabilities	227	227	0	243	243	0
Miscellaneous financial liabilities	142	106	36	187	144	43
Refund liabilities	45	45	0	33	33	0
Other financial liabilities	**414**	**378**	**36**	**463**	**420**	**43**
Other tax liabilities	194	194	0	334	334	0
Deferred income	46	35	11	28	23	5
Miscellaneous non-financial liabilities	3	3	0	2	2	0
Other liabilities	**243**	**231**	**11**	**364**	**359**	**5**

Material items in miscellaneous financial liabilities are liabilities from the acquisition of assets of €35 million (30/09/2020: €20 million), liabilities from non-Group shareholders' put options of €46 million (30/09/2020: €52 million), liabilities from multi-year compensation payments to minority interests on the basis of profit and loss transfer agreements concluded with selected market companies of €60 million (30/09/2020: €28 million), liabilities from the distribution of profit or loss to Convergenta Invest GmbH of €26 million (30/09/2020: €0 million) and real estate-related liabilities of €18 million (30/09/2020: €17 million).

The other tax liabilities mainly comprise value added tax, payroll and church tax and land tax.

Deferred income includes deferred rent and advertising subsidies as well as other deferred items.

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting agreements, enforceable master netting arrangements and other agreements were as follows:

						30/09/2020
	(a)	(b)	(c) = (a) – (b)		(d)	(e) = (c) – (d)
	Gross amounts of recognized financial assets/liabilities	Gross amounts of recognized financial liabilities/assets that are netted in the statement of financial position	Net amounts of financial assets/liabilities that are shown in the statement of financial position	Corresponding amounts that are not netted in the statement of financial position		
€ million				Financial instruments	Collateral received/provided	Net amount
Financial assets						
Receivables due from suppliers	1,494	191	1,302	108	0	1,195
Trade receivables and similar claims[1]	231	19	212	0	0	212
Further financial assets	433	0	433	0	0	433
Cash and cash equivalents	1,484	0	1,484	0	0	1,484
	3,641	**210**	**3,431**	**108**	**0**	**3,324**
Financial liabilities						
Trade liabilities and similar liabilities[2]	5,765	134	5,631	60	0	5,571
Further financial liabilities	2,912	76	2,836	48	0	2,788
	8,677	**210**	**8,467**	**108**	**0**	**8,360**

[1] Not including contract assets of €276 million.
[2] Not including contract liabilities of €365 million.

€ million	(a) Gross amounts of recognized financial assets/liabilities	(b) Gross amounts of recognized financial liabilities/assets that are netted in the statement of financial position	(c) = (a) – (b) Net amounts of financial assets/liabilities that are shown in the statement of financial position	(d) Corresponding amounts that are not netted in the statement of financial position: Financial instruments	(d) Corresponding amounts that are not netted in the statement of financial position: Collateral received/provided	(e) = (c) – (d) Net amount
						30/09/2021
Financial assets						
Receivables due from suppliers	1,425	283	1,142	71	0	1,071
Trade receivables and similar claims[1]	205	23	183	0	0	183
Further financial assets	559	0	559	0	0	559
Cash and cash equivalents	1,582	0	1,582	0	0	1,582
	3,771	**306**	**3,465**	**71**	**0**	**3,394**
Financial liabilities						
Trade liabilities and similar liabilities[2]	5,386	177	5,209	48	0	5,161
Further financial liabilities	3,457	129	3,328	24	0	3,305
	8,843	**306**	**8,537**	**71**	**0**	**8,466**

[1] Not including contract assets of €179 million.
[2] Not including contract liabilities of €261 million.

The financial instruments not offset would be offsettable on the basis of the underlying framework agreements, but do not meet the offsetting criteria of IAS 32 (Financial Instruments: Presentation).

CECONOMY concludes offsetting agreements, enforceable master netting arrangements and other agreements with individual suppliers. These agreements allow receivables due from suppliers resulting from subsequent compensation, product returns and similar claims to be offset against trade liabilities to the suppliers. A set-off takes place if there is a legally enforceable right of set-off and the offsetting is unconditional.

38. UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES

The undiscounted cash flows of borrowings, trade liabilities and derivatives carried as liabilities are as follows:

€ million	Carrying amount as of 30/09/2020	Contractual cash flows: Total amount	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities					
Liabilities to banks	30	30	30	0	0
Promissory note loans	251	258	3	242	13
Lease liabilities	2,141	2,197	557	1,336	304
Trade liabilities and similar liabilities[1]	5,631	5,631	5,600	31	0
Currency derivatives carried as liabilities	0	0	0	0	0

€ million	Carrying amount as of 30/09/2021	Contractual cash flows: Total amount	Up to 1 year	1 to 5 years	Over 5 years
Financial liabilities					
Bonds	497	544	9	535	0
Liabilities to banks	50	50	50	0	0
Promissory note loans	251	254	191	51	12
Lease liabilities	2,067	2,134	533	1,321	281
Trade liabilities and similar liabilities[1]	5,209	5,209	5,165	44	0
Currency derivatives carried as liabilities	2	2	2	0	0

[1] This item does not include contract liabilities of €261 million (30/09/2020: €365 million).

39. CARRYING AMOUNTS AND FAIR VALUES BY MEASUREMENT CATEGORY

Financial instruments are accounted for in accordance with IFRS 9 and allocated to the appropriate categories as follows:

€ million	Carrying amount	Value in statement of financial position (Amortized) cost	Value in statement of financial position Fair value through profit or loss	Value in statement of financial position Fair value through other comprehensive income	Fair value
					30/09/2020
Assets					
Measured at amortized cost	**2,641**	**2,641**	**0**	**0**	**2,641**
Cash and cash equivalents	984	984	0	0	984
Receivables due from suppliers	1,302	1,302	0	0	1,302
Trade receivables and similar claims[1]	197	197	0	0	197
Loans and advance credit granted	13	13	0	0	13
Miscellaneous assets	145	145	0	0	145
Measured at fair value through profit or loss	**508**	**0**	**508**	**0**	**508**
Cash and cash equivalents	500	0	500	0	500
Securities	0	0	0	0	0
Trade receivables and similar claims	0	0	0	0	0
Derivative financial instruments	8	0	8	0	8
Measured at fair value through other comprehensive income	**268**	**0**	**0**	**268**	**268**
Equity instruments	268	0	0	268	268
Debt instruments	0	0	0	0	0
Equity and liabilities					
Measured at amortized cost	**6,282**	**6,282**	**0**	**0**	**6,279**
Borrowings[2]	281	281	0	0	279
Trade liabilities and similar liabilities[3]	5,587	5,587	0	0	5,587
Miscellaneous liabilities	414	414	0	0	414
Measured at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**
Derivative financial instruments	0	0	0	0	0
Miscellaneous liabilities	0	0	0	0	0

[1] Not including continuing involvement of €15 million and contract assets of €276 million.
[2] Not including lease liabilities of €2,141 million.
[3] Not including continuing involvement of €44 million and contract liabilities of €365 million.

€ million					30/09/2021
		Value in statement of financial position			
	Carrying amount	(Amortized) cost	Fair value through profit or loss	Fair value through other comprehensive income	Fair value
Assets					
Measured at amortized cost	**3,160**	**3,160**	**0**	**0**	**3,160**
Cash and cash equivalents	1,582	1,582	0	0	1,582
Receivables due from suppliers	1,142	1,142	0	0	1,142
Trade receivables and similar claims[1]	168	168	0	0	168
Loans and advance credit granted	13	13	0	0	13
Miscellaneous assets	254	254	0	0	254
Measured at fair value through profit or loss	**25**	**0**	**25**	**0**	**25**
Cash and cash equivalents	0	0	0	0	0
Securities	25	0	25	0	25
Trade receivables and similar claims	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0
Measured at fair value through other comprehensive income	**266**	**0**	**0**	**266**	**266**
Equity instruments	266	0	0	266	266
Debt instruments	0	0	0	0	0
Equity and liabilities					
Measured at amortized cost	**6,411**	**6,411**	**0**	**0**	**6,412**
Borrowings[2]	798	798	0	0	799
Trade liabilities and similar liabilities[3]	5,152	5,152	0	0	5,152
Miscellaneous liabilities	461	461	0	0	461
Measured at fair value through profit or loss	**2**	**0**	**2**	**0**	**2**
Derivative financial instruments	2	0	2	0	2
Miscellaneous liabilities	0	0	0	0	0

[1] Not including continuing involvement of €15 million or contract assets of €179 million.
[2] Not including lease liabilities of €2,067 million.
[3] Not including continuing involvement of €57 million or contract liabilities of €261 million.

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 €266 million (30/09/2020: €268 million) are subsequently measured at fair value through other comprehensive income. €229 million (30/09/2020: €231 million) of this relates to listed companies, with €188 million (30/09/2020: €200 million) attributable to the 15 per cent investment in Russia's leading consumer electronics retailer PJSC "M.video" and €41 million (30/09/2020: €31 million) attributable to the roughly 1 per cent share in METRO AG.

Equity instruments of €37 million (30/09/2020: €37 million) which are not listed on the stock exchange and for which there is no active market are recognized at fair value through other comprehensive income. These equity instruments are not planned to be sold. The main component at €35 million (30/09/2020: €35 million) is the 6.61 per cent investment in METRO PROPERTIES GmbH & Co. KG.

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

€ million	Total	Level 1	Level 2	Level 3
	30/09/2020			
Assets	**776**	**731**	**8**	**37**
Measured at fair value through profit or loss	**508**	**500**	**8**	**0**
Cash and cash equivalents	500	500	0	0
Securities	0	0	0	0
Derivative financial instruments	8	0	8	0
Measured at fair value through other comprehensive income	**268**	**231**	**0**	**37**
Equity instruments	268	231	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	**776**	**731**	**8**	**37**

€ million	Total	Level 1	Level 2	Level 3
	30/09/2021			
Assets	**291**	**254**	**0**	**37**
Measured at fair value through profit or loss	**25**	**25**	**0**	**0**
Cash and cash equivalents	0	0	0	0
Securities	25	25	0	0
Derivative financial instruments	0	0	0	0
Measured at fair value through other comprehensive income	**266**	**229**	**0**	**37**
Equity instruments	266	229	0	37
Equity and liabilities	**2**	**0**	**2**	**0**
Measured at fair value through profit or loss	**2**	**0**	**2**	**0**
Derivative financial instruments	2	0	2	0
Total	**289**	**254**	**–2**	**37**

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

The securities (level 1) relate to short-term investments in funds and 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 (30/09/2020: €37 million) as of 30 September 2021 are allocated to fair value level 3.

The fair value of the shares in METRO PROPERTIES GmbH & Co. KG amounted to €35 million, as in the previous year. The fair value measurement is 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 past reporting period and in the previous year, no transfers were made between levels 1 and 2.

There were no transfers to or from level 3 in financial year 2020/21 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 similar claims, trade liabilities and similar liabilities 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

40. NOTES TO THE CASH FLOW STATEMENT

The statement of cash flows in accordance with IAS 7 (Statement of Cash Flows) shows how the Group's cash and cash equivalents have changed as a result of cash inflows and outflows over the course of the financial year.

Cash and cash equivalents comprise cheques, cash on hand, money in transit, bank deposits and other financial assets that can quickly be converted into cash with a term of up to three months.

The statement of cash flows distinguishes between changes in cash resulting from operating activities, investing activities and financing activities. Cash flows from discontinued operations are reported separately.

The information below relates to continuing operations.

Cash flows from operating activities amounted to €450 million (2019/20: €1,183 million). The €734 million lower cash flow from operating activities is primarily due to the negative development of net working capital. There was also a cash outflow in income taxes in the past financial year 2020/21 after a cash inflow in the previous year. While tax prepayments were largely reduced and taxes for previous years reimbursed in the previous year due to the COVID-19 pandemic, prepayments were re-determined for financial year 2020/21. Accordingly, higher prepayments and back payments for previous years were made. The development of other operating activities had the opposite effect.

Of the scheduled depreciation, amortization, reversals of impairment losses and impairment on intangible assets, property, plant and equipment, right-of-use assets, and impairment and reversals of impairment losses on investments accounted for using the equity method totalling €621 million (2019/20: €1,071 million), property, plant and equipment accounted for €193 million (2019/20: €199 million), other intangible assets for €25 million (2019/20: €29 million), right-of-use assets for €535 million (2019/20: €576 million), impairment on investments accounted for using the equity method for €18 million (2019/20: €268 million), and reversals of impairment losses on investments accounted for using the equity method for €150 million (2019/20: €0 million).

The change in net working capital amounted to €–354 million (2019/20: €314 million). Particularly notable as drivers of this negative development are the significant decrease in trade liabilities and simultaneous increase in inventories. The decrease in liabilities is mainly on account of the previous year's high base, which is due to the increased purchase volume as a result of the positive sales growth in the fourth quarter of the previous year. The comparatively high inventories are mainly due to the temporary store closures in the current year and the further deliberate increase in order to ensure the availability of goods.

Other operating activities generated a total cash inflow of €1 million (2019/20: cash outflow of €110 million). This development, which has a positive effect on operating cash flow, is mainly attributable to tax deferrals for VAT due in the financial year, made possible by the package of measures in connection with COVID-19. In addition, the previous year included severance payments, which predominantly related to the reorganization and efficiency program and management changes.

Investing activities generated a cash outflow of €263 million (2019/20: €248 million). The increased cash outflow from investing activities is mainly due to higher investments in property, plant and equipment, which in comparison with the previous year reflect the resumption of selective expansion and modernization measures. Lower cash outflow from net investment in financial investments and securities, which amounted to €218 million (2019/20: €245 million) in financial year 2020/21, had the opposite effect. Cash inflow from net divestments of financial investments and securities likewise declined in financial year 2020/21 to €153 million (2019/20: €160 million).

The amount of the investments in property, plant and equipment shown as a cash outflow differs from the addition shown in the asset reconciliation by the amount of the non-cash transactions. These essentially relate to changes in liabilities from the acquisition of property, plant and equipment and effects of currency translation.

The cash outflow from financing activities amounted to €77 million in financial year 2020/21 (2019/20: €606 million). The €530 million decrease in cash outflow compared with the previous year is mainly due to the issuance of a five-year bond with a nominal volume of €500 million. In addition, commercial paper with a volume of €265 million was issued in the third quarter of 2020/21. However, the commercial paper issued as part of CECONOMY's short-term financing strategy was already repaid in the fourth quarter of 2020/21. The associated cash outflow was further increased by the redemption of lease liabilities of €503 million (2019/20: €530 million). Interest payments of €62 million (2019/20: €54 million), of which €21 million (2019/20: €19 million) related to lease liabilities in the past financial year 2020/21, likewise increased the cash outflow from financing activities. In addition to interest payments received of €14 million (2019/20: €9 million), the cash flow from profit and loss transfers and other financing activities ultimately had a positive effect on cash flow from financing activities of €18 million (2019/20: €–9 million). Cash outflows from credit and commitment fees of €23 million (2019/20: €27 million) were more than compensated for by cash inflows from profit and loss transfers from investments of €48 million (2019/20: €20 million).

The previous year's cash outflow from financing activities of €606 million is mainly attributable to the redemption of lease liabilities at €530 million. The commercial paper issued during the year and especially the credit facilities utilized against the backdrop of the COVID-19 pandemic in order to secure CECONOMY's liquidity position were again largely repaid by the end of financial year 2019/20, so overall this had no material effect on cash flow from financing activities in 2019/20.

Cash flows in connection with factoring programmes are recognized both in cash flow from operating activities and in cash flow from financing activities. In the case of programmes in which the customer pays CECONOMY directly, cash flows between the customer and CECONOMY are recognized in cash flow from operating activities and cash flows between CECONOMY and the factor are recognized in cash flow from financing activities. However, if the customer pays the factor directly, cash flows between the factor and CECONOMY are recognized in cash flow from operating activities. Customers' payments to the factor are classified as non-cash transactions of CECONOMY. In financial year 2020/21, these non-cash transactions in connection with factoring programmes amounted to €97 million (2019/20: €0 million).

Cash and cash equivalents were subject to restrictions on title in the amount of €4 million (2019/20: €3 million).

The following table shows the reconciliation of changes from liabilities from financing activities:

		Cash flows	Non-cash changes				
€ million	01/10/2020	Cash change	Due to exchange rate movements	Acquisition or disposal of companies	Fair values	Miscellaneous	30/09/2021
Bonds	0	495	0	0	0	2	497
Liabilities to banks	30	20	−1	0	0	0	50
Promissory note loans	251	0	0	0	0	0	251
Lease liabilities	2,141	−503	−3	0	0	432	2,067
Other liabilities in connection with financing activities[1]	73	−7	0	0	0	42	108
Liabilities from financing activities	**2,495**	**5**	**−3**	**0**	**0**	**477**	**2,973**

[1] Contains other balance sheet items affecting the cash flow from financing activities. Key components include liabilities from put options and compensation payment obligations to non-controlling interests (component of "Other financial liabilities") plus asset and liability derivatives for currency hedging (component of "Other financial assets" and component of "Other financial liabilities").

The non-cash changes reported under "Miscellaneous" primarily relate to net additions to lease liabilities, whose counterpart is in the "right-of-use assets" balance sheet item. In addition, the other liabilities in connection with financing activities include effects that arose on the annual revaluation of multi-year obligations to non-controlling interests. These obligations result from profit and loss transfer agreements and are owed to selected market shareholders. In addition, profit and loss transfers are recognized here that had not yet affected cash by 30 September 2021 and therefore resulted in a corresponding increase in liabilities to non-Group shareholders.

The cash flows from discontinued operations are calculated as follows:

€ million	2019/20	2020/21
EBIT	3	13
Other	−3	−13
Cash flow from operating activities of discontinued operations	**0**	**0**
Cash flow from investing activities of discontinued operations	**0**	**0**
Cash flow from financing activities of discontinued operations	**0**	**0**

In both financial years, the amounts recognized in EBIT from discontinued operations relate to the Russian MediaMarkt business sold in financial year 2017/18. The corresponding correction of cash flow from operating activities of discontinued operations is shown under "Other".

41. 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.

↗ Further information on the segments can be found in the combined management report.

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 profit 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 financial year 2020/21, adjusted EBIT and adjusted EBITDA are adjusted for non-recurring effects and earnings effects from companies recognized at equity 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 permanent store closures due to COVID-19 are recognized in EBIT in the amount of €26 million (2019/20: €8 million) and in EBITDA in the amount of €14 million (2019/20: €6 million). 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") amount to €26 million (2019/20: €72 million) in EBIT and 23 million (2019/20: €63 million) in EBITDA. 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 a greater extent. Expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and reorganization and simplification of the shareholder structure were recognized in EBIT and in EBITDA at €13 million in financial year 2020/21. In financial year 2020/21, the expenses for non-recurring effects total €64 million (2019/20: €49 million) in EBIT and €50 million (2019/20: €44 million) in EBITDA. EBIT includes income of €154 million (2019/20: expenses of €267 million) and EBITDA includes income of €22 million (2019/20: €1 million) for companies accounted for using the equity method and portfolio changes.

The reconciliation of adjusted EBIT to EBIT and the reconciliation of adjusted EBITDA to EBITDA for financial year 2020/21 are presented below:

€ million	2019/20	2020/21
Adjusted EBIT	**236**	**237**
Reorganization and efficiency program	31	–
Store closures due to COVID-19	–8	–26
Introduction of the Operating Model	–72	–26
Transaction costs from minority stake acquisition	–	–13
Companies accounted for using the equity method and portfolio changes	–267	154
EBIT	**–80**	**326**

€ million	2019/20	2020/21
Adjusted EBITDA	**1,034**	**976**
Reorganization and efficiency program	24	–
Store closures due to COVID-19	–6	–14
Introduction of the Operating Model	–63	–23
Transaction costs from minority stake acquisition	–	–13
Companies accounted for using the equity method and portfolio changes	1	22
EBITDA	**991**	**948**

↗ Further information on adjusted EBIT and adjusted EBITDA can be found under "Management system".

- 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	30/09/2020	30/09/2021
Non-current segment assets	**3,493**	**3,525**
Financial assets	280	280
Cash and cash equivalents	1,484	1,582
Deferred tax assets	84	99
Income tax assets	69	107
Other entitlements to tax refunds[1]	101	127
Inventories	2,949	3,111
Trade receivables and similar claims	488	361
Receivables due from suppliers	1,302	1,142
Prepaid expenses and deferred charges[1]	51	54
Receivables from other financial transactions[2,3]	93	175
Other[1,2,3,4]	60	103
Group assets	**10,455**	**10,667**

[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.

42. MANAGEMENT OF FINANCIAL RISKS

The CECONOMY AG Treasury department manages CECONOMY's financial risks. Specifically, these include:

- Price risks
- Liquidity risks
- Credit risks
- Cash flow risks

↗ Further details on the risk management system are included in the combined management report under economic report – earnings, financial and asset position – financial and asset position – financial management and in the opportunity and risk report.

Price risks

CECONOMY's price risks arise from the fact that the value of a financial instrument is influenced by changes in market interest rates, exchange rates and share prices.

Interest rate risks

Interest rate risks result from changes in interest rates. Interest rate derivatives can be used to mitigate these risks if necessary.

CECONOMY's residual interest rate risk is calculated using sensitivity analyses in accordance with IFRS 7. The following assumptions are applied in analysing changes in interest rates:

- The total impact calculated by sensitivity analyses relates to holdings as of the closing date and expresses the effect for a year.
- Variable interest, primary financial instruments whose interest payments are not designated as a hedged item in cash flow hedges against changes in interest rates affect the net interest result in profit or loss in sensitivity analyses. Sensitivity to a change of ten basis points is calculated.
- Fixed interest primary financial instruments are not included in sensitivity analyses.

- Financial instruments designated as a hedge in a cash flow hedge against variable interest flows only affect the net interest result when the cash flows are triggered. However, the measurement of the hedge at fair value affects reserves retained from earnings in equity.

- Interest rate derivatives that are not part of a qualified hedging relationship in accordance with IAS 39 affect other financial result through measurement at fair value through profit or loss and the net interest result through the interest flows that arise.

The residual interest rate risk as of the closing date essentially results from variable interest receivables from and liabilities to banks, and from other short-term liquid financial assets (reported under "Cash and cash equivalents") at a net total amount taking hedges into account of €1,410 million (30/09/2020: €1,304 million).

Given this net total, a rise in interest rates of ten basis points would increase income in the net interest result by €1 million (2019/20: €1 million) per year. A reduction in interest rates of ten basis points would have an opposite effect of €–1 million (2019/20: €–1 million).

CECONOMY is exposed to **currency risks** as a result of the international procurement of goods and as a result of costs and financing incurred in a currency other than that of the respective country or linked to the performance of another currency. The foreign currency items that arise as a result must be hedged in accordance with the Group's "Foreign Currency Transactions" policy. Exceptions are permitted where hedging is not economically reasonable and where there are statutory and regulatory restrictions in the respective countries. Forward currency contracts/options and interest rate and currency swaps can be used for hedging purposes.

The foreign currency risk arising as a result of the exceptions is also presented using sensitivity analyses in accordance with IFRS 7. The following assumptions are applied in analysing the depreciation or appreciation of the euro against foreign currencies:

The total impact presented by sensitivity analyses, in terms of its amount and earnings effects, relates to the foreign currencies held within the consolidated subsidiaries of CECONOMY and expresses the effect in the event of the depreciation or appreciation of the euro.

The depreciation of the euro has a positive effect if a subsidiary whose functional currency is the euro has a foreign currency receivable, or if a subsidiary whose functional currency is not the euro has a liability in euro. The table below shows the nominal volumes of currency pairs in this category with a positive sign.

The depreciation of the euro has a negative effect if a subsidiary whose functional currency is not the euro has a receivable in euro, or if a subsidiary whose functional currency is the euro has a foreign currency liability. Accordingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro has the opposite effect for all currency pairs shown above.

The effects of the measurement of non-equity foreign currency positions translated using the closing rate in accordance with IAS 21 are recognized in the income statement in the sensitivity analyses. In the event of a net equity investment in a foreign operation, the effects of measurement using the closing rate are recognized in equity through other comprehensive income (OCI).

Forward currency contracts/options and interest rate and currency swaps that are not part of a qualified hedging relationship in accordance with IAS 39 affect the income statement through measurement at fair value. This is countered by the effects of the measurement of the hedged item held in foreign currency, hence the opposing effects are cancelled out if the hedge is fully effective.

CECONOMY has exercised the option to continue applying the hedge accounting regulations of IAS 39. This option can be exercised until the IASB has completed its macro hedging project. This project is not expected to be finalized in the near future.

The effects of the currency translation of financial statements whose functional currency is not the reporting currency of CECONOMY do not affect cash flows in local currency and are therefore not included in sensitivity analyses.

CECONOMY's residual currency risk, which essentially relates to an inability to hedge certain currencies for legal reasons or owing to insufficient market depth, was as follows as of the closing date:

		Effect if euro depreciates/appreciates by 10%			
€ million	Currency pair	Volume	30/09/2020	Volume	30/09/2021
Profit or loss for the period			**+/–**		**+/–**
	CHF/EUR	+4	0	+3	0
	HUF/EUR	+28	+3	+36	+4
	NOK/EUR	–8	–1	0	0
	PLN/EUR	+146	+15	+160	+16
	SEK/EUR	+28	+3	+29	+3
	USD/EUR	–6	–1	+5	0

Interest rate and currency risks are significantly reduced and limited by the principles set out in CECONOMY's internal Treasury policies. These stipulate for the Group as a whole that any hedging operation must remain within predefined limits and must not increase risk exposure under any circumstances. CECONOMY realizes and accepts that this greatly limits its ability to leverage current or expected interest rate or exchange rate movements to optimize its earnings.

In addition, only standard derivative financial instruments for which the correct financial and accounting presentation and measurement are guaranteed in Treasury's systems can be used for hedging purposes.

The following derivative financial instruments were used to reduce risk at the closing date:

	30/09/2020			30/09/2021		
		Fair values			Fair values	
€ million	Nominal volume[1]	Financial assets	Financial liabilities	Nominal volume[1]	Financial assets	Financial liabilities
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not in a hedge	352	8	0	425	0	2
	352	**8**	**0**	**425**	**0**	**2**

[1] Positive sign = forward purchase of foreign currency; negative sign = forward sale of foreign currency

The nominal volume of forward currency contracts/options is determined by the net position of the foreign currency amounts bought and sold in the individual transactions, translated using the corresponding exchange rate as of the closing date. All fair values represent the theoretical value of these instruments on the reversal of transactions as of the closing date. Assuming that the transactions will be held to maturity, these are unrealized gains and losses that will be fully offset against the gains and losses of the hedged items by the time they mature if the hedges are fully effective.

In order to show this offsetting on an accrual basis, relationships are created between hedges and hedged items and presented as follows:

- In a fair value hedge, both the hedge and the hedged risk of the hedged item are recognized at fair value. The fluctuations in the fair value of both transactions are recognized in the income statement, where they offset each other if the hedge is fully effective.

- In a cash flow hedge, the hedges are also recognized at fair value. If the hedge is fully effective, the changes in value are recognized in equity until the hedged cash flows or expected transactions are recognized in profit or loss, at which time they are recognized in the income statement.

- Hedging transactions that are not part of a hedge in accordance with IAS 39 are recognized at fair value. Changes in their value are recognized in the income statement. Even if no formal hedge was established, these are hedging transactions in a close relationship with the hedged item whose impact on profit or loss is offset by that of the hedged item (natural hedge).

The currency derivatives used mainly relate to the Swedish krona and the Polish złoty.

The maturity dates of the derivative financial instruments are as follows:

	30/09/2020			30/09/2021		
	Maturity dates			Maturity dates		
€ million	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
Currency transactions						
Forward currency contracts/options						
within fair value hedges	0	0	0	0	0	0
within cash flow hedges	0	0	0	0	0	0
not in a hedge	8	0	0	−2	0	0
	8	**0**	**0**	**−2**	**0**	**0**

The fair values of the financial assets and liabilities that mature during these time bands are shown under the maturity dates.

Liquidity risks
Liquidity risk describes the risk of being unable to obtain or provide cash, or of only being able to do so at higher cost. Liquidity risks arise, for example, as a result of temporary capital market disruptions, creditor default, insufficient credit facilities or failure of anticipated incoming payments to arise. Treasury always ensures sufficient funds to cover the financial requirements for operating and investing activities as cost-efficiently as possible. The information necessary is provided by rolling three-month Group financial planning by the individual Group companies issued after the end of the financial year, and undergoes deviation analysis. This financial planning is supplemented by short-term liquidity planning and updated on a rolling basis.

Financing instruments include money market and capital market products (term and demand deposits, promissory note loans, commercial papers) and multi-year syndicated credit facilities.

Multi-year syndicated credit facilities of €1,060 million are available for the further reduction of liquidity risk. These came into effect on 9 August 2021 following the company's termination of the previously existing syndicated credit facility with the involvement of KfW. These extensive, multi-year credit facilities had not been utilized as of 30 September 2021 or in the past financial year 2020/21 as a whole. The standard covenants specified in the loan agreement, including financial ratios, were complied with at all times and are expected to be complied with in the future. CECONOMY AG also strengthened its liquidity base further by issuing a five-year senior unsecured bond of €500 million on 24 June 2021.

CECONOMY therefore has sufficient liquidity reserves, ensuring that liquidity risks do not arise even if unexpected events have a negative financial impact on the liquidity situation. Please refer to the information on the corresponding balance sheet items for details of financing instruments and credit facilities.

↗ Further details can be found under note 29 "Cash and cash equivalents" and note 36 "Borrowings".

Intra-Group cash pooling allows Group companies to use the surplus liquidity of other company units to cover their liquidity requirements. This reduces the Group's amount of debt and thus its interest expenses. Furthermore, the expertise bundled in CECONOMY AG's Treasury department is used to advise and assist Group companies in all relevant financial matters. This extends from planning financing of investment projects to assisting the financial officers of the individual Group companies in their talks with local banks and financial service providers. This firstly ensures the optimized use of CECONOMY's financial resources and secondly that all Group companies benefit from CECONOMY's financial standing in terms of their financing conditions.

Credit risks
Credit risks arise from a full or partial default by a counterparty, for instance as a result of insolvency, or in the context of financial investments and asset-side derivative financial instruments. CECONOMY's maximum default exposure as of the closing date is reflected by the carrying amounts of its financial assets and totals €3,451 million (30/09/2020: €3,417 million).

There was no material collateral for financial assets as of the closing date.

The cash holdings included in "Cash and cash equivalents" of €51 million (30/09/2020: €51 million) are not subject to any significant risk of default.

In the context of the management of financial investments of €1,480 million (30/09/2020: €1,377 million) and asset side derivative financial instruments of €0 million (30/09/2020: €8 million), minimum credit requirements and individual maximum exposures have been defined for all business partners of CECONOMY. Cheques and money in transit are not included in the calculation of credit risks. The basis for this is a system of limits set out in Treasury policies, which are essentially based on ratings provided by international rating agencies, the development of the credit default swap or internal credit checks. Every counterparty of CECONOMY is assigned an individual limit, compliance with which is monitored on an ongoing basis.

As of 30 September 2021, around 98 per cent (30/09/2020: around 98 per cent) of the investment volume was placed with investment grade counterparties, in other words, those with good or very good credit ratings. The counterparties that do not yet have an internationally recognized rating are renowned financial institutions whose credit can be considered impeccable on the basis on analyses. CECONOMY also operates in countries whose financial institutions do not have an investment grade on account of their country's rating. It is necessary and reasonable to cooperate with these institutions for reasons specific to the countries in question and in terms of cost and efficiency considerations. These institutions account for around 2 per cent of the total volume (30/09/2020: around 1 per cent).

CECONOMY's exposure to credit risks from financial investments is therefore very low.

CECONOMY considers the probability of default when recognising an asset for the first time, and determines whether the credit risk has increased steadily in each reporting period. In order to assess whether the credit risk has increased significantly, the company compares the asset's risk of default as of the closing date to its risk of default as of the date of first-time recognition. All available, appropriate and forward-looking information is taken into account, including the following indicators in particular:

– Internal rating models

– External credit information (if available)

– Actual or anticipated substantial negative changes in a borrower's business situation or financial position that are expected to substantially alter its ability to settle its obligations

– Significant increases in credit risk on other financial instruments of the same borrower

– Material changes in the borrower's expected performance and behaviour, including changes in the borrower's payment status within the Group and changes in the borrower's operating results

Macroeconomic information (such as market interest rates or growth rates) and other forward-looking information are taken into account in the internal rating model. For trade and provider receivables, these are taken into account in the corresponding operating segment by means of a forecast for the subsequent year of the annual change in company insolvencies.

The above analysis notwithstanding, a significant increase in credit risk is presumed if an obligor's contractual payment is more than 30 days past due. Financial assets are transferred from level 1 or 2 to level 3 as soon as there is objective evidence of impairment. The CECONOMY Group also uses indicators including the following:

– Significant financial difficulty of the debtor

– A breach of contract, such as default or delinquency in interest and/or principal payment

– Disappearance of an active market for the financial asset in question

– Concessions granted for economic or contractual reasons due to the financial difficulty of the debtor

– Increased probability of bankruptcy or forfeiture procedures

It is also considered whether a financial asset is in default if the counterparty makes no contractual payments within 90 days of the due date. Financial assets are derecognized if there is no reasonable expectation of repayments, for example if an obligor does not agree a repayment plan with the company. The company still undertakes enforcement measures when loans or receivables are derecognized to attempt to collect the amount due. If amounts are claimed in return, these are recognized through profit or loss.

No significant changes were made to estimation techniques or assumptions in the reporting period.

Cash flow risks
A change in future interest rates can cause cash flows from variable interest asset and liability items to fluctuate. Stress tests are used to determine the impact interest rate changes could have on cash flows and how they can be limited by hedges in line with internal Treasury policies.

43. CONTINGENT LIABILITIES

CECONOMY's contingent liabilities amounted to €22 million as of 30 September 2021 (30/09/2020: €10 million). These mainly relate to income taxes and VAT.

44. OTHER FINANCIAL LIABILITIES

The nominal value of other financial liabilities is €167 million as of 30 September 2021 (30/09/2020: €184 million) and essentially includes purchase obligations for service agreements.

The demerger of the former METRO GROUP has resulted in a legal contingent liability under extended liability lasting five and ten years in accordance with Sec.133 para. 1 and 3 of the Umwandlungsgesetz (UmwG – German Transformation Act). As the transferring entity, the legal entities involved in the demerger are jointly and severally liable for CECONOMY AG's liabilities and pension obligations established before the demerger became effective, until 2022 and 2027 respectively. CECONOMY AG rates the risk of these contingent liabilities being utilised as unlikely.

↗ Please see note 20 "Other intangible assets", note 21 "Property, plant and equipment" and note 22 "Right-of-use assets" for details of purchase obligations for other intangible assets, property, plant and equipment and lease obligations.

45. OTHER LEGAL MATTERS

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 were terminated by mutual agreement in financial year 2020/21.

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 were terminated by mutual agreement in financial year 2020/21.

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 financial year 2015/16, 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 13 February 2019, the General Meeting granted formal approval for the actions of the members of the Management Board for financial year 2017/18 under item 2 of the agenda. Several shareholders brought an action for annulment before the Düsseldorf Regional Court against the individual approval for the actions of the former members of the Management Board Pieter Haas and Mark Frese. By way of a ruling of 17 December 2019, the Higher Regional Court of Düsseldorf dismissed the action for annulment. All claimants have appealed against the ruling. The Düsseldorf Higher Regional Court rejected the appeal on 30 September 2021 and refused further leave to appeal. The claimants appealed to the Federal Court against the refusal of further leave to appeal on 12 October 2021. CECONOMY AG is of the opinion that the appeal against the refusal of further leave to appeal has little chance of success.

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 (“2021 action for annulment”) against the resolution made under agenda item 8. The actions filed prevent the entry of the capital increases resolved in agenda item 8 into the commercial register of CECONOMY AG. CECONOMY AG had thus initiated clearance proceedings for the release for entry in the register (Freigabeverfahren) under the German Stock Corporation Act to the Düsseldorf Higher Regional Court. In response to a joint motion by the parties involved, the Düsseldorf Regional Court ordered the suspension of the 2021 action for annulment on 27 May 2021. In light of the legal view of the Düsseldorf Higher Regional Court expressed at the oral hearing in the clearance proceedings, CECONOMY AG withdrew its motion for clearance on 16 July 2021.

46. EVENTS AFTER THE CLOSING DATE

The following events, which are relevant for the assessment of the earnings, financial and asset position of CECONOMY AG and of CECONOMY, occurred between the closing date (30 September 2021) and the date of the preparation of the consolidated financial statements (8 December 2021).

On 5 November 2021, CECONOMY AG announced in an ad hoc disclosure that, against the background of the preliminary legal views of the Düsseldorf Higher Regional Court, the company will again submit the transaction with Convergenta Invest GmbH to the General Meeting. This is to take place in an extraordinary General Meeting, on the condition that the 2022 Annual General Meeting resolves a dividend distribution of around €63 million. CECONOMY AG aims to complete the transaction in the current financial year 2021/22, if possible.

On 8 November 2021, parts of the company's IT systems were attacked by unknown third parties. The functionality of the operating business was secured with immediate defence and recovery measures. Business, both in the stores and in the online shops, largely continued uninterrupted besides restrictions in individual services.

Since mid-November, more severe COVID-19 restrictions and restraints on retail have again been imposed by the authorities in individual countries in which CECONOMY operates. In Austria, for example, an extensive national lockdown began on 22 November 2021 and is set to continue into December 2021. In addition, milder steps are being taken in other countries such as Germany and the Netherlands, including limits on opening hours, regional capacity limits and mandatory models allowing only vaccinated, recovered or tested people access to retail.

47. NOTES ON RELATED PARTIES

Related parties with significant influence
As the parent company of CECONOMY, CECONOMY AG is not controlled by any company. However, the Haniel Group has significant influence on CECONOMY AG, which is disclosed as an associate in Haniel's consolidated financial statements.

CECONOMY received services from the Haniel Group in the amount of €0 million (2019/20: €0 million) in financial year 2020/21. Existing liabilities from services received in the previous year also amount to €0 million in financial year 2020/21 (2019/20: €0 million).

Business relations with related parties are contractually agreed at arm's-length conditions.

Key management personnel
In accordance with IAS 24, management in key positions at CECONOMY comprises the Management Board and the Supervisory Board of CECONOMY AG. Other than their remuneration, no further services were granted or received between CECONOMY and management in key positions. The reportable remuneration of management in key positions within the Group according to IAS 24 comprises that paid to active Management Board and Supervisory Board members.

Remuneration for members of the Management Board and the Supervisory Board active during financial year 2020/21 in accordance with IAS 24 totalled €9.8 million in financial year 2020/21 (2019/20: €8.0 million). €7.1 million (2019/20: €4.7 million) of this relates to short-term benefits (not including share-based payment), €0.1 million (2019/20: €0.1 million) to post-service benefits, €2.4 million (2019/20: €3.1 million) to termination benefits and €0.2 million (2019/20: €0.1 million) to share-based payment.

↗ The basic features of the remuneration system and the amount of remuneration for the members of the Management Board and the Supervisory Board are presented in note 49 "Management Board and Supervisory Board".

Other transactions with related parties in the form of associates
As in the previous year, there were no material transactions with Fnac Darty S.A. in financial year 2020/21. There were no transactions with related parties other than those referred to above in financial year 2020/21 (2019/20: €0 million).

48. EXECUTIVES' LONG-TERM INCENTIVE

Peak performance plan (PPP)
The long-term performance-based component is granted annually and paid out after a performance period of four financial years in total. If a member joins or leaves the Management Board during a financial year, the LTI is granted and paid pro rata temporis for that financial year. The calculation considers financial performance targets with a weighting of 80 per cent and non-financial performance targets with a weighting of 20 per cent. The Supervisory Board also defines the LTI performance targets for all members of the Management Board uniformly.

Financial performance targets of the LTI
The financial performance criteria, which are equally weighted with a combined weight of 80 per cent, are the absolute total shareholder return (aTSR) and the relative total shareholder return (rTSR).

aTSR component: the aTSR target achievement factor is calculated as a percentage from the change in the end price of the ordinary share and the sum of the hypothetically reinvested dividends during the performance period in relation to the starting price of the ordinary share.

<u>rTSR component:</u> the target achievement factor of the rTSR component is calculated on the basis of the development of the shareholder return on the company's ordinary shares in the performance period relative to the benchmark indices, the MDAX and the STOXX Europe 600 Retail.

The relevant starting price of the company's ordinary share for the aTSR and rTSR components is calculated by taking the average of the XETRA closing prices over a period of 40 consecutive trading days immediately after the beginning of the financial year for which the LTI is granted. Four years later, the relevant end price is also calculated using the XETRA closing prices of the company's ordinary share over a period of 40 consecutive trading days immediately after the beginning of the financial year. The opening and closing values for the benchmark indices for the rTSR component are calculated accordingly.

Non-financial LTI performance targets
The non-financial LTI performance criteria, which are weighted at 20 per cent in total, are based on up to six quantitative targets specifically formulated by the Management Board for the following subject areas:

– Employee satisfaction

– Customer satisfaction

– Climate and environmental protection

– HR development and training

– Diversity

– Corporate culture and compliance

If the Management Board does not define a specific weighting, the non-financial performance criteria are weighted equally to each other.

Calculation of the LTI payment amount
The thresholds for the financial and non-financial LTI performance targets are set by the Management Board at its due discretion at the end of the financial year preceding the year in which the LTI will be granted. Factors (achievement factors) are allocated to the degree of achievement for each indicator. The Management Board defines the lower threshold (entry barrier), the target for 100-per cent achievement and the value for 300-per cent achievement, at which the amount of the achievement factor is capped. The subsequent amendment of targets or the comparative parameters is precluded.

After the end of the respective performance period, the achievement factors are measured for the individual financial and non-financial performance targets. Intermediate values are interpolated on a straight-line basis. The weighted average of the achievement factors for the financial and non-financial performance targets forms the basis for the respective total achievement factor. This is capped at 3.00x in each case.

The resulting overall target achievement factors of the financial performance targets and the non-financial performance targets are used to calculate the overall target achievement factor of the LTI according to the defined weighting of the performance targets in relation to each other. The total achievement factor is capped at 3.00x.

The target achievement factor calculated for the LTI as a whole is multiplied by the LTI target amount to give the payment amount. The payment amount is limited to a maximum of 250 per cent of the agreed individual target amount (payment cap).

The remuneration amount calculated for the LTI is paid out two months after the end of the performance period of the LTI in question. If a member leaves the Management Board during a financial year, LTI entitlements not yet paid relating to the period before the end of the contract are paid pro rata temporis according to the originally agreed targets and at the time when they would originally be owed.

Pre-existing tranches of older plans in the financial year
The total payment amount from the LTI tranche ended in financial year 2020/21 amounted to €0.31 million for ten CECONOMY AG beneficiaries.

The provisions associated with the programmes amounted to €0.21 million as of 30 September 2021. They are allocated to the ongoing programmes as follows:

€ million	Provision as of 30 September 2020	Provision as of 30 September 2021
PPP 2019	0.15	0.01
PPP 2020	0.08	0.14
PPP 2021	0.00	0.06
	0.23	**0.21**

49. MANAGEMENT BOARD AND SUPERVISORY BOARD

Remuneration of members of the Management Board in financial year 2020/21
In accordance with the remuneration system introduced in financial year 2020/21, the remuneration of active members of the Management Board comprises non-performance-based fixed remuneration components and performance-based variable remuneration components. The fixed non-performance-based remuneration consists of the fixed annual salary, the contributions for the post-employment benefit plan and other supplemental benefits. The performance-based remuneration components are variable remuneration as a short-term incentive (STI) for the respective financial year and variable remuneration as a long-term incentive (LTI) over several financial years. Exclusively fixed remuneration was agreed only with the Management Board member Dr Bernhard Düttmann active in financial year 2020/21 for the duration of his temporary appointment until 16 October 2020. The Supervisory Board entered into a new contract with Dr Bernhard Düttmann for his further appointment from 17 October 2020 that also made provision for variable remuneration components as remuneration.

↗ The deviations from the recommendations of the German Corporate Governance Code and from the remuneration system in financial year 2020/21 are explained in detail in the declaration of conformity and in the remuneration report. The declaration of conformity has been made permanently available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance.

The STI is granted for one financial year and paid out after the end of that year. If a member joins or leaves the Management Board during a financial year, the STI is granted and paid pro rata temporis for that financial year. The STI is calculated exclusively on the basis of financial performance criteria, which are formulated using the three key performance indicators of EBIT, sales growth and net working capital (NWC) according to the company's consolidated financial statements.

The LTI is granted annually and paid out after a performance period of four financial years in total. If a member joins or leaves the Management Board during a financial year, the LTI is granted and paid pro rata temporis for that financial year. The calculation considers financial performance targets with a weighting of 80 per cent and non-financial performance targets with a weighting of 20 per cent.

Remuneration for members of the Management Board active in financial year 2020/21 amounts to €5.8 million (2019/20: €3.3 million). €4.3 million (2019/20: €2.7 million) of this relates to fixed salary (including supplemental benefits), €0.7 million (2019/20: €0 million) to short-term performance-based remuneration and €0.8 million (2019/20: €0.6 million) to performance-based remuneration with long-term incentive effect. The figures shown for the previous year relate to members of the Management Board in office in financial year 2019/20.

For the tranche of the LTI granted in financial year 2020/21, the target amounts are €0.18 million for Dr Karsten Wildberger, €0.22 million for Mr Florian Wieser and €1.15 million for Dr Düttmann. The fair value of the granted tranche of the LTI is €0.10 for Dr Wildberger, €0.12 for Mr Wieser and €0.58 for Dr Düttmann.

The expense of the LTI amounts to €20,000 for Dr Wildberger, €24,000 for Mr Wieser and €122,000 for Dr Düttmann. Provisions of the same amounts were recognized for this.

At the grant date, the value of the tranche of the LTI granted in financial year 2020/21 was calculated by external assessors according to a recognized actuarial method.

Apart from the tranche of the LTI issued in the reporting period, Dr Wildberger, Mr Wieser and Dr Düttmann have no grants from earlier tranches.

There are post-service benefit plans for members of the Management Board in the form of a commitment of a defined contribution component, which is funded jointly by the Management Board and the company. If Management Board members contribute five per cent of their own defined assessment basis, the company adds double that amount.

The other supplemental benefits relate to non-cash benefits.

Total remuneration of former members of the Management Board
Benefits of €3.0 million (2019/20: €3.0 million) were paid for former members of the Management Board of CECONOMY AG and of companies merged into CECONOMY AG and their surviving dependants in financial year 2020/21. Ms Karin Sonnenmoser received termination benefits totalling €2.6 million. The present value of obligations for ongoing pensions and entitlements to pensions in accordance with IFRS is €50 million (30/09/2020: €50.8 million). The corresponding present value of the obligation volume for ongoing pensions and entitlements to pensions in accordance with HGB is €45 million (30/09/2020: €44.8 million).

↗ The disclosures pursuant to Sec. 314 para. 1 no. 6 a sent 5 to 8 HGB can be found in the remuneration report in the combined management report.

Remuneration of Supervisory Board members
The total remuneration of all members of the Supervisory Board for financial year 2020/21 amounts to €2.1 million (2019/20: €2.0 million).

↗ Further information on the remuneration of Supervisory Board members can be found in the remuneration report in the combined management report.

50. GROUP AUDITOR'S FEES

The total fee shown below was charged for services provided by the auditor KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG).

€ million	2019/20	2020/21
Audit of financial statements	6	6
Other assurance services	0	1
Tax consultation services	0	0
Other services	1	0
Group auditor's fees	**7**	**7**

Only services in compliance with the engagement of the auditor of the annual financial statements and the consolidated financial statements of CECONOMY AG were performed.

KPMG's fee for audits of financial statements relates to the audit of the consolidated financial statements of CECONOMY AG including the related work on IFRS Reporting Packages from consolidated subsidiaries, the annual financial statements of CECONOMY AG and various subsidiaries, including statutory extensions of scope, and the audit of the consolidated financial statements of a subsidiary including the related work on IFRS Reporting Packages from consolidated subsidiaries. Reviews of interim financial statements and ISAE 3402 audit services were also performed.

Other assurance services include, for example, voluntary assurance services in connection with the issuance of comfort letters, sales-based rental agreements and compliance certificates and the audit of the separate non-financial group report. Other services mainly relate to fees for project-related advisory services.

51. DECLARATION OF CONFORMITY REGARDING THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

CECONOMY AG makes the declaration of conformity pursuant to Sec. 161 para. 1 AktG with the recommendations of the Commission of the German Corporate Governance Code submitted jointly by the Management Board and Supervisory Board in November 2021 and previous declarations of conformity and supplements permanently available on the website www.ceconomy.de/en/ under Company – Corporate Governance.

52. EXEMPTIONS ACCORDING TO SEC. 264 PARA. 3 AND SEC. 264 B HGB

The following domestic subsidiaries in the legal form of a corporation or partnership have exercised the simplification options according to Sec. 264 para. 3 and Sec. 264 b HGB and therefore refrain from disclosing their 2020/21 annual financial statement documentation and mostly from preparing the (HGB) notes and management report.

Operating companies and service entities	
CECONOMY Data GmbH	Düsseldorf
CECONOMY Digital GmbH	Düsseldorf
CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung mbH	Ingolstadt
MMS Retail International GmbH	Düsseldorf
CECONOMY Invest GmbH	Düsseldorf
CECONOMY Pensionssicherungs GmbH	Düsseldorf
CECONOMY Retail GmbH	Düsseldorf
CECONOMY Retail International GmbH	Düsseldorf
MWFS Zwischenholding GmbH & Co. KG	Düsseldorf
MWFS Zwischenholding Management GmbH	Düsseldorf

53. OVERVIEW OF MATERIAL FULLY CONSOLIDATED GROUP COMPANIES

			30/09/2020	30/09/2021
Name	Country	Registered office	Share in %	Share in %
CECONOMY AG	Germany	Düsseldorf		
Media-Saturn-Holding GmbH	Germany	Ingolstadt	78.38	78.38
Media-Saturn Deutschland GmbH	Germany	Ingolstadt	100.0	100.0
MediaMarkt Österreich GmbH	Austria	Vösendorf	100.0	100.0
MEDIA MARKT SATURN, S.A. UNIPERSONAL	Spain	El Prat de Llobregat	100.0	100.0
Mediamarket S.p.A.con Socio Unico	Italy	Verano Brianza	100.0	100.0
Media Markt Saturn Holding Nederland B.V.	Netherlands	Rotterdam	100.0	100.0
Media Saturn Holding Polska Sp.z.o.o.	Poland	Warsaw	100.0	100.0
MEDİA MARKT TURKEY TİCARET LİMİTED ŞİRKETİ	Turkey	Istanbul	100.0	100.0

54. CORPORATE BODIES OF CECONOMY AG AND THEIR MANDATES

Members of the Supervisory Board[1]

Jürgen Fitschen (Chairman of the Supervisory Board until 17 February 2021)
Senior Advisor, Deutsche Bank AG, Frankfurt am Main
a) Vonovia SE, Bochum
Syntellix AG, Hanover
b) Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co. KG, Hamburg

Thomas Dannenfeldt (Chairman of the Supervisory Board since 17 February 2021)
Self-employed entrepreneur, St. Augustin
a) None
b) Nokia Oyj, Espoo, Finland

Sylvia Woelke (Vice Chairwoman)
Chairwoman of the Works Council, Media-Saturn-Holding GmbH, Ingolstadt
Manager Corporate Risk Management & Internal Controls, Media-Saturn-Holding GmbH, Ingolstadt
a) None
b) None

[1] As of 8 December 2021
a) Memberships in other supervisory boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Memberships in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

Katrin Adt (since 1 October 2021)
Vice President Mercedes-Benz Retail Cars & Vans Europe, Mercedes-Benz AG, Stuttgart
a) None
b) None

Wolfgang Baur
Logistics Department Manager, Saturn Techno-Electro-Handelsgesellschaft mbH, Cologne
Chairman of the Works Council, Saturn Techno-Electro-Handelsgesellschaft mbH, Cologne
a) None
b) None

Kirsten Joachim Breuer
Deputy Managing Director, IG Metall Geschäftsstelle Erfurt, Erfurt
a) None
b) None

Karin Dohm
Member of the Management Board, HORNBACH Baumarkt AG, Bornheim, and HORNBACH Management AG, Annweiler
(since 1 January 2021)
a) Deutsche EuroShop AG, Hamburg
HORNBACH Immobilien AG, Bornheim – Deputy Chairwoman
(since 17 September 2021) and member (since 1 April 2021)
b) None

Dr Bernhard Düttmann (suspended until 16 October 2020, finally terminated with effect from 17 October 2020)
Self-employed management consultant, Meerbusch
a) Alstria Office Reit AG, Hamburg (until 12 May 2021)
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board and Chairman of the Advisory Board

Daniela Eckardt
Member of the checkout team, Saturn Electro-Handelsgesellschaft mbH Berlin Alexanderplatz, Berlin
Deputy Chairwoman of the Works Council, Saturn Electro-Handelsgesellschaft mbH Berlin Alexanderplatz, Berlin
a) None
b) None

Sabine Eckhardt (since 27 October 2020)
Chief Executive Officer Central Europe of Jones Lang LaSalle SE, Frankfurt am Main
Member of the Advisory Board Digital Business, Heinrich Bauer Verlag KG, Hamburg
a) None
b) Media4Planet GmbH, Hamburg – Chairwoman of the Advisory Board

Thomas Fernkorn (since 8 October 2021)
Vice President Corporate Controlling, Media-Saturn-Holding GmbH, Ingolstadt
a) None
b) None

Dr Florian Funck
Member of the Management Board of Franz Haniel & Cie. GmbH, Duisburg
a) TAKKT AG, Stuttgart
Vonovia SE, Bochum
b) None

Ludwig Glosser
Lead Problem Manager and Sourcing Manager, MMS Technology GmbH, Ingolstadt
Chairman of the Works Council, MMS Technology GmbH, Ingolstadt
a) None
b) None

Julia Goldin
Executive Vice President & Chief Marketing Officer, Lego Group, London, UK
a) None
b) None

Jo Harlow (until 30 September 2021)
Self-employed entrepreneur, Esher, UK
Director at Chapter Zero Limited, Ramsgate, UK (since 1 September 2021)
a) None
b) Intercontinental Hotels Group plc, Denham, UK
Halma plc, Amersham, UK
J Sainsbury's plc, London, UK

Rainer Kuschewski (until 30 September 2021)
Self-employed entrepreneur, Ofterdingen
a) None
b) None

Stefanie Nutzenberger
Member of the Executive Committee of the Trade Union ver.di, Berlin
a) None
b) None

Claudia Plath
Member of the Management Board and Chief Financial Officer ECE Group GmbH & Co. KG, Hamburg
a) Deutsche EuroShop AG, Hamburg
b) MEC METRO-ECE Centermanagement GmbH & Co. KG, Düsseldorf

Jens Ploog
Senior Consultant Organisation, Processes and Projects, Media-Saturn Deutschland GmbH, Ingolstadt
Chairman of the Works Council, Media-Saturn Deutschland GmbH, Ingolstadt
a) None
b) None

Birgit Popp (until 20 July 2021)
Department Manager HR People Development & Learning Germany, Media-Saturn-Holding GmbH, Ingolstadt
a) None
b) None

Dr Lasse Pütz (since 1 October 2021)
Lawyer at LLR Legerlotz Laschet und Partner Rechtsanwälte Partnerschaft mbB, Cologne
a) Stadtwerke Düsseldorf AG, Düsseldorf
b) neue bahnstadt opladen GmbH, Leverkusen

Dr Fredy Raas
Member of the Foundation Board of the Prof. Otto Beisheim Foundations in Munich and Baar (Switzerland)
Managing Director of Beisheim Holding GmbH, Baar, Switzerland
a) METRO AG, Düsseldorf
b) Arisco Holding AG, Baar, Switzerland (until 21 June 2021)
HUWA Finanz und Beteiligungs AG, Au, Switzerland

Jürgen Schulz
Service Department Manager, Saturn Electro Handelsgesellschaft mbH, Bielefeld
Chairman of the Works Council, Saturn Electro Handelsgesellschaft mbH, Bielefeld
a) None
b) None

Regine Stachelhaus
Self-employed entrepreneur, Herrenberg
a) Covestro AG, Leverkusen
Covestro Deutschland AG, Leverkusen
SPIE Deutschland und Zentraleuropa GmbH, Ratingen
LEONI AG, Nuremberg
b) SPIE SA, Cergy-Pontoise, France

Christoph Vilanek
CEO of freenet AG, Büdelsdorf
a) Ströer Management SE and Ströer SE & Co. KGaA, Cologne
EXARING AG, Munich
VNR Verlag für die Deutsche Wirtschaft AG, Bonn
b) Sunrise Communications AG, Zurich, Switzerland (until 11 November 2020)

Committees of the Supervisory Board and their composition

Presidential Committee
Jürgen Fitschen (Chairman until 17 February 2021)
Thomas Dannenfeldt (Chairman since 17 February 2021)
Sylvia Woelke
Regine Stachelhaus
Jens Ploog

Audit Committee
Karin Dohm (Chairwoman)
Sylvia Woelke (Vice Chairwoman)
Dr Bernhard Düttmann (suspended until 16 October 2020, finally terminated with effect from 17 October 2020)
Claudia Plath
Dr Florian Funck
Ludwig Glosser
Rainer Kuschewski (until 30 September 2021)
Jürgen Schulz (since 1 October 2021)

Nomination Committee
Jürgen Fitschen (Chairman until 17 February 2021)
Thomas Dannenfeldt (Chairman since 17 February 2021)
Dr Bernhard Düttmann (suspended until 16 October 2020, finally terminated with effect from 17 October 2020)
Claudia Plath
Regine Stachelhaus

Mediation Committee pursuant to Sec. 27 para. 3 of the German Co-determination Act (MitbestG)
Jürgen Fitschen (Chairman until 17 February 2021)
Thomas Dannenfeldt (Chairman since 17 February 2021)
Sylvia Woelke
Dr Bernhard Düttmann (suspended until 16 October 2020, finally terminated with effect from 17 October 2020)
Ludwig Glosser
Claudia Plath

Members of the Management Board[2]

Dr Bernhard Düttmann (Chief Executive Officer and Labour Director until 31 July 2021)
a) Alstria Office Reit AG, Hamburg (until 12 May 2021)
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board and Chairman of the Advisory Board

Dr Karsten Wildberger (Chief Executive Officer and Labour Director since 1 August 2021)
a) Forschungszentrum Jülich GmbH, Jülich
b) None

Karin Sonnenmoser (Chief Financial Officer until 30 April 2021)
a) None
b) Media-Saturn-Holding GmbH, Ingolstadt – Member of the Advisory Board (until 14 May 2021)
Swiss Steel Holding AG, Lucerne, Switzerland

Florian Wieser (Chief Financial Officer since 1 May 2021)
a) None
b) None

55. SHAREHOLDINGS OF CECONOMY AG AS OF 30 SEPTEMBER 2021 IN ACCORDANCE WITH SEC. 313 HGB

The disclosures on the shareholdings of CECONOMY AG and the CECONOMY Group, which are part of these financial statements, can be found in a separate appendix to the notes.

↗ The full list of all Group companies and associates in accordance with Sec. 313 HGB is available on the website www.ceconomy.de/en/ under Investor Relations – Publications.

[2] As of 8 December 2021
a) Memberships in other supervisory boards mandated by the law according to Sec. 125 para. 1 sent. 5, alt. 1 AktG
b) Memberships in comparable German and international controlling bodies of business enterprises according to Sec. 125 para. 1 sent. 5, alt. 2 AktG

8 December 2021

The Management Board

Dr Karsten Wildberger

Florian Wieser

INDEPENDENT AUDITOR'S REPORT

TO CECONOMY AG, DÜSSELDORF

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report

Opinions

We have audited the consolidated financial statements of CECONOMY AG, Düsseldorf, and its subsidiaries (the Group or CECONOMY), which comprise the statement of financial position as at 30 September 2021, the income statement, the reconciliation from profit or loss for the period to total comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from 1 October 2020 to 30 September 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of CECONOMY for the financial year from 1 October 2020 to 30 September 2021. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2021, and of its financial performance for the financial year from 1 October 2020 to 30 September 2021, and

– the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2020 to 30 September 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

RECOVERABILITY OF INVENTORIES

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the Group accounting principles and methods" concerning inventories. In addition, we refer to note 26 ('Inventories').

The financial statement risk

The statement of financial position as at 30 September 2021 reports inventories in the amount of EUR 3,111 million, which includes EUR 158 million in write-downs.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition due to subsequent compensation) must be reduced in value if their expected net realisable values no longer cover cost due to damage, obsolescence or reduced marketability.

The determination of net realisable values as an upper limit is subject to judgement. Net realisable value requires in part forward-looking estimates with regard to the amounts that are expected to be realised when selling the inventories. The Covid-19 pandemic, which has been ongoing worldwide since January 2020, could have a bearing on the application of empirical values for forward-looking estimates of net realisable values.

There is the risk for the consolidated financial statements that inventories are overstated due to unidentified write-down requirements.

Our audit approach

Based on our understanding of the process used to test the recoverability of inventories, we assessed the setup, design and functionality of the identified internal controls, especially in terms of the calculation of expected net realisable values.

We verified the computational accuracy of the calculations to determine net realisable value and write-downs for inventory items selected according to risk and size. We assessed the appropriateness of the expected net realisable values and write-down rates applied using CECONOMY's empirical values and CECONOMY's business-specific knowledge associated with the Covid-19 pandemic.

Our observations

The assumptions underlying the net realisable values and the judgements exercised by the Management Board are appropriate and reasonable.

RECOGNITION OF COMPENSATION FROM SUPPLIERS

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods" on financial instruments. In addition, we refer to note 24 "Receivables due from suppliers, other financial and other assets".

The financial statement risk

The Group's statement of financial position as at 30 September 2021 reported receivables from suppliers of EUR 1,142 million.

CECONOMY Group companies conclude agreements with suppliers on purchasing terms and conditions. These include agreements on subsequent discounts, rebates and other compensation granted by suppliers to CECONOMY. Presentation of these agreements in the statement of financial position and statement of profit or loss requires some judgments and assumptions, such as on achieving calendar year targets due to the reporting date deviating from the calendar year, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements.

There is the risk for the consolidated financial statements that compensation from suppliers is recognised without underlying agreements or that compensation from suppliers is not recognised in the correct amount and therefore the receivables due from suppliers are not stated in an appropriate amount.

Our audit approach
We examined the process for recognising and documenting supplier agreements and the establishment and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount and accuracy of supplier compensation.

We verified the underlying supplier agreements for a selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the statement of financial position and the statement of profit or loss by evaluating the contractual arrangements. To that end, we scrutinised factors such as the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

Our observations
The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

RECOVERABILITY OF LEASEHOLD IMPROVEMENTS AND RIGHT-OF-USE ASSETS
For the accounting policies applied, we refer to the disclosures in the notes on property, plant and equipment and leases in the section "Notes to the Group accounting principles and methods". In addition, we refer to note 21 "Property, plant and equipment" and note 22 "Right-of-use assets".

The financial statement risk
The consolidated financial statements of CECONOMY as at 30 September 2021 include other equipment, operating and office equipment of EUR 485 million, which also includes leasehold improvements for operating stores and right-of-use assets of EUR 1,933 million.

In order to test whether an impairment exists, the assets are aggregated into a group of cash-generating units (CGU). At CECONOMY, this applies to the individual business location/store. In case of indications of impairment of right-of-use assets and leasehold improvements, the Company determines the recoverable amount as at the reporting date and compares this with the respective carrying amount. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognised on the right-of-use assets and leasehold improvements. The basis for determining the recoverable amount is typically the present value of future cash flows of the respective cash-generating unit, which is determined using the simplified discounted cash flow method. Future cash flows are determined on the basis of multi-year plans for the individual stores.

Impairment testing is complex and is highly dependent on the Company's estimates of future cash flows and therefore subject to considerable uncertainty and judgement, especially in view of the multi-year planning horizon typically used. The level of estimation uncertainty with regard to the underlying future cash flows continues to be high due to the Covid-19 pandemic, which has been ongoing worldwide since January 2020. In the financial year, the Company recognised impairment losses of EUR 26 million on other equipment, operating and office equipment, which also includes leasehold improvements, and EUR 12 million on right-of-use assets.

There is a risk that impairment losses were not recorded in a sufficient amount and that leasehold improvements and right-of-use assets are therefore impaired.

Our audit approach
First, we referred to explanations of controlling and assessed documentation to obtain an understanding of the Company's process for impairment testing of leasehold improvements and right-of-use assets. We analysed the indications of impairment identified by the Company and, on the basis of information obtained within the scope of our audit, assessed whether there are any indications of further impairment not identified by the Company.

With the involvement of our own valuation experts, we assessed the appropriateness of CECONOMY's calculation model and compared the expected future cash flows in the valuation model with the detailed planning. This planning was derived from the budget adopted by the Management Board and approved by the Supervisory Board.

We assessed the plausibility of the planning assumptions based on sector-specific market expectations. We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analysing deviations. As in the prior year, there was special attention required for the analysis of the potential further effects of the Covid-19 pandemic. Furthermore, we evaluated the consistency of planning using information obtained in the course of the audit. In addition, we assessed the valuation models for the accounting policies applied as well as computational and formal accuracy.

Our observations
The approach used for impairment testing of leasehold improvements and right-of-use assets is appropriate and in line with the accounting policies. The assumptions and data used by the Company are appropriate.

Other Information

The Management Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the corporate governance statement referred to in the combined management report,

- the separate non-financial report, which is referred to in the combined management report, and

- information extraneous to the combined management report and marked as unaudited.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined manage-ment report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatements of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

– Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „CECONOMY_AG_KA+ZLB_ESEF-2021-09-30.zip" (SHA256-Hashvalue: d8d942eb03f09d6d4044020d45d29788d31fe2ca25010d214e33217e4be79347) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file provided and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 October 2020 to 30 September 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assurance work of the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file provided in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (10/2021)). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Management Board of the Parent Company is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

In addition, the Parent Company's Management Board is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file provided containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/815 as applicable on the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 17 February 2021. We were engaged by the Supervisory Board on 19 April 2021. We have been the group auditor of CECONOMY AG without interruption since financial year 2005.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the Auditor's Report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into XHTML format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace these. In particular, the ESEF assurance report and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Martin C. Bornhofen.

Düsseldorf, 8 December 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

[*signature*] Bornhofen	[*signature*] Schröder
Wirtschaftsprüfer	Wirtschaftsprüfer

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

8 December 2021

The Management Board

Dr Karsten Wildberger

Florian Wieser

SEPARATE NON-FINANCIAL GROUP REPORT

THE MANAGEMENT BOARD'S COMMITMENT

Sustainability has become a key criterion for companies' economic success. We want to fight harder against climate change, scarcity of resources and social inequality using the positive influence we exert in our environment while simultaneously reducing the negative effects of our business activities.

As Europe's biggest consumer electronics retailer, we consider it our duty to address current challenges and act responsibly – for our customers and employers as well as for the environment and society.

For this reason, sustainability is an essential part of the corporate strategy, which is why we developed and consistently implemented our holistic sustainability strategy in the reporting period. We aim to integrate sustainability into all of CECONOMY's processes in accordance with the United Nations Sustainable Development Goals. We want to make our own activities more sustainable – by amending our internal processes, reducing our own emissions or shaping working conditions. For the third time in a row, we have prepared a statement of greenhouse gas emissions that also includes selected Scope 3 emissions, which enables us to better identify our impact on the environment and take corrective action.

Moreover, we want to help our customers live a more sustainable lifestyle. With new offerings in our services and products, we are increasingly managing to lengthen product lifecycles and help our customers make responsible purchase decisions. We also rely on close partnerships to further incorporate sustainability in our business. Whether it is with our suppliers, selected social organizations or other companies – we build networks in order to develop effective solutions together.

In this separate non-financial group report, we give an account of the implementation status of our sustainability strategy. We report on successes, progress and our plans for the quarters ahead. After all, we want to make our business fit for the future and therefore also sustainable.

The Management Board of CECONOMY AG

Dr Karsten Wildberger

Florian Wieser

SUSTAINABILITY STRATEGY AND MATERIAL ISSUES

Relevant GRI codes[1]: 102-13, 102-14, 102-46, 102-47

About this report

In accordance with the “Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports” (CSR Directive Implementation Act, CSR-RUG), CECONOMY AG has prepared a separate non-financial group report in accordance with Sec. 315b and 315c of the German Commercial Code (HGB) in conjunction with Sec. 289c to 289e HGB for the CECONOMY AG Group for the financial year. To this end, a materiality analysis of the reported aspects was performed in order to identify the effect on non-financial issues that are necessary for understanding the business performance, results and position and can have a significant impact on CECONOMY’s business activities.

↗ Further information on the materiality analysis can be found in the section on the sustainability strategy and sustainability management.

The separate non-financial group report contains the key information on CECONOMY AG and its biggest investment, the MediaMarktSaturn Retail Group (MMSRG), with regard to the five legally required aspects of environmental issues, employee issues, social issues, respect for human rights, and combating corruption and bribery. Unless indicated otherwise, the reported information relates to MMSRG for reasons of materiality, as this investment accounts for the largest share of sales, employees and effects on the environment and society within CECONOMY.

Particularly when it comes to describing concepts and presenting various key performance indicators (KPIs), this report is guided by the standards of the Global Reporting Initiative (GRI standards 2016). References to disclosures in the combined management report and elsewhere constitute – except for the description of the business model – further information and do not form part of the separate non-financial group report.

The content of this declaration has been audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000.

↗ The audit report by the independent auditor can be found in the section with this name.

Reported topics

Aspects in accordance with CSR-RUG	Allocation of material issues
Environmental issues	Climate protection and energy
	Sustainable logistics
Employee issues	Employee development and talent management
	Fair and responsible working conditions
	Diversity and equal opportunities
Social issues	Society
	Technology, innovation and new business models
	Sustainable products, services and customer communication
	Data protection and information security
Respect for human rights	Sustainability in supplier management
	Fair and responsible working conditions
	Diversity and equal opportunities
Combating corruption and bribery	Data protection and information security
	Compliance

[1] Global Reporting Initiative codes; see index table at the end of the separate non-financial group report

Business model

Relevant GRI codes: GRI 102-2

↗ The required description of the business model can be found in the combined management report in the section "The Group's business model".

Sustainability strategy and sustainability management

Sustainability concept

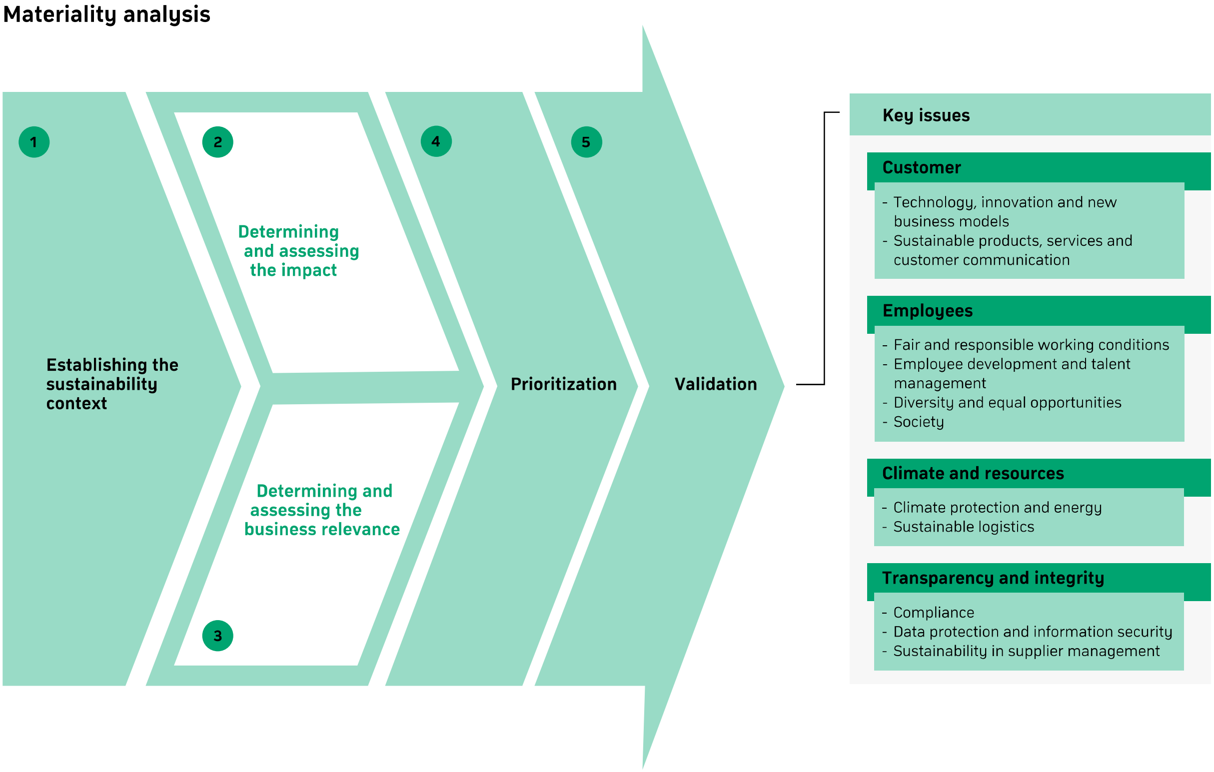
Relevant GRI codes: 102-46 102-47

For CECONOMY, the way in which the company grows and creates value is crucial. To be successful in the long term as well, CECONOMY needs and wants to bring its business activities along the entire value chain into line with environmental, social and statutory conditions. Particularly with the largest European consumer electronics retailer MMSRG as the core of its activities, CECONOMY also serves as a model for the entire sector. The Group has undertaken to shape and influence responsible, sustainable business.

Materiality analysis

In the materiality analysis performed in financial year 2019/20, CECONOMY identified key strategic approaches for its future development and determined the content to be included in the separate non-financial report in accordance with CSR-RUG. In financial year 2020/21, the topics were validated by the Management Board of CECONOMY on the basis of the evaluation of the business model and opportunities to improve the environmental and social benefit generated by CECONOMY AG in order to strengthen its competitiveness. Ultimately, CECONOMY identified eleven topics for which corresponding approaches are presented along with concepts and measures in this separate non-financial report.

Materiality analysis



Risks in connection with non-financial aspects and material issues

Relevant GRI codes: 102-15

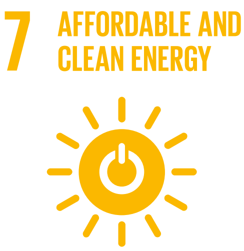
By way of a risk process, a risk identification was also carried out with all affected departments in financial year 2020/21 under the leadership of the Sustainability department. No non-financial risks with a very high probability of occurrence and a serious negative impact have been identified as a result.

Global sustainability goals

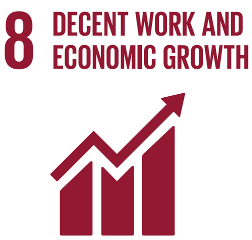
With its 17 Sustainable Development Goals (SDGs), the United Nations has set out a clear plan for how to shape a sustainable social development while also taking account of environmental constraints. CECONOMY sees these global sustainability goals as a specific mandate and has therefore set itself the goal of linking its business model with the SDGs. This means that the Group wants to strengthen its positive influence while also reducing negative effects.

With regard to the business model and the possibilities for influence, seven SDGs where CECONOMY has particular influence have been identified on the basis of the materiality analysis. The Group wants to contribute to achieving these goals that have high relevance for it. To this end, CECONOMY has specified them in its own guiding principles, which the company works on continuously:

SDG 5: GENDER EQUALITY
"Because it values social diversity, CECONOMY is working towards a share of women in management positions that reflects the overall employee structure. To increase the general share of women throughout the Group, CECONOMY supports them in young talent programmes and female manager development initiatives. Also, the foundations for launching the "Women in Retail" initiative were laid in financial year 2019/20; it was further developed and implemented in the financial year 2020/21."



SDG 7: AFFORDABLE AND CLEAN ENERGY
"The expansion of renewable energy in our company is particularly important to us. For example, we continue to advance the Group-wide conversion to green electricity. In addition, we offer our customers electricity contracts with renewable energy via external service providers, thus helping to provide access to affordable, reliable and modern energy."



SDG 8: DECENT WORK AND ECONOMIC GROWTH
"As an employer of around 52,000 people worldwide, we believe that we have a responsibility to offer them safe and attractive jobs. We also aim to ensure that environmental and social standards are adhered to and promoted by suppliers, too. We shape our growth as a company sustainably and in a way that contributes to the local economy. We support increased economic productivity by selectively promoting technological innovations."

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE
"Promoting innovation and new business models is one of our core competencies. Digitalization in particular is currently triggering critical transformation processes. It also offers us completely new possible solutions to current and future challenges – for example, we can use innovations to help reduce our consumption of resources and energy and to make our value creation sustainable."

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

"As the largest European company in the field of consumer electronics, it is our duty to create added value for consumers while also developing solutions for environmental and social challenges. With around six million and a half customer contacts[2] each day, we are able to and want to shape the market for sustainable solutions in our sector. We take our stakeholders' expectations, wishes and requirements seriously and support our customers with responsible, sustainable consumer behaviour."

SDG 13: CLIMATE ACTION

"In performing our business activities as a retail company, we produce carbon emissions that are harmful to the climate – for example, in operating our stores and in logistics and transportation. We are responsible for reducing our negative impact on the climate as far as possible and also making use of our influence outside our company."

SDG 17: PARTNERSHIPS FOR THE GOALS

"Many current and future challenges are complex and affect a wide range of players all along the value chain. We therefore rely on close partnerships with our stakeholders in order to develop practicable and effective solutions for our sector together."

Following the mission of the sustainability goals, MMSRG and CECONOMY joined the United Nations Global Compact (UNGC) – the world's biggest initiative for corporate responsibility and sustainable development – in August 2018 and in April 2021, respectively. The Group is thus committed to the ten principles of the UNGC and undertakes to work actively on the realization of the SDGs and to submit an annual report (communication on progress, CoP) to the United Nations regarding its progress on sustainability.

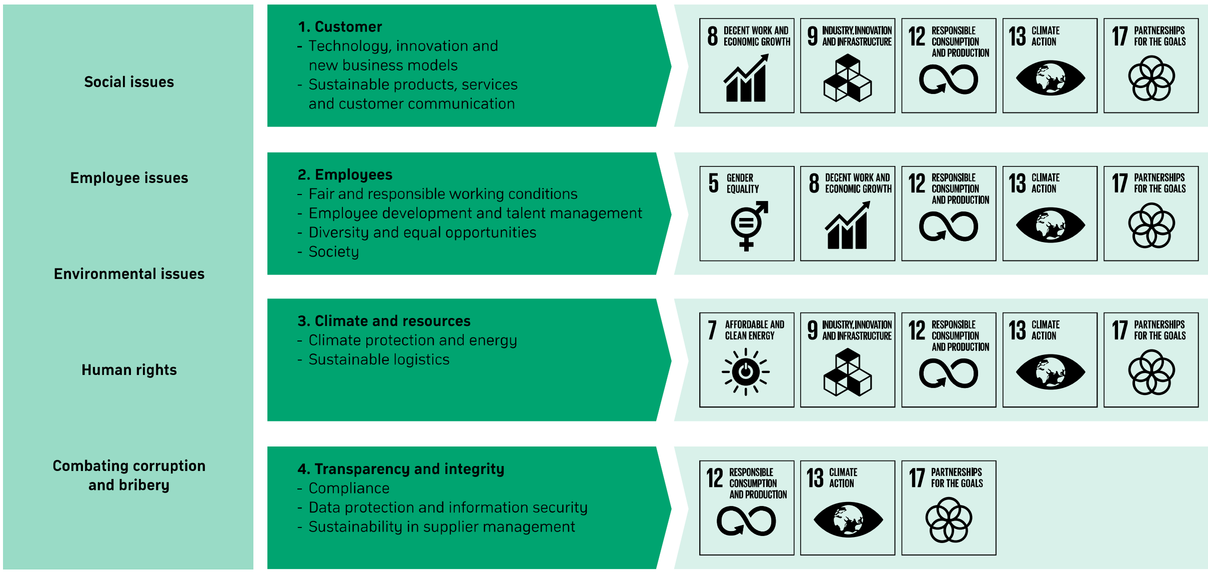
Sustainability strategy

Relevant GRI codes: 102-47

Together with the seven SDGs, the material issues identified form the basis for CECONOMY's sustainability strategy. CECONOMY's goal is to enhance its social responsibility as a company, to continue establishing sustainability in the company's core processes and to make a sustainable lifestyle possible for its customers.

[2] Visitors in stores and online

Key issues for CECONOMY



In financial year 2020/21, CECONOMY also launched a new sustainability strategy and is now working on its implementation.

CECONOMY's sustainability strategy is fundamentally based on two pillars: firstly, making the core business sustainable and establishing new, sustainable business areas, and secondly, enabling customers to live a more sustainable lifestyle.

Climate protection: CECONOMY takes responsibility for the emissions caused directly or indirectly by its business activities throughout the value chain. CECONOMY continually develops new measures to optimize operating processes and thus reduce its carbon footprint. CECONOMY is guided by the goals formulated by the Paris Agreement for limiting global climate change.

Responsibility for suppliers: As Europe's biggest consumer electronics retailer, CECONOMY offers its customers a wide range of products and services. In doing so, CECONOMY wishes to be a responsible partner. Its range includes brand products from internationally renowned manufacturers and products from its own-brand company Imtron, with the brands ok., KOENIC, PEAQ and ISY. All of these require long and complex supply chains with branching global production, procurement and supply networks. Particularly the upstream stages of these chains can potentially impact people and the environment in ways that are not always known. Here, CECONOMY strives for the greatest possible transparency and accountability. In addition, CECONOMY is working on a concept for sustainable supply chain management, particularly to meet the requirements of the German Act on Corporate Due Diligence in Supply Chains.

Diversity: The Group has also undertaken to promote diversity. For example, the international "Women in Retail" project has been in place since financial year 2020/21 to increase the share of women in the company.

Social commitment: CECONOMY takes responsibility – including beyond its core business. CECONOMY gets involved nationally at country organizations, locally in stores and at the MMSRG company headquarters in Ingolstadt. One of the Group's focuses is on socially relevant topics where it can enrich people's lives through products, access and expertise.

Sustainable products and services: Sustainable products play a key role for CECONOMY at two levels: for the Group as a retailer and for customers. At retailer level, the focus is increasingly on criteria such as sustainable and environmentally-friendly product manufacturing along the entire value chain, as well as on the use of recycled materials, greener packaging and a product's durability. At customer level, CECONOMY aims to continually increase the number of sustainable products in the range to make a sustainable lifestyle possible for its customers.

CECONOMY supports innovative service concepts that encourage sustainable consumption. CECONOMY is guided by the vision of a circular economy: The services offered already help enable products to be used for longer through repairs or recycled properly at the end of their lifecycle.

Excellent customer advice and information are intended to help customers buy sustainable and energy-efficient products and to conserve resources by using them in a carefully considered way.

NETWORKS AND INITIATIVES

Relevant GRI codes: 102-12 102-13

As Europe's biggest consumer electronics retailer, CECONOMY is committed to playing a leading role in overcoming the key global challenges. For example, CECONOMY is part of the principles of action of the German Retail Federation (HDE), the Diversity Charter and the UN Global Compact and, in the financial year 2020/21, was also one of eleven pilot companies to sign up to the European Commission's Green Consumption Pledge.

CECONOMY has signed the HDE's uniform principles of action, committing itself to responsible, sustainable action. In five guiding principles, the HDE sets out its shared understanding of its social role as a company, supplier, partner and employer. One of these guiding principles is prioritizing sustainable growth over short-term profit:

"We set ambitious targets for efficiently protecting the climate and resources. We support the federal government's climate target for 2030 and are committed to the European target of EU-wide carbon neutrality by 2050. We want an energy transition where costs are fairly shared. We are working hard to reduce CO_2 emissions, use fewer raw materials and close cycles. Fair working conditions and compliance with human rights principles throughout our global supply chains are a fixed component of our due diligence standards. Digital business models are increasingly shaping our sector. We believe it is our job to ensure these put people and values at the centre."

GREEN CONSUMPTION PLEDGE

Relevant GRI codes: 102-12

The Green Consumption Pledge Initiative is part of the European Climate Pact, an EU-wide initiative that calls on companies to get involved in climate protection and build a greener Europe. By signing, companies promise to help accelerate the green transition. The commitment calls on signatories to uphold at least three of five core principles, which relate to carbon emissions, transparency, industry best practices and the sale of sustainable products.

By signing up to the Green Consumption Pledge Initiative, CECONOMY has committed to the following targets:

- Increase the annual sourcing of electricity from renewable energies from 80 per cent in 2020 to 100 per cent by the end of 2023.

- Achieve net zero emissions for Scope 1 and Scope 2 emissions by the end of 2023, measured by the OEF method.

- Reduce net CO_2 intensity (CO_2 net emissions in relation to total sales) of the relevant Scope 3 emissions by 30 per cent by the end of 2033 compared to the base year 2019 (baseline for own-brand products is the year 2021). As well as the transport of goods, CECONOMY defines purchased goods and services for own business operations and own brands as relevant categories.

- Continually increase the number of sustainable (or sustainably labelled) products in the assortment to make a more sustainable lifestyle possible for customers.

- Double the number of sustainable products by the end of 2023 (baseline: 1,000 sustainable products in 2020) and continue to increase this after 2023.

- Provide extensive sustainability background information for products labelled as sustainable on the CECONOMY website.

- Publish targets and progress on all sustainability commitments stated each year in the separate non-financial statement and on the company's website.

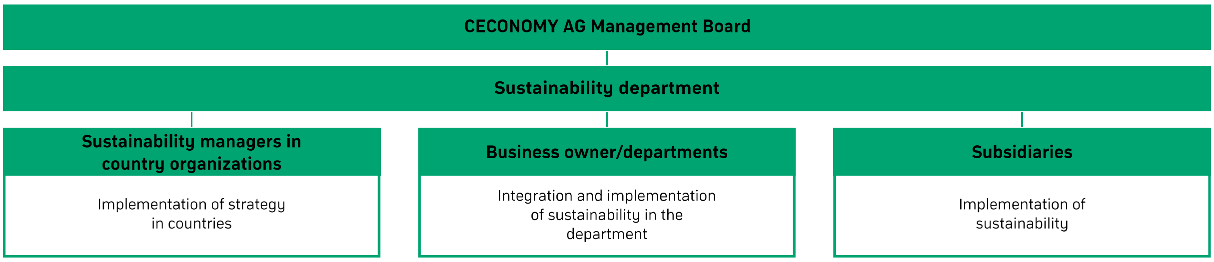
Sustainability management

Sustainability is a key component of CECONOMY's strategy. The Management Board of CECONOMY AG is the highest sustainability committee and is responsible for strategic decisions and tracking targets and progress.

The role of sustainability management at CECONOMY consists of ensuring a high level of transparency both internally and externally, defining the strategy, strengthening the conditions for the respective sustainability initiatives and tracking their development. Moreover, CECONOMY's sustainability management identifies all internal and external stakeholders, promotes discussion with them and continues the development of sustainability communication.

Sustainability managers in the country organizations act as the primary local contacts and have the task of conveying the understanding of sustainability directly to the countries and deriving country-specific activities on this basis.

Sustainability organization



Customer

The starting point for all strategic considerations is the needs and expectations of MediaMarkt and Saturn customers. With its solutions, the Group aims to make their everyday lives easier and support them in a responsible consumer behaviour. To do so, it is necessary to record and optimize the social and environmental impact throughout the lifecycle of the products and services.

Technology, innovation and new business models

TECHNOLOGY

Relevant GRI codes: 103-1, 103-2, 103-3

In today's market environment, technology is one of the key factors in remaining competitive and standing out from the competition.

Within the CECONOMY Group, MMS Technology GmbH is the central company that helps the organization to achieve its sustainability targets by employing, developing and operating technology and technology platforms. The technologies and platforms are used both for internal processes and for all customer interaction systems.

Overall responsibility for technology lies with the Chief Technology Officer (CTO), who is a member of the Executive Board of Media-Saturn-Holding GmbH (MSH).

The technology strategy is based on the following three pillars:

- Ongoing development into a leading organization in the retail sector for technology and product development
- More state-of-the-art and efficient use of technology to establish it throughout the company responsively and agilely
- Ongoing development into a global technology team with a joint omnichannel strategy for all sales channels and countries

The techhub in Barcelona established in the financial year 2020/21 supports the strategy of a global technology organization and the further expansion of internal production development capacities.

The initiatives and product developments described in the following were implemented in the reporting period and had a positive long-term effect on employees, customers and the environment:

The launch of the Office 365 collaboration platform in May 2021 in 13 countries established a new standard for collaboration and thus created the foundation for working from home, fewer journeys to work and mitigating the impact of the COVID-19 pandemic. Not only does this prevent employees contracting the virus, it also reduces CO_2 emissions generated in connection with commuting.

Further progress was made in consolidating the data centres. By the end of September 2021, a total of 3,500 servers and 220 applications of legacy systems had been migrated to Google Cloud or newly developed there. By using Google data centres, which run entirely on renewable energy, CECONOMY is helping to reduce global energy consumption while at the same time ensuring its own technologies and systems are carbon neutral.

With 134 million pages printed in stores and headquarters in the financial year 2019/20, new printer concepts and solutions at work resulted in considerable savings. The number of pages printed in the financial year 2019/20 alone on account of temporary COVID-19-related store closures and short-time work was far lower than the figure for the financial year 2018/19, greatly reducing the actual optimization potential in “printed pages”. Overall, the total number of printers in stores and headquarters in the financial year 2020/21 declined by more than 1,000 and 21 million fewer pages were printed. Both of these reductions resulted in savings of 106 tonnes of CO_2 in the reporting period.

By using innovative technology, CECONOMY aims to make everyday work easier for its employees. One of these technologies is the “shelf app” application to simplify the process of stacking shelves. The “shelf app” was made available to 1,500 employees in 50 stores and reduced the amount of time needed to locate goods in store by 75 per cent.

In addition, the process of preparing orders for customers to pick up in store – which used to be a slow and time-consuming process for employees – was optimized in more than 660 stores. As a result, 78 per cent of all same day pick-up orders were ready to be collected by customers within 30 minutes.

As a result of the ongoing COVID-19 pandemic, further innovative solutions were implemented in the last financial year to maintain CECONOMY’s operations and ensure that customers could be provided with the products and services they required at all times.

The quickly implemented option of using available storage space in stores as local logistics centres to deliver to customers (“ship from store”) allowed CECONOMY to avoid supply bottlenecks where possible during the lockdown. At peak times, around 7,300 employees across the entire Group were working in 660 stores to pack and ship parcels for customers and ensure supply by picking them up in store. Overall, almost 10.9 million transactions were processed this way. CECONOMY was thus able to largely compensate for supply bottlenecks in consumer electronics products caused by COVID-19 and offer customers equipment for working from home and home schooling, among other products, at all times.

Digital entry controls were introduced at all German stores in May 2021. Artificial intelligence and sensor technology were used to ensure that only the number of customers permitted under official rules for the store in question could enter the store at any one time. As well as information on entering the store, the clearly visible display screens also showed other relevant COVID-19 information such as reminders to maintain social distancing in stores. This system relieved pressure on store employees and also helped lower the risk of infection for customers and employees in stores.

To inform customers quickly and easily about COVID-19 regulations that differed between regions and changed quickly, separate store websites were linked with the online shop as subpages. These meant that customers could look up the entry requirements and opening hours for their store and book appointments to pick up products or get advice. Just under 3.3 million appointments were booked in stores during the lockdowns in the financial year 2020/21. To ensure safety, an app was developed that employees can use for contactless customer check-ins. About 7,700 employees used this app in their daily work.

To ensure compliance with the hygiene concept in stores, digital hygiene management was introduced at all German and Austrian stores in collaboration with TÜV Süd. As part of this, check lists on compliance with strict hygiene rules and on the provision of official evidence for contact tracing were digitalized.

INNOVATION AND NEW BUSINESS MODELS

Relevant GRI codes: 103-1, 103-2, 103-3

With product and service innovations as well as new business models, CECONOMY can inspire its customers, make the company fit for the future and drive forward sustainable changes. The focus here is on the entire value chain – from supplier management and logistics processes to the stores, the products and services offered and their utilization phase and recycling. Existing business models must be analyzed in view of changing customer expectations and effects on the environment and society.

CECONOMY is therefore developing viable concepts and sustainable value added for customers, the company and society. Internal company processes are improved through innovative technologies and customer experience in store and online is the subject of continuous ongoing development. The financial year 2020/21 in particular, when COVID-19 had a decisive impact on CECONOMY's operations, showed that rapid adaptation to innovations and new business models is essential. This is also why the company succeeded in rapidly adapting to constantly changing circumstances, as solutions had already been prepared at an early stage and their feasibility checked.

In order to remain fit for the future and maintain a pioneering role in retail innovation on a long-term basis, CECONOMY attaches particular importance to promoting and developing new business models, technologies and methods that could transform the retail of the future.

MediaMarktSaturn N3XT GmbH (MMS N3XT), a subsidiary of MMSRG, acts as an innovative link and coordinates closely with the operating country organizations and subsidiaries.

MMS N3XT works in three areas:

- Innovation Research continuously evaluates new technologies, use cases, solutions and companies. The aim is to constantly scrutinize MediaMarktSaturn's current business model using innovative activities, find any disruptive methods and assess digital technologies.

- In a co-creation process with the Innovation Projects & Culture area, the results are assessed and selected based on their practical relevance. After the test, the results are summarized, processed and provided to other departments.

- The Open Innovation partnership through the Plug and Play Brand and Retail approaches tech start-ups along the entire retail value chain, including beyond customer electronics, while also opening up to other retail companies to promote cooperation and partnerships. The programme is run together with other retailers and the accelerator experts from the "Plug and Play Tech Center" in Silicon Valley. It focuses on the joint implementation of pilot projects for the future of retail.

Important innovative pilot projects were launched in the last financial year in the key areas of digital point of sale, automation, connectivity, virtualization and digital culture. Focus in the first half of the financial year 2020/21 remained on rapid innovation to evaluate and roll out effective pandemic measures. Various sustainable last-mile delivery options were analyzed to further enhance last year's ship-from-store options and make them more sustainable. Extensive tests are currently being conducted in Germany and the Netherlands to assess various e-bike, cargo bike and smart delivery systems for electronics deliveries.

Sustainable products, services and customer communication

SUSTAINABLE PRODUCTS

Relevant GRI codes: 102-2 102-14 103 417 (Management approach)

As part of its role as a retailer, CECONOMY has committed to making a sustainable lifestyle possible for its customers and continually expanding the number of sustainable products in MediaMarktSaturn's range. Especially when it comes to electronics, end users do not always find it easy to recognize sustainable products. Accordingly, CECONOMY places great value on informing MediaMarkt and Saturn customers about the sustainability of products as much as possible during the purchase process so that they can easily compare products and make well-founded purchasing decisions.

As a retailer, CECONOMY is aware of its special responsibility to customers to highlight to them the sustainability of a products along the entire value chain. Product-specific sustainability requirements include the use of recycled materials in production, energy consumption in the utilization phase and a product's durability and whether it can be recycled. At the same time, CECONOMY aims to ensure compliance with social and ethical aspects, such as safeguarding human and labour rights during production.

↗ Further information on sustainability in supplier management can be found in the section Transparency and integrity.

Specifically, CECONOMY will double the number of sustainable products in MediaMarktSaturn's range compared to 2020 levels in stores and online shops by the end of 2023, and will continue to increase this figure after 2023 too. To ensure that sustainable products can be clearly and simply identified, CECONOMY has set the goal of standardized labelling for sustainable products across the Group at MediaMarkt, MediaWorld (Italy) and Saturn starting in the financial year 2021/22. In the financial year 2020/21, CECONOMY stepped up collaboration with independent inspection organizations and external certification authorities. These establish sustainability criteria for various product categories and inspect whether products meet the applicable requirements, such as responsible production, the materials used, energy efficiency, CO_2 emissions and recyclability.

At present, CECONOMY labels products in the MediaMarktSaturn range as sustainable if they are listed on EcoTopTen.de and/or topprodukte.at or have been certified by the Blue Angel. Additional certifications will be taken into account in the product range in the financial year 2021/22. As part of this, CECONOMY is committed to continual dialogue with manufacturers to promote high environmental and social standards and account for additional sustainability aspects.

Beyond making a purchasing decision, it is important to advise on the energy-efficient and resource-friendly use of products and provide the necessary information on this. Since March 2021, customers have been able to obtain comprehensive information on the new energy efficiency classes for electrical devices and the new EU energy label. CECONOMY supports customers here by expanding its range of information and advice on offer.

When it comes to regulatory requirements, CECONOMY does not wait for new laws to be passed, but instead identifies where changes are needed at an early stage. In particular, CECONOMY monitors the objectives of the European Commission's Sustainable Products Initiative (SPI) and the changes under the Ecodesign Directive. CECONOMY takes on an active role here and works with retail associations to help shape adjustments to this Directive.

By continuously assessing and evaluating its own-brand products, CECONOMY is able to quickly and directly become more environmentally friendly.

Sustainability activities were carried out in three areas for own brands in the financial year 2020/21. Firstly, own brands were assessed using the same sustainability standards as CECONOMY applies for all supplier products. Secondly, the focus was on optimization and thus on avoiding packaging materials. The third area relates to recording CO_2 emissions generated as a result of producing own-brand products. As well as the product-specific sustainability assessment, packaging is a key environmental factor when looking at own-brand products in an overall context and something that is being constantly optimized. To effectively counter the substantial volume of packaging waste, in the long term less material is to be used and the overall (transportation) packaging volume is to be reduced. To this end, Imtron is examining the use of certified materials, new concepts, new types of packaging materials and the reduction of the share of plastic used. CECONOMY made great progress in product packaging for its own-brand products in the financial year 2020/21.

Imtron avoids non-essential packaging materials (for transport) or uses recycled plastic to repackage individual products. A change has already been made when it comes to packaging for LEDs. The plastic used has largely been replaced with cardboard that is now only printed in two colours.

The packaging change for the next product group is already under way: Cable packaging has transitioned from fully plastic to cardboard packaging in new production and this is already gradually making its way into stores. For example, CECONOMY has offered refillable KOENIC CO_2 gas cylinders in German MediaMarkt and Saturn stores since October 2021. There is no outer packaging for each cylinder; only a shipping box is used to transport multiple cylinders.

CECONOMY is going one step further when it comes to its own-brand ISY ink cartridges. These have been completely recycled since October 2019 and are sold in outer packaging made from 100 per cent recycled paper.

Since the financial year 2020/21, CECONOMY has also taken a close look at CO_2 emissions generated by own brands. CECONOMY calculates the CO_2 emissions for all directly purchased own-brand products, creating valid data. Additional steps and measures for the next financial year can be prepared on the basis of this data.

Sustainable products in the range

	2019/20	2020/21
Number of sustainable products[1]	1,080	1,239

[1] Sustainable products are products currently certified by the Blue Angel or that are listed on EcoTopTen.de or topprodukte.at and available in the online inventory of the German and Austrian country organization.

ONLINE RETURNS

The Return management department is located at MMS E-Commerce GmbH. The department reports to the head of eCommerce Sales, who in turn reports to the Managing Director of MMS E-Commerce GmbH. MMS E-Commerce GmbH is a subsidiary of Media-Saturn Deutschland GmbH.

Returns from online orders are processed at various locations depending on the physical size. Large appliances (two-man handling items) undergo a centralized process and are processed and prepared for reselling at the German central returns warehouse. About 3,000 appliances are received and individually prepared there each month.

Just under 7 per cent of all parcel returns are sent to this location, while most returns are processed directly in stores. This represents more than 6,000 products that are individually assessed and prepared each month at the central returns warehouse.

Thanks to many years of experience and ongoing process optimization, 97.6 per cent of the returns received by the central warehouse were given a second life in the reporting period by way of intelligent marketing via stores and external partners. Only appliances that could not be repaired for safety reasons were properly disposed of on site. A company-wide focus on sustainability constantly optimizes processes with the goal of reintegrating all returns into the sales process.

SERVICES

The Vice President of Services & Solutions, who reports to the CEO of MSH, is responsible for the Services segment. CECONOMY supports innovative product solutions and service concepts that facilitate sustainable consumption and wants to constantly develop these. The Group is guided by the vision of a circular economy: Some of the services offered already help extend product lifetime through maintenance and repairs or properly recycle products at the end of their lifecycle.

In addition, a technical and advice service at customers' homes is provided in Germany through Deutsche Technikberatung GmbH (DTB). Internationally, CECONOMY works with various different service partners. Through its services, DTB helps customers make the most of the technology and ensure that they do not become frustrated with it. High customer satisfaction with DTB contributes to a high level of loyalty and increasingly and successfully positions CECONOMY as a solutions provider. In a pilot project together with Power Service DTB showed that remote support can be used to avoid unnecessary journeys to workshops in cases of suspected product damage, providing a quicker solution for the customer.

REPAIRS

Customers can extend the life cycle of their defective products. Defective appliances or those in need of maintenance can be handed in to MediaMarkt and Saturn stores to be repaired or maintained.

All stores of the country organizations have a SmartBar on the sales floor and an after sales service desk in the entrance area. At the SmartBars, own technicians are on hand to repair mobile telephones. The SmartBars offer a wide range of innovative services – from display protection and extended warranties to on-the-spot smartphone repair. Customers can take their repaired devices away with them again straight away. The after sales service desk is where CECONOMY processes repairs with industry workshops on behalf of customers. All services lengthen the products' lifecycle, thus making an important contribution to conserving resources.

To further consolidate the circular economy approach, the vision of the new SmartBar concept is to expand the SmartBar into a central point of contact for new and existing services. They will offer services such as software services, printing services, calibration, service acceptance – either remotely or at the customer's home, immediate repairs, replacement parts services and e-scooter repairs.

About 2,592 million appliances were repaired in the financial year 2020/21, 10.8 per cent of which at the company's own repair workshops in Spain, the Netherlands and Germany. In these countries almost one in every five repairs was carried out in one of the company's own repair workshops. 480,000 devices were also repaired directly at the SmartBars. This reduced electronic waste by about 11,000 tonnes in the financial year 2020/21. In addition, it saved more than 200,000 tonnes of CO_2 equivalents that would otherwise have been generated as a result of manufacturing new devices.

In cooperation with an external service provider, CECONOMY also offers appliance rental. By renting appliances, CECONOMY is also contributing to the circular economy approach. A large number of products are rented in cooperation with an external partner. In doing so, CECONOMY is helping ensure more sustainable technology consumption by recycling products after they have been returned so that they can be reused. About 20,000 contracts were concluded in the financial year 2020/21.

TRADE IN

In addition, CECONOMY's trade-in programme is being strategically realigned.

CECONOMY intends to employ several different methods here. In future, customers will be able to sell used electronics such as telephones, computers, tablets, clocks and games consoles to CECONOMY. End users hold on to a huge number of unused but still functioning devices or throw these away even though they still work. Selling these products to CECONOMY puts the electronics back into the circular economy after they have been processed and the customer also receives a gift card.

As the first consumer electronics retailer in Europe, at the end of the financial year 2020/21 CECONOMY already had 100 mobile phone buyback machines in German stores. The plan is to install these machines in all German stores by the end of the 2021 calendar year and to roll out the initiative in other countries starting in 2022.

A pilot project with twelve machines was launched in 2019. As part of this, 24,000 mobile telephones had already been returned by customers by 2021, with approximately 14,300 phones undergoing a certified recycling process and 9,723 being resold.

During the pilot phase (before the COVID-19 pandemic), each month an average of 43 mobile phones were purchased and another 61 underwent a certified recycling process per machine. As well as mobile phone buyback machines, CECONOMY also allows MediaMarktSaturn customers in all countries other opportunities to sell old devices and exchange them for vouchers. In some countries, customers can have the value of their devices calculated online in advance. They then receive this value when they hand in their device in store. In Austria, customers can do this trade-in entirely online and send the device directly to the trade-in partner after the online valuation.

In the reporting period, CECONOMY purchased a total of more than 30,000 devices in this way and had them either reprocessed or included in a certified recycling process.

SALE OF ENERGY

CECONOMY also aims to enable customers to live a sustainable lifestyle and so offers them the opportunity to use green energy. Both in store and online, customers can enter into energy contracts with external service providers accordingly. All contracts offered use renewable energy. About 187,900 such contracts have already been concluded in the financial year 2020/21.

CUSTOMER COMMUNICATION

CECONOMY aims to better inform consumers about the sustainable use of consumer electronics and further expand the number of sustainable products in the MediaMarktSaturn product portfolio. In order to provide customers with more sustainability information and support responsible consumption, it pursues the goal of making sustainability visible in stores, on its websites and in its product and image communication.

The new sustainability initiatives "MediaMarkt BetterWay" and "Saturn BetterWay" were launched in the financial year 2020/21. In the future, "BetterWay" will be used as the standard across the Group for all sustainability activities. This includes products, product categories, climate protection initiatives and social initiatives. It replaces various existing sustainability initiatives in countries such as "Jetzt auf grün schalten", "Alles im grünen Bereich", "New Life", "Grün und gut" and "Green tech", which are already used in online shops to identify particularly sustainable products. As part of the initiative, "BetterWay" will be introduced as a label for sustainable products starting in the financial year 2021/22.

The initiative and the mission statement were presented to marketing organizations in all countries in July 2021. An international process was defined to communicate the sustainability measured adopted by MediaMarkt, MediaWorld and Saturn.

In online shops, information was published in various locations to inform consumers about sustainability, such as detailed information about the new energy efficiency labels or how to use devices in a resource-friendly way. CECONOMY informs customers in online shops about various ways of disposing of old devices.

In the second part of the international promotional campaign, starting in October 2021 MediaMarkt and MediaWorld will focus their communication on the message "solutions made for me". This comes after the first part primarily centred around "products made for me" across all communication channels. Customer-oriented services such as professional and passionate advice, the option of quickly and easily collecting online orders in store (Click & Collect), delivery and installation at home and fast financing are arranged spectacularly and narrated in the typical style of the brand. This is intended to draw attention to the features that distinguish the stores from entirely online retail. Of course, employees in the stores play the key role here.

Between July 2020 and July 2021, CECONOMY also developed a new brand identity for the MediaMarkt and Saturn brands. A total of four core values were defined: integrity, simplicity, quality and curiosity. "Integrity" ensures that marketing is not misleading and that it is correct and balanced.

Training on these brand values, as well as the new brand purpose "enriching people's lives with limitless opportunities", was provided in marketing organizations in all countries through a brand ambassador programme based on a "train-the-trainer" approach. A video training session on the new brand identity is part of the international training programme "Passion4Customer" for several thousands of executives across the Group.

In financial year 2020/21, CECONOMY raised awareness among customers of sustainability issues through international social media campaigns on World Earth Day on 22 April 2021 and on World Environment Day on 5 June 2021.

In addition to sustainability information for customers on brand websites, paid advertising channels and social media, other stakeholders such as investors and journalists were informed about the sustainability strategy and commitment of CECONOMY and MediaMarktSaturn on two international corporate websites.

CUSTOMER RELATIONSHIPS INCLUDING CUSTOMER SATISFACTION

As a customer-centric company, CECONOMY endeavours to continually improve customer satisfaction. CECONOMY constantly collects and analyzes customer feedback. The transactional net promoter score (NPS), which was introduced in 2016 and rolled out as a Group-wide standardized programme in 2019, serves as the main performance indicator here.

This allows CECONOMY to measure customer satisfaction across different countries and identify and respond to customer concerns. The NPS indicates how likely the customer is to recommend CECONOMY brands on the basis of their most recent experience.

The feedback platform measures the transactional NPS at six touchpoints (e.g. store, online pick-up etc.). As well as the numerical NPS, the root cause selection and the free text field allow specific conclusions to be drawn about why a certain score was given. This way, targeted analysis is possible about what needs improving in the various processes to improve customer satisfaction. The NPS measurement for each touchpoint is shared, analyzed and discussed with the countries and departments. Prioritization is based on the frequency of mentions by detractors. The process described is standardized across the Group.

Results are reported within the company for specific target groups. Operating units such as stores and online shops have direct access to live data so that they can respond locally and directly to customer feedback. Changes in the NPS and customer concerns are reported to the CECONOMY AG Management Board each month.

As a customer-centric company, CECONOMY aims to continuously improve processes and products. In the last financial year, for example, the groundwork was laid for a process in which customer perceptions are used as a gauge for prioritizing strategic initiatives. Starting in the financial year 2021/22, the measurement of customer feedback will be expanded to the group of non-buyers, among other parties, in order to provide a complete picture of customer experience.

Employees

Relevant GRI codes: 103-1, 103-2, 401 (management approach)

The transformation into a more agile, digital and customer-oriented company is based on the skills and abilities of the approximately 52,000 employees[3]. They are the most important asset for overcoming the challenges of the future. It is therefore very important to CECONOMY to ensure good, fair and responsible working conditions for its entire workforce. In addition, diversity and employee development and support are essential to the company's success.

Overall responsibility lies with the Chief Executive Officer of CECONOMY AG, who has the role of Labour Director. The Human Resources (HR) department of CECONOMY AG maintains continuous close dialogue with the subsidiaries in this context. The Human Resources department of MSH coordinates all strategic HR issues and supports and advises the HR departments of the country organizations and subsidiaries. The department is headed by the Chief Human Resources Officer (CHRO), a member of the Executive Board, who reports to the CEO of MSH. There are regular digital meetings that bring together the HR departments and managers of the country organizations and subsidiaries of MSH and CECONOMY AG. The HR Steering Committee consists of representatives of the business, other business areas and the HR department. Its goal is to network HR issues even more effectively with corporate strategy and to advance HR projects.

Given the increasing competition for talented and new employees, the company is currently facing various challenges. CECONOMY responds to this challenge by actively establishing issues relating to competition such as digitalization and customer and service focus and puts these into practice in programmes. In terms of HR, this means that these programmes have to address both hygiene factors and motivators in relation to employees. For example, CECONOMY offers its own employees extensive professional development programmes that cover both product and service expertise required in the sector and personal soft and hard skills that are essential to the employee's own personal and career progression. At present, CECONOMY is implementing the professional development programme "Passion4Customer" for all countries, which is designed to enable and motivate all executives and employees to ensure an outstanding customer experience for customers.

CECONOMY takes topics such as diversity and equal opportunity, work-life balance, occupational safety, health management and fair and responsible working conditions very seriously. CECONOMY offers programmes for all these issues and maintains continuous dialogue with employees.

To ensure transparency regarding employee demands and improve issues that matter to them, CECONOMY conducted a NPP (net promoter people) survey of all employees during the reporting period.

[3] Unless stated otherwise, the key figures for employees do not include trainees or students.

HANDLING THE COVID-19 PANDEMIC

The global COVID-19 pandemic presented the Group's employees and customers with particular challenges and placed great demands on them in the financial year 2020/21 too. Nonetheless, in this period of crisis the Group showed that it could respond flexibly and consistently to unforeseen events.

A total of 17,000 employees in Germany were on short-time work schemes in the financial year 2020/21 due to COVID-19. To meet its responsibility as an employer and take account of the special situation, the German CECONOMY Group companies generally topped up the short-time working allowance so that employees received about 90 per cent of their regular net monthly salary.

An overall hygiene concept, both for stores and for the administration, was prepared in the first lockdown, which was then adapted nationally to account for country-specific circumstances and updated on an ongoing basis. Crisis team meetings and the frequency of meetings were constantly adjusted to reflect developments in the pandemic at the time. For example, 68 meetings were held in the period from 24 February 2021 to 24 June 2021 alone, which analyzed the situation and decided on measures. Business Continuity Management was created focusing on the key areas of staff, IT availability, critical service providers and suppliers and buildings and stores. In addition, an incident reporting system was set up to report on the current status of all country organizations each week. For example, the reporting system records the number of employees with COVID-19, the number of open or closed stores and short-time work in stores and at headquarters.

In the Group as a whole, there were therefore country and location-specific rules and regulations regarding the required safety measures. All specifications stipulated by law or regulations, such as providing masks, disinfectant and testing and leaves of absence for vaccinations, were upheld.

To ensure the safety of employees and customers in stores, regular and in some cases daily digital hygiene checks in the form of self checks were used to check compliance with all requirements. Employees were regularly trained on all measures and this was documented. Additional measures in stores included plastic barriers to protect employees and customers at tills, the provision of masks, increased cleaning of meeting rooms, changing rooms, washrooms and common areas, self-testing, disinfectant dispensers at entrances and digital counters to ensure the number of visitors did not exceed permitted levels.

The share of management company employees working remotely also increased significantly during the COVID-19 pandemic.

Fair and responsible working conditions

It is very important to CECONOMY to offer its entire workforce good and fair working conditions and thereby achieve high employee satisfaction. CECONOMY hires employees on the basis of agreements and laws. Responsible conduct when it comes to human rights, in accordance with the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work, goes without saying at CECONOMY. Ultimately, responsibility for this lies with the managing directors, both for the overall organization and for the individual stores.

In day-to-day business, this responsibility takes the form of a number of measures:

- The company's management has adopted a Code of Conduct that covers many areas, such as anti-discrimination and the correct handling of personal data.

- At key stages, such as recruiting, the dual-control principle is applied to protect employees and applicants from any potential arbitrary actions by individual employees.

- If employees experience or find out about any violations of these standards, they can contact their superior or an anonymous reporting system at any time. This initiates a structured clarification process.

The Chief Compliance Officer is the central point of contact for all of these issues. He and his team constantly develop these standards and ensure that they are met with the help of the measures described.

↗ Further information can be found in the section Transparency and integrity.

Independently of this, CECONOMY continuously works on measures that offer its employees a safe and attractive working environment. The NPP employee survey is a key tool here.

As a member of the retail association, CECONOMY works on various committees to help design and develop working conditions for the sector, in particular regarding collective bargaining agreements.

EMPLOYER/EMPLOYEE RELATIONSHIP

Relevant GRI codes: 402 (management approach)

CECONOMY encourages open dialogue between the employees or their representatives and the management at different levels. CECONOMY aims to ensure permanently good working conditions for its employees and thereby contribute to the company's growth.

The principles of fair working conditions and social partnership should be applied to all activities.

Management is encouraged to create an open, trust-based working environment in which people share their ideas and problems. Employees and/or their representatives are regularly informed about business and asked for feedback. The first constituent meeting of EUROFORUM (the European Works Council) was held online with employer and employee representatives on 20 May 2021. Employers presented the following topics and projects: Business figures, operating model, "Passion4Customer", NPP, "women in retail", "global business services and new work – how we will work together in the future". Follow-up events are planned.

At the regular Saturn and MediaMarkt works council conferences, current issues are presented and discussed by the employer. On account of the ongoing pandemic and infection rates, this event was held as an online conference in the 2021 calendar year.

WORK-LIFE BALANCE

Enabling employees to balance their career and family lives is an important issue for CECONOMY. Where possible, employees are offered flexible working time models and, in the administrative units, options for mobile working. Not every job allows for flexible work to the same extent. The goal is for all employees, whether they work in a store or in administration, to be able to combine their private lives and their career as best possible. A number of measures facilitate work-life balance.

– At headquarters, childcare is provided in the summer holidays and on the "*Buß- und Bettag*" public holiday.

– As the company is a member of "Mobile Familie Ingolstadt", advice and child care is free of charge for employees in Ingolstadt.

– Across Germany, free support is available for employees for the care and support (support and mediation services) of relatives who require assistance by nursing experts.

– Financial assistance is available for holiday care by the *Ingolstädt Bündnis für Familie* alliance.

– There is a cooperation partner on hand for consultations to discuss family situations, find solutions and provide support when looking for a suitable caregiver.

The part-time ratio at CECONOMY is 30.7 per cent. 24.0 per cent of our employees in Germany work part-time, while internationally the figure is 35.6 per cent.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

Relevant GRI codes: 403-1, 403-2

Occupational health and safety is vital in an increasingly fast-paced and demanding world of work. The COVID-19 pandemic has also meant enormous challenges to retail and people all over the world. CECONOMY is responding to these requirements with methodical and structured action. The company is constantly working on achieving high standards for occupational health and safety. As part of this, CECONOMY applies the EU Directive, which is implemented under German law by the *Arbeitsschutzgesetz* (Occupational Health and Safety Act).

Administrative and operating locations and stores are repeatedly visited by occupational safety experts employed by the company or by external partner firms. Together with management, detailed risk assessments are prepared and updated.

Employees are offered occupational health services exclusively by licensed company doctors. Employees can receive occupational medical care or attend examinations during working hours. Further information for employees can also be found on the company's intranet.

Occupational safety experts or external partner firms visit the stores and companies of MMSRG in Germany at regular, repeated intervals (approx. twice a year) in order to identify work-related hazards at an early stage and minimize or prevent risks.

Frequent, coordinated dialogue between countries facilitates best-practice sharing and the continuous improvement of standardized general measures.

To ensure compliance with hygiene concepts introduced in stores on account of the pandemic, internal checks by occupational safety experts or self checks are increasingly carried out. For example, the number of store visits by occupational safety experts doubled compared to pre-pandemic levels. They were also included in the service providers' target agreements.

Relevant notifications such as workplace accidents or fires are reported by the store and Group companies in question and followed up on by the departments responsible.

All employees are trained on occupational health and safety and fire safety each year in online training sessions. These training sessions are held during working hours and can be adapted according to the employee's function, for example for warehouse staff.

In addition, store-related training sessions are also held by managing directors or employees with additional qualifications, for example as part of evacuation drills. The content of the training documents is regularly evaluated and amended by a central expert group.

Preventative health services are also offered at specific stores, such as flu vaccinations, COVID-19 vaccinations, cooperation with gyms, corporate runs and health days.

Despite the pandemic, the sickness-related absence rate at CECONOMY decreased to 3.0 per cent[4] in the reporting period (2019/20: 3.3 per cent).

Employee development and talent management

Relevant GRI codes: 404-2

CECONOMY has set itself the goal of promoting continuous lifelong learning among its employees in order to meet the current and future challenges in retail. As part of this, CECONOMY invests in the employee training to help them further develop their tasks and ensure the company's actions are able to focus on the future and on customers. Systematic employee development also positions CECONOMY as an attractive employer, ensuring that it can continue to hold its own in an environment of increasing competition for talented and new employees.

One focal area of personnel development in 2021 is the strategic programme "Passion4Customer". This programme will empower and motivate all executives and employees in every country to put customer experience at the heart of what they do. The roll-out of the programme, which began in the financial year 2019/20, was severely affected by the pandemic in the reporting period. Given the associated restrictions, temporary closures and long period of short-time work, chiefly in Germany, the roll-out was repeatedly revised in the countries.

In addition to the "Passion4Customer" programme, employees also receive bespoke continuing professional development for young talent, specialists and executives. Employee development also includes extensive programmes in all countries in which the Group operates. The executive's dedication to looking after his or her employees and actively

[4] This figure includes paid absences due to illness. Absences due to occupational accidents and accidents while commuting are not included.

supporting their development is of paramount importance throughout. Each country also has other specific programmes in place, for example in Turkey one such programme for young talent is called "Leaders of Tomorrow".

So that executives can perform the important task of developing talent, for example, a "train-the-trainer" approach has been adopted in the current Group-wide "Passion4Customer" programme. As part of this, executives are trained by professional trainers so that they can then go on and train their employees. Regardless of customer focus as the central topic of this programme, the skills learnt are of course applicable to other areas of employee development.

In addition, a central project is currently under way that will further professionalize talent development. Based on desired company-specific management behaviour, current executives are promoted and new executives are encouraged in this direction at an early stage.

Finally, the company provides a comprehensive academy programme aimed at the personal and professional development of all employees in Germany. Employees can be recommended or nominated for the programme, although they can also sign up for many courses themselves.

The range of online learning has been greatly expanded on account of the COVID-19 pandemic. Thus, every employee and executive can access training on sales, technical and management issues on the company-wide e-learning platform. Events for executives and employees are regularly offered in the form of webinars and on digital communication platforms, such as a "Learn&Lead" format for executives or the "Fast Forward" format on issues specific to the company for all employees.

Diversity and equal opportunities

Relevant GRI codes: 405-1

Customers and their demands are very varied – which is why CECONOMY needs employees who can contribute different perspectives and solutions: the more diverse the employees, the more extensive the skills and knowledge within the company. Staff from 135 different countries (2019/20: 128) were employed throughout the CECONOMY Group as at the end of financial year 2020/21. Promoting this diversity is an important factor for the company's success. The CECONOMY Code of Conduct and MMSRG's compliance guideline "Style & Practice", for example, create the necessary conditions for all employees to be given the same opportunities, irrespective of their ethnic background, sexual identity, any disabilities or their religion or ideology. In this way, diversity is purposely strengthened in the company.

↗ The CECONOMY Code of Conduct is available on the website www.ceconomy.de/en/ under Company – Compliance.

↗ MMSRG's compliance guideline "Style & Practice" is available on the website www.mediamarktsaturn.com under Compliance.

↗ Further information can be found in the section Transparency and integrity.

There are many facets to diversity from a corporate perspective. One of these is gender diversity and, in particular, the share of women in management positions. CECONOMY has set the goal of increasing this share across the Group in the long term. In this context, the foundations were laid in financial year 2019/20 with the launch of the "Women in Retail" initiative, which was implemented, further developed and rolled out at all country organizations in financial year 2020/21." CECONOMY also signed up to the UN Global Compact diversity initiative. Female employees have taken part in workshops, training sessions and round table discussions through the UNGC, HDE and Google.

The "Women in Retail" initiative initiates and coordinates various measures. In financial year 2020/21, for example, national networks and an international network were set up through female leadership lunches and best-practice meetings. In addition, young talent programmes and initiatives to promote female employees were launched. A number of measures were implemented in the country organizations based on local requirements and focuses. These target female advancement, corporate culture and the associated awareness of prejudices directed at women. For example, Turkey organized diversity trainings with male market leaders to improve awareness of diversity and female stereotypes. Turkey also set itself the goal of actively addressing the public perception of women. Furthermore, mentoring programmes were established to support female employees' career development. In Spain, proactive steps were taken to increase the share of women by adapting recruitment procedures and collaboration with the ESADE Business School was continued in a programme that focusses exclusively on the development of female executives. Italy launched a social media campaign in March 2021 to encourage more girls to study mathematics and science subjects. 270 hours of online lessons were offered for girls aged between 7 and 18 over four months under the slogan "Tech is Pink".

More measures to further increase the share of women in management positions across all hierarchy levels are planned across the Group for the coming financial year.

At the first two management levels (including senior executives) at CECONOMY (CECONOMY AG and MMSRG), the share of women at the end of the financial year came to 12.2 per cent overall (level 1 and level 2), 9.7 per cent[5] of whom are at the first management level (level 1) and 12.3 per cent[5] at the second management (level 2). Overall, the share of female employees in management positions at CECONOMY is 20.3 per cent (2019/20: 19.1 per cent). The share of women in CECONOMY's overall workforce is 39.2 per cent (2019/20: 39.0 per cent).

Share of women at CECONOMY

	2018/19	2019/20	2020/21
Share of women in the total workforce (in %)	39.1	39.0	39.2
Share of women in management positions (in %)	19.7	19.1	20.3

↗ Further information on employee issues can be found in the "Employees" section of the combined management report.

Society

Relevant GRI codes: 103 413-1

CECONOMY also takes responsibility beyond its core business. The company gets involved nationally at its subsidiaries and country organizations and locally in stores and at the MMSRG company headquarters in Ingolstadt.

MMSRG established the Corporate Citizenship department in the last financial year to efficiently manage and expand the Group's social commitment. Its main responsibilities include designing and subsequently implementing a holistic corporate citizenship strategy and applying the Group-wide policy on donations, answering and coordinating all external donation inquiries, advising Group companies regarding social commitment and reporting on activities to the CECONOMY AG Supervisory Board each year. In addition, through its Corporate Citizenship department MMSRG is part of the corporate citizenship working group initiated by the specialist advice firm PHINEO gAG.

↗ Donation inquiries can be sent to corporatecitizenship@mediamarktsaturn.com.

In the area of corporate citizenship, CECONOMY focuses on socially relevant topics where the company's products, services and expertise can help enrich people's lives.

In the future, focus will be directed in part to the topic of digital education: Access to digital infrastructure and the safe use of this are vital to actively participating in economic and social life in an increasingly digitalized world. By providing relevant products and services, a relevant contribution has already been made in many projects. In addition, products from the white goods or entertainment categories helped various disadvantaged groups in society, for example by providing equipment for homes or other social facilities.

In light of the challenges posed by the COVID-19 pandemic, the Group also donated tablets, laptops and accessories to schools, hospitals, youth centres and care facilities in various countries at short notice. Media-Saturn-Holding GmbH, for example, worked together with the German federal government when visiting restrictions were in place in the 2020 calendar year to tackle the issue of loneliness among care home residents. The homes were given preconfigured tablets so that they could easily be used for video calls with relatives. The devices were provided on a long term basis, with free technical support on hand for one year. MediaMarkt Spain donated 62 3D printers in the first few weeks of the COVID-19 pandemic to print face masks. 1,000 tablets and routers were gifted to the Spanish Red Cross to provide assistance in schools to children in need and the Barcelona Medical Association received 360 tablets for COVID-19 patients in isolation. In financial year 2020/21, Group companies and stores donated over €270,000 to social projects and initiated various other donation projects. Below are some examples of these projects:

[5] The operating model structure in stores created new job titles, which is why the management levels have changed. Figures are thus not comparable with the previous year.

MediaMarkt Spain entered into a long-term cooperation agreement with SOS Children's Villages to run various projects. This includes an annual donation of €25,000 for prevention programmes to tackle the digital divide among children and young people, Office application training for children and young people and the sale of solidarity calendars in stores.

In June 2021, MediaMarkt Poland donated computer equipment, televisions and household appliances to the first cardiovascular surgery training laboratory at the "Children's Memorial Health Center" to provide efficient training for doctors working with newborn babies born with heart defects. In addition, 100 laptops were donated to primary schools across Poland in November 2020, which will be used both for home schooling and in classrooms.

At Christmas 2020, MediaMarkt Austria donated €30,000 to support the ORF's "Light in the dark" charity initiative. MediaMarkt Turkey donated more than €20,000 to reforestation efforts after the forest fires in summer 2021.

MediaMarkt Sweden continued its work with the child cancer foundation "Barncancerfonden" in the financial year. Another fundraising campaign was launched in stores in September 2021, with customers encouraged to donate SEK 10 (€1) to the partner organization with each purchase. MediaMarkt Germany also launched a campaign in stores in August 2021 where customers could hand in old smartphones and donate the value of the phone to victims of July 2021's flooding disaster.

At the headquarters in Ingolstadt, MMSRG believes its mission is to help make the town and region a place worth living. Sporting and cultural life is supported by partnerships that have developed over many years. These include involvement with the ERC Ingolstadt ice hockey club, the FC Ingolstadt football club, Ingolstadt jazz days and support for the annual "Taktraumfestival" festival, as well as social commitment: In financial year 2020/21, own-brand company Imtron donated products worth over €28,000 to various Caritas facilities in Ingolstadt. The focal topic, digital education, is also already being put into practice in individual projects, for example by equipping a new media education centre.

In addition, for many years Group employees have shown that social commitment is particularly close to their hearts. Employee donations are now a firm tradition at the MMSRG headquarters. This is organized by employees at the annual Christmas tombola and proceeds were almost doubled by the company in financial year 2020/21. The money raised here is donated to non-profit organizations in the Ingolstadt region proposed by employees. In the last financial year, €100,000 was donated to 27 charitable organizations. For the annual focus project, a large share of the donation (€40,000) went to ELISA Familiennachsorge e.V., which has provided care to children with serious chronic illnesses or cancer in the region around Ingolstadt for more than 20 years.

Climate and resources

Relevant GRI codes: 103-1, 103-2

With its business activities as a retail company in the field of consumer electronics, CECONOMY has an impact on the climate and the availability of resources. The more than 1,000 stores, the administrative locations and the vehicle fleet consume energy and other resources. Emissions that affect the climate are also produced in upstream and downstream parts of the value chain, for example in product manufacturing and logistics. In order to make growth and development sustainable, CECONOMY handles issues such as climate protection and intelligent energy and resource management using its sustainability strategy.

The topics and the progress made on them are regularly reported to the Management Board of CECONOMY AG. In this way, the Group aims to systematically develop solutions for the environment, the climate and the scarcity of resources.

Memberships in various organizations, industry initiatives and working groups play an important role for CECONOMY in staying up to date on the latest developments. For example, CECONOMY is a member of the UN Global Compact and a participant in the Climate Ambition Accelerator programme.

Climate strategy

Relevant GRI codes: 103-1, 103-2

CECONOMY's business activities mean that it has a considerable influence on the environment and the climate. In addition to the products sold, this applies in particular to the operation of stores and the transport of goods. CECONOMY takes responsibility for the emissions caused directly or indirectly by its business activities throughout the value chain and is striving to become a climate-neutral company. On the path to climate neutrality, it is especially important to achieve comprehensive transparency regarding all emissions, as this is the only way that meaningful reduction measures can be initiated and implemented. CECONOMY has the most influence over the sustainability of the products in the MediaMarktSaturn range when it comes to its own brands. Transparently presenting the carbon footprint of own-brand products and continuously reducing emissions are therefore a top priority. Climate change concerns everybody, and so all companies associated with CECONOMY are made aware of the climate challenges and called on to contribute towards the company-wide climate strategy. All business processes are geared towards climate neutrality as well.

New measures are being developed all the time to optimize operating processes and thus reduce the ecological footprint. All climate protection measures that CECONOMY has already implemented and is planning for the future are components of a comprehensive climate strategy. CECONOMY is guided by the goals formulated by the Paris Agreement for limiting global climate change. So that the progress achieved towards climate goals can be monitored transparently, CECONOMY calculates its carbon footprint annually in line with the requirements of the Greenhouse Gas Protocol. In order to even better manage all indirect emissions along the value chain, CECONOMY will expand its own carbon footprint to include other relevant categories. In particular, future reporting will cover the emissions generated in connection with the manufacture, use and disposal of all products sold by MediaMarktSaturn.

CLIMATE GOALS

In keeping with its own entrepreneurial responsibility and in order to make a positive and valuable contribution to global climate protection, CECONOMY has defined clear climate goals:

- increasing the annual sourcing of electricity from renewable energies to 100 per cent by the end of 2023;
- zero direct and indirect net CO_2 emissions from internal operations (Scope 1 and 2) by the end of 2023;
- reducing net CO_2 intensity (net CO_2 emissions in relation to total sales) from the transport of goods, purchased goods and services for internal operations and own-brand emissions (Scope 3) by 30 per cent by the end of 2033 compared to the baseline year of 2019 (baseline for own-brand products is 2021).

Climate protection and energy

Relevant GRI codes: 103-1, 103-2, 302-1, 302-3, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5

Electricity purchased by the MMSRG stores accounts for a large share of the Group's operational energy requirements. In order to reduce the locations' energy consumption, the Group is relying on an efficient energy management system and continuous modernization of the stores and administrative buildings.

The respective country organizations are responsible for managing energy resources. MMSRG's building-related energy consumption is aggregated in Corporate Property Management, which also analyses savings potential and further develops energy and resource management. In addition, the definition of Group-wide energy saving targets is also coordinated with this department. It also advises and supports the country organizations and subsidiaries with the implementation of construction and renovation work.

The property managers at all MMSRG's country organizations meet at least once a year for the International Corporate Property Meeting in order to coordinate strategies, measures and processes, exchange experiences, and discuss new legal or social conditions and their effects on property management.

The extensive data basis required for efficient energy and resource management is obtained with digital energy meters and sensors for temperature and air quality. Electricity consumption by locations is continuously measured using smart metering systems. It is possible to respond to increasing consumption immediately if necessary. Most of CECONOMY's energy requirements are covered by electrical energy.

ENERGY CONSUMPTION/ENERGY AUDIT

Total energy consumption in thousands of MWh[1]

	2018/19	2019/20	2020/21
Total energy consumption	**661.7**	**572.5**	**562.7**
Scope 1 energy consumption	**116.1**	**100.2**	**99.1**
Natural gas	54.3	51.2	57.6
Heating oil	2.7	2.5	2.4
Diesel	53.8	41.9	33.9
Petrol	5.3	4.5	5.2
Scope 2 energy consumption	**545.6**	**472.3**	**463.6**
Electricity	524.3	452.5	444.8
District heating	19.1	17.9	17.0
District cooling	2.2	1.9	1.8
Energy consumption per m² of selling space in kWh[2]	**215.8**	**197.9**	**200.4**
Electricity consumption per m² of selling space in kWh[2]	**187.8**	**170.3**	**170.3**

[1] Direct energy import by stores, administrative buildings and warehouses
[2] Not including vehicle fleet

The energy-saving goal – a 15 per cent reduction in electricity purchased directly by the stores by 2020 as compared to the base year 2011 – was met ahead of schedule in 2018, actually achieving a reduction of more than 23 per cent. The actual reduction achieved in 2019 was already 28 per cent. The energy savings achieved in the last few years are the result of setting an energy saving target, which is backed by various measures such as a comprehensive switch to more energy-efficient lighting, building automation and the optimization of heating, ventilation and air conditioning systems.[6] A new energy-saving programme is currently being set up to leverage further potential by 2025 (based on 2019).

CARBON FOOTPRINT

As a retail company, CECONOMY supports efforts to combat climate change and takes responsibility for the emissions caused directly or indirectly by its business activities. To CECONOMY, responsibility means creating transparency across all emissions and deriving reduction targets from these data. The largest share of carbon emissions caused that can be influenced directly is produced in the stores and the company's own fleet of vehicles. In particular, the emissions that arise outside CECONOMY's operating processes are those relating to the procurement of goods and services for internal use, the manufacture of own-brand products, transportation by external logistics service providers and to business travel. In order to minimize these effects and also remain competitive, CECONOMY intends to continuously reduce emissions that are harmful to the climate along the entire value chain. For example, since the start of the 2021 calendar year, Deutsche Technikberatung has been the first CECONOMY company to be climate-neutral within its own operations. Its climate neutrality is achieved by using green electricity and by purchasing CO_2 certificates from climate protection projects.

Following the first-time reporting of selected Scope 3 emissions in the 2018/19 financial year, CECONOMY has steadily improved the underlying data quality. The carbon footprint was expanded to include primary data from service providers and suppliers in addition to volume-based calculation methods in the financial year 2020/21. Moving forward, Scope 3 reporting will be continuously expanded to include additional relevant categories, in particular to analyse the use of the products sold and what happens to them at the end of their lifecycle. Furthermore, the calculation methodology is to be improved continuously with a clear focus on primary consumption and volume data.

[6] The targets are set on a like-for-like basis, i.e. based on comparable adjusted figures, and therefore include around 650 of the more than 1,000 stores.

Climate footprint (greenhouse gas emissions in thousands of tonnes of CO_2 (CO_2 equivalents))

	2018/19[1]	2019/20[1]	2020/21[1,2,3]
Total greenhouse gas emissions[4]	**100.2**	**79.6**	**76.0**
Greenhouse gas emissions not including vehicle fleet	**85.5**	**68.1**	**66.3**
Scope 1: Direct greenhouse gas emissions	**26.5**	**22.6**	**22.1**
Natural gas	11.1	10.4	11.7
Heating oil	0.7	0.7	0.6
Vehicle fleet	14.7	11.5	9.8
Scope 2: Indirect greenhouse gas emissions (market-based)	**73.7**	**57**	**53.9**
Electricity	66.5	52.2	49.3
District heating	6.5	4.3	4.1
District cooling	0.6	0.6	0.5
Scope 1 + 2 greenhouse gas emissions per m² of selling space in kg, not including vehicle fleet (market-based)	**30.6**	**25.6**	**25.3**

[1] Emissions calculated based on energy audit values.
[2] The updated VDA emission factors were used in 2019.
[3] Market-based emissions according to the GHG Protocol Scope 2 Guidance. For all countries without green electricity procurement, country-specific residual mix emissions factors from the Association of Issuing Bodies (AIB) were typically used based on the market-based method for all financial years.
[4] Total greenhouse gas emissions according to the location-based method for 2020/21: 226.2 thousand tonnes of CO_2 equivalents.

There was no CO_2 compensation within the carbon footprint limit in the financial year 2020/21, resulting in a net emissions volume for Scope 1 and 2 of 76.0 thousand tonnes of CO_2 equivalents. At CECONOMY, "net emissions" refers to actual emissions after compensation by climate certificates.

Selected indirect greenhouse gas emissions from upstream and downstream activities (Scope 3) in thousand tonnes of CO2 (CO2 equivalents)

	2019/20	2020/21
Scope 3.1 – Purchased goods & services[1]	298.8	724.8
Scope 3.1 – Non-tradables	(298.8)	(396.9)
Scope 3.1 – Procurement of own-brand products	(–)	(327.9)
Scope 3.2 – Capital goods[2]	127	58.7
Scope 3.3 – Fuel- and energy-related emissions[3]	42.7	60.3
Scope 3.4 – Upstream transportation and distribution[4]	271.3	291.6
Scope 3.6 – Business travel[5]	1.1	5.5
Scope 3.7 – Employee commuting[6]	–	21.2

[1] Scope 3.1 includes emissions from goods and services purchased for own consumption. Emissions from the purchase of own-brand products were also taken into account in the financial year 2020/21. Primary data were recorded for some sub-categories of non-tradables for the first time. Expenditure-based emission factors from DBEIS were used, which were translated from GBP in 2011 to EUR in 2021. The emissions for purchased own-brand products were calculated based on volume. Emission factors taken from the ecoinvent database were used.
[2] Capital goods related to additions to fixed assets, in which all capitalized investment accounts were included for financial year 2020/21. Data for investment accounts not relevant to Scope 3 have been removed since the previous year. Expenditure-based emission factors from DBEIS were used, which were translated from GBP in 2011 to EUR in 2021.
[3] In the case of fuel- and energy-related emissions, all upstream emissions of the energy sources from Scope 1 and 2 are included. Unlike in the previous year, country-specific upstream emissions due to line losses were calculated. The 2021 and 2017 DBEIS conversion factors (country-specific upstream emissions due to line losses) and 2019 VDA were used as the emission factors.
[4] All logistics emissions are recognized under upstream transportation and distribution on the basis of the total expenditure in 2020/21. This includes all emissions from storage, handling and transport to stores and customers. Expenditure-based emission factors from DBEIS were used, which were translated from GBP in 2011 to EUR in 2021. For items with different modes of transport, weighted averages for the emission factors were recognized in accordance with the distribution. A logistics firm was included as a primary data point for the first time this year. This has been included in the calculation of the home delivery category.
[5] Unlike in the previous financial year, emissions for business travel by employees in all countries were reported. The data were collected through the official travel partners where available; otherwise they were calculated on an expenditure-basis (travel expenses). The total figure includes emissions from flights, rail travel, rental vehicles and overnight hotel stays. Volume-based emission factors from DBEIS 2021 and expenditure-based emission factors from DBEIS were used, which were translated from GBP in 2011 to EUR in 2021.
[6] Potential work days less holidays in Germany were taken as a reference to calculate Scope 3.7. Shorter hours worked due to COVID-19 were taken into account. The kilometres saved as a result of working shorter hours were allocated to the modal split. The 2021 DBEIS conversion factors were used as the emission factors.

CO_2 EMISSIONS IN STORES

CECONOMY works continuously to reduce its energy consumption per square metre of selling space. This way, the Group is making a key contribution to the conservation of resources – and to climate protection as the production of energy causes carbon emissions. In financial year 2020/21, the total energy consumption of the stores and administrative buildings (not including the vehicle fleet) came to 523.6 thousand megawatt hours. This corresponds to 200.4 kilowatt hours per square metre. The COVID-19 pandemic and the temporary closure of stores this entailed also meant a significant reduction in energy consumption in the financial year 2019/20. While CECONOMY was affected to a higher degree by the temporary closure of stores in financial year 2020/21, stores operated for longer in financial year 2020/21 on account of pick-up and ship-from-store options. There was therefore a year-on-year increase in energy consumption per square metre of selling space. Nonetheless, the energy consumption per square metre of selling space was reduced significantly compared to a reporting period without COVID-19 effects thanks to comprehensive energy-saving measures.

Greenhouse gas emissions by stores and administrative buildings emissions (not including the vehicle fleet) totalled 66.3 thousand tonnes of CO_2 in the financial year 2020/21. In relation to selling space, this corresponds to 25.3 kilograms of CO_2 per square metre. As a majority of stores now purchase certified green electricity, the Scope 2 emissions have been reduced significantly in the past. CECONOMY is working continuously on identifying and leveraging further potential for reductions moving ahead.

Regular energy audits are already performed in some countries to satisfy statutory requirements. These also serve the quality assurance of the data recorded and the tracking of the necessary processes.

Sustainable logistics

Relevant GRI codes: 103, 305-5, 308-2

Transport and storage are essential for selling goods to customers in stores and online – a process that generates carbon emissions. Overall responsibility for the logistics of the MediaMarktSaturn Group lies with the Vice President for Supply Chain Management. The country organizations are responsible for their own logistics and transport flows.

The shipping volumes and inventories of MMSRG result from the supply chain operations of regional country organizations and Imtron, which supplies the Group's own brands. The current supply chain is divided into e-commerce and retail business.

The centralization of the decentralized supply chain model prevalent in retail business was also advanced in the financial year 2020/21. The new centralized model allows central procurement and the bundling of delivery flows to stores through central distribution centres. In this context, goods flows are increasingly planned and managed centrally. As a result, CECONOMY can target transport reductions and simultaneously reduce its carbon emissions.

On account of the COVID-19 pandemic and the temporary closure of many stores that this has entailed in the financial year 2020/21 as well, demand shifted to online business, which meant major challenges for the online fulfilment centres. By immediately using business continuity plans for its supply chain, CECONOMY introduced safety measures to protect its employees at the beginning of the pandemic and increasingly resorted to deliveries from stores to assist online operations and to be able to offer customers a familiar shopping experience.

The COVID-19 pandemic highlighted the need to accelerate the new supply chain strategy in the financial year 2020/21 as well. The goal remains to enhance the centralized omnichannel fulfilment network that has been introduced to offer customers the highest level of service on the basis of delivery speed, reliability, quality and availability. End-to-end transparency and control throughout the network must be increased to achieve this goal. This means that supply chain systems (e.g. for fulfilment and transport planning) will be gradually introduced. This is not only resulting in better customer service but also helping to achieve cost and CO_2 targets. To implement the new supply chain, certain functions are being tested in different regions in cooperation with suppliers and other business partners. Function scopes and regions will gradually be expanded, continuously raising the level of centralization.

MediaMarktSaturn's new distribution centre for Germany, which forms the backbone for supplier centralization and product restocking, went on stream in the financial year 2020/21. Attention was deliberately paid to scalability, modern and resource-saving construction methods and stringent operational sustainability requirements when building the distribution centre. The distribution centre is striving for silver certification according to the standards of the German Sustainable Building Council (DGNB) from early 2022. Among other things, the photovoltaic system installed on the roof, which can generate around 410,000 kWh of electricity per year, is also used to power the LED hall lighting, office equipment and forklift chargers. Excess energy is fed into the grid. As the power supply to the stores is both central and bundled, direct delivery to the stores by various suppliers is also no longer required. This substantially reduces goods traffic, which accounts for a majority of carbon emissions. Finally, the use of forklifts with lithium-ion batteries with a partially lighter structure reduced CO_2 emissions by around 16 per cent compared to conventional warehouse vehicles.

Over time, the distribution centre will shift its focus away from just store and warehouse delivery and towards being an omni-serving unit in order to become an omni-distribution centre that also handles direct customer deliveries. In addition to the central distribution centres, hubs are being developed in metropolis regions and cities. These are mainly geared towards the delivery of large appliances. The hubs are decoupling points to increase the efficiency of city logistics and prepare for rapid changes in regulations and restrictions in city distribution. From the hubs, customer deliveries, store deliveries and returns are combined with the same vehicles. In addition to efficient delivery and shorter distances travelled, in future these hubs will ensure that customers can be offered additional services, such as assembly, installation, disposal of old appliances or repairs, according to their needs. To this end, tests that have already produced promising results have been conducted in several regions. This route optimization means that customers can be offered a delivery window with a high degree of accuracy.

This new, more centralized approach allows CECONOMY to increase the transparency of transport routes, distances travelled, fuel consumption and freight capacity utilization. In order to further enhance the transparency of the type and amount of carbon emissions caused by logistics and transportation, CECONOMY has begun monitoring the consumption data (in tonne-kilometres) of selected transport service providers in the financial year 2020/21. This enables the formulation of targets on the basis of recognized standards (Greenhouse Gas Protocol; EN 16258) and methods (Global Logistics Emissions Council Framework) in addition to progress reporting. The calculation of Scope 3 emissions (logistics/transport) can therefore be gradually expanded. Sustainable logistics aims to systematically reduce the environmental impact of transport and warehouse operations. Furthermore, an initiative was launched to assess how warehouses can be equipped with technologies to measure their energy consumption. In addition, CECONOMY is planning to introduce electric vehicles and bike couriers in more than 50 cities in order to reduce the carbon footprint of last-mile deliveries within the next three years. Initial pilot trials have already been implemented.

The logistics sustainability programme is gradually being expanded. This is increasingly focusing on returns logistics and is intended to allow business opportunities by reusing products and materials. CECONOMY values responsible action in the processing and disposal of used products and materials.

The training of logistics employees will concentrate on environmental standards, social responsibility, safety and health protection within the supply chain.

Overall, the intention behind redesigning the supply chain is to actively identify waste and opportunities for optimization, to work closely with suppliers and service partners and to develop a systemic approach that reduces environmental impact and improves the cost basis and sustainability.

Old electrical devices, packaging waste and their contribution to resource efficiency

In connection with the CECONOMY Group’s business processes, products and services, waste is also generated in stores, headquarters and by customers. CECONOMY is aware of the impact that this waste generation has on the environment, and is constantly striving to reduce it. The proper handling of waste is a top priority for CECONOMY. It therefore has waste separation concepts, employee training on waste separation and controls on the proper handling of waste. The Group also only works with certified disposal specialists. To assist customers in recycling valuable resources, both old electrical devices and packaging waste are taken back free of charge and properly recycled.

Furthermore, there are disposal stations in all stores where customers can return batteries and lamps in addition to old electrical devices.

The respective country organizations are responsible for the management of old electronic devices and packaging waste. There are also organizational instructions for each country on the proper collection, separation and disposal of waste. Disposal partners are selected, and waste volumes monitored, at the level of the country organizations as well.

Old electronic devices that have reached the end of their useful life for customers are CECONOMY’s most significant waste category. The return and recycling of old electronic devices is regulated by the Waste Electrical and Electronic Equipment Directive and the corresponding national laws in the European Union (EU). As a retailer, CECONOMY is thus legally required to take back old devices. MMSRG’s companies and stores take back old electronic devices from customers in all EU countries where it operates. This applies both to in-store retail and to the online shops. Customers can return their old devices either to the stores or to the delivery company when they receive a new delivery at their home. In some cases, CECONOMY also accepts returns of old electronic devices that go beyond its legal obligations.

CECONOMY is constantly striving to optimize the packaging of its own-brand products. In order to reduce packaging volumes, less material will be used and the overall (transportation) packaging volume will be reduced in the long term. To this end, Imtron is examining the use of certified materials, new concepts, new types of packaging materials and the reduction of the share of plastic used.

Another key component of CECONOMY's business activities is delivering products to customers. CECONOMY is currently converting its own decentralized supply chain model into a centralized model.

The centralization of procurement in procurement logistics means that goods are delivered to one place. Instead of individual packages, entire palettes are delivered to stores, thereby reducing transport packaging.

↗ Further details on the supply chain can be found in the section on sustainable logistics.

OLD ELECTRICAL DEVICES

Relevant GRI codes: 306-3

Returned old electrical devices are collected and sorted in regulation containers in MMSRG stores or central warehouses. In the financial year 2020/21, the German country organization took back around 40,000 tonnes of old electrical devices and passed them on exclusively to certified waste management companies for processing and recycling.

Returned old electrical devices[1]

in tonnes	2020/21
Heat exchangers[2]	11,641
Screens, monitors[3]	1,103
Lamps[4]	3
Large appliances[5]	26,237
Small appliance[6]	640
Small IT or telecoms devices[6]	154
Total old electrical devices	**39,778**

[1] The reported volumes are recorded by the disposal service provider.
[2] Electrical devices with integrated circuits in which substances other than water are used for the purpose of cooling/heating or dehumidification
[3] Screens, monitors and devices with screens with a surface of more than 100 cm^2
[4] Glow-discharge lamps and other lamps that can be used in private households
[5] Appliances that have at least one external dimension of more than 50 cm
[6] Appliances that have no external dimensions of more than 50 cm

A total of 202,258 tonnes of old retail electrical devices were returned in Germany in the 2020 calendar year. Media-Saturn Deutschland GmbH's share of the total volume of returns was more than 20 per cent at around 44,500 tonnes.

PACKAGING

Relevant GRI codes: 306-3

The packaging waste generated is separated into the different types shown below. Employees receive regular training on this and sorting instructions must be obeyed in warehouses. In the financial year 2020/21, the German country organization placed around 13,000 tonnes[7] of packaging waste into recycling.

[7] This includes both packaging waste returned by customers and transport packaging generated in stores and warehouses.

Packaging waste[1]

in tonnes	2020/21
Paper, card, cardboard packaging	6,736
Mixed packaging (for recycling)	1,964
Wood	2,691
Film	715
Polystyrene	840
PP straps	63
Total packaging waste	**13,009**

[1] The reported volumes are recorded by the disposal service provider.

Transparency and integrity

CECONOMY's long-term success is built on the foundation of far-sighted governance and Group-wide standards that extend as far as the supply chain. Specifically, this foundation is reflected in transparent, law-abiding, dependable and secure processes that are implemented and put into practice by acting responsibly and with integrity.

The Management Board of CECONOMY AG is responsible for and has a legal obligation to implement effective governance in the form of a governance, risk and compliance (GRC) system. This also includes risk and opportunity management, the internal control system, compliance and Internal Audit.

The challenge is to take the different social and legal conditions of the country organizations into account and integrate the sometimes different corporate cultures and processes of the individual companies.

Compliance

Relevant GRI codes: 102-7, 102-16, 205 (management approach)

Building on the foundation, the Code of Conduct is a central authority and source of guidance that defines the common, company-wide values. The Code of Conduct not only highlights compliance with the law, but also the CECONOMY Group's commitment to transparency, integrity, fairness and respect for others. Violations of these fundamental values and regulations, and of the law, can entail existential risks to the company and a loss of reputation, which is why they will not be tolerated under any circumstances. Any abuse of one's own position for personal advantage, or for the benefit of a third party or to the detriment of the CECONOMY Group, will be prosecuted and punished.

In coordination with CECONOMY AG, Media-Saturn-Holding GmbH's Compliance Management department centrally manages compliance issues and is aided in this at the various country organizations by the local compliance officers (LCO). Together with the Compliance Management department and the Compliance Committee, which coordinates the compliance dialogue within the MediaMarktSaturn Group, the LCOs form a compliance management system (CMS).

The aim of the CMS currently being developed is to ultimately establish a long-term, company-wide culture of compliance with the help of various communication and training activities. Management supports this compliance culture with regular tone-from-the-top messaging and by implementing a zero-tolerance approach to compliance violations.

The shared Code of Conduct not only defines the company-wide foundation of values for the CECONOMY Group, but also sets the compliance standards for all employees. Specifically, this concerns the following subject areas:

– human rights, labour and social standards;

– occupational health and safety;

– climate and environmental protection;

– legal compliance;

– conflicts of interest;

– gifts and favours;

– competition and antitrust law;

– antidiscrimination;

– company and personal data;

– inside information;

– reporting of violations.

The Code of Conduct is supported by Group-wide antitrust, data protection and anti-corruption guidelines.

Together with their employment contracts, every new employee receives a copy of the current Code of Conduct which they must read thoroughly and bindingly agree to obey in writing.

Furthermore, there are other country-specific guidelines at MSH and the Group and country organizations that are tailored to the respective local situation and business practices of the various countries.

In addition to the measures already described, the enduring establishment of a company-wide culture of compliance also includes actively promoting a "speak up" culture, whereby every employee is required to report violations of internal policies or the law without fear of recrimination.

Such information can be reported to supervisors, compliance officers as well as the chief compliance officer. Violations can also be reported – anonymously – through the whistleblowing system.

↗ Further information on the whistleblowing system can be found on the company's website:
https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=13mesa1

In conjunction with the training process that will be in place from the financial year 2021/22 onwards, all new employees will be required to take mandatory training (online and classroom training) that will teach basic information on anti-corruption, conflicts of interest, data protection, antitrust law, money laundering and the company's guidelines and policies.

Aside from the objectives and measures described here, the CMS will create a series of controls and assessments to guarantee compliance with standards and to identify risks early on. These include reviews by the Internal Control System and Corporate Risk Management that will track, analyse and manage corporate risks at Group level. Separate risk assessments for the compliance and supply chain areas will be incorporated into Group-wide Corporate Risk Management.

The prevention measures derived from the risk assessments ultimately contribute to the improvement of internal procedures, processes and training. In addition, Internal Audit is another governance body that reviews the effectiveness of risk management.

This risk-based approach is also applied in business partner screening in Marketplace and Imtron, which comprises the prevention of corruption and money laundering risks in addition to checking the sanction lists.

Data protection and information security

As an international technology company, CECONOMY is pressing ahead with digitalization and uses intelligent networking of different data and information for its business model. Responsible handling of data from customers, employees, business partners and investors is therefore very important in the context of its business activities and processes. Advances in digitalization facilitate data processing – which can have effects on the rights and freedoms of individuals. If violations occur with regard to data protection, this may result in sanctions and reputational damage. CECONOMY is aware of the misuse of data and the risks it entails; adequate measures are being taken.

DATA PROTECTION

Relevant GRI codes: 103, 418 (management approach)

Data protection means protecting individuals from infringements of their personal rights and privacy that arise from the misuse or unauthorized use of data. Millions of customers entrust their data to the company in conjunction with its e-commerce activities. Furthermore, the protection of employee, business partners and Group shareholder data is a top priority.

The goal is to comply with this principle and the relevant laws such as the General Data Protection Regulation (GDPR) and the forthcoming German Telecommunications and Telemedia Data Protection Act. The national and local data protection laws of the respective country organizations and data protection regulations resulting from other sources are also included.

Responsibility for compliance with legal requirements for data protection lies with the Management Board of CECONOMY AG and the management bodies of the individual Group companies. The Vice President of Compliance & Privacy reports directly to the Management Board and manages the data protection concerns of CECONOMY AG and MSH as the data protection officer. The data protection officer is in charge of the data protection organization and coordinates the data protection departments of the MMSRG Group and the general data protection strategy, regulates the basic structure and advises the individual MMSRG subsidiaries and Deutsche Technikberatung GmbH (DTB) on the implementation of internal and external data protection requirements. Data protection officers have been appointed at every independent company of the CECONOMY Group. CECONOMY introduced a variety of strategic and organizational measures in connection with the implementation of the GDPR. The focus is on the comprehensive and correct fulfilment of the GDPR's requirements, taking into account the balance between business necessity and compliance challenges. Corresponding measures on accountability and data protection management, documentation, duties to provide information and the rights of data subjects are being implemented on an ongoing basis.

In order to fulfil its statutory obligations, CECONOMY has a privacy team that monitors and guarantees compliance with these data protection standards throughout the entire Group and that assists other departments at any time with consulting services or training. Activities also include close cooperation with IT Security to enable the high level of data protection on the technical side as well. The privacy team monitors the latest developments in the field of data protection law and adapts its own procedures accordingly as necessary. Furthermore, CENONOMY works with external legal service providers so as not just to rely on its own expertise, but also to ensure that any increase in the workload can be handled at any time.

CECONOMY's general Group data protection guideline is regularly evaluated and reflects the principles of data protection for all CECONOMY companies. The Group has thereby committed itself to a uniform level of data protection. Compliance with data protection laws is ensured by internal audits and a regular dialogue with the competent data protection regulators.

In addition, there are policies and procedural instructions, both for multiple divisions and specific divisions, at MMSRG on the structuring and standardization of data processing.

Further national considerations and individual decisions concerning the data subjects of stores or the respective country organizations are handled by the national data protection officers of each country organization.

The Data Privacy Office (DPO) is the central point of contact within MSH for all national and international companies of MMSRG. To ensure compliance with internal and legal requirements, it supports the collection, processing and deletion of personal data on customers, partners and employees. In addition, DPO in cooperation with other departments (especially IT Security) provides advice on the necessary technical and organizational measures to ensure lawful processing of the personal data collected by MMSRG.

Data protection incidents or potential for improvement can be reported via contact points such as central e-mail addresses for all stakeholders. Each report is promptly reviewed and answered.

Employee awareness of data protection requirements is still a priority at all levels of the Group. Data protection training is carried out to raise awareness within the company. In addition to managing directors, employees in departments who have access to and work with sensitive data in particular receive regular and intensive classroom or online training on data protection and data security.

A data protection management system (DPMS) was also introduced to further systematically establish data protection at all MMSRG business units. This is evolving and being optimized on an ongoing basis.

INFORMATION SECURITY

Relevant GRI codes: 103, 418 (management approach)

Alongside data protection, the Information Security department is of central importance at CECONOMY in safeguarding the confidence of our customers, business partners and other stakeholders. The possible threats in retail include the failure of IT-based business processes, IT security incidents and cyber-attacks.

At the level of CECONOMY, the IT infrastructure and IT security are managed by the IT Security Officer. At MSH, the role of Chief Information Security Officer (CISO) bears full responsibility for Information Security for MSH and all its shareholdings. He reports to the Chief Technology Officer (CTO) of MSH. Additional IT Security departments have been finally established at the country organizations and subsidiaries since April 2021 and attached to MediaMarktSaturn Technology's Cyber Security Office. These departments implement the IT security strategy in their companies and also adhere to special considerations or regulations specific to their country.

This way, CECONOMY is aiming to ensure its principles of confidentiality, availability and integrity, to protect personality rights and to reduce threats and the financial damage they cause.

Protection of availability: Relevant information is always available when needed.

Protection of confidentiality: Relevant information is disclosed only to the small group of authorized persons.

Protection of integrity: Relevant information has not been falsified and is complete at all times. Changes to this information can only be made by authorized persons.

Information Security allows a holistic analysis of the company's risk and security situation and, in strategic coordination with the Data Protection department, it creates the technical requirements to implement data protection in operations as well. Information Security is divided into three functions. These are mainly maintaining the IT infrastructure, preserving the confidentiality of data and information and the technical implementation of data protection.

Information Security's strategic goals break down as follows:

– Enhancing the visibility of cyber security for everyone in the company.

– Raising the security awareness of all the company's employees.

– Expanding the security architecture, technology and capacity to protect customers and the organization.

In order to achieve its strategic objectives, CECONOMY AG began work to implement an information security management system (ISMS) in July 2020. This ISMS is based on the ISO 27001 standard, which introduces a framework of principles and regulations to provide a structure for ISMS processes. At CECONOMY, the ISMS clearly regulates responsibilities and functions for ensuring information security. These regulations apply to all relevant systems, applications and parties in relation to information and data processing and to all employees of CECONOMY.

The implementation of CECONOMY's advanced IT security strategy has prepared CECONOMY for the future, allowing it to respond to current requirements at an early stage. In addition to the rising online share of consolidated sales, the system has been adapted to match the advancing professionalism of hackers and thus the frequency of attacks during the COVID-19 pandemic. Also, security measures were taken to prevent e-mail phishing attempts in particular. Despite this, there is continuing investment to raise awareness of information security risks, such as CEO fraud or phishing, among all employees, including top management. Both classroom training and online training are mandatory for employees. Throughout the Group, around 7,900 employees received online training and around 1,700 classroom training in the financial year 2020/21.

Furthermore, integrated security information event management, with its affiliated security operation centre, was given a significant boost in terms of staff and technology in order to counter the growing threat of attacks on systems.

In particular, the launch of the initiative to identify software errors and security vulnerabilities serves the continuous security improvement of the services available online. The establishment of holistic vulnerability management allows CECONOMY to respond significantly faster to identified technical risks.

Responsible tax strategy

Relevant GRI codes: 207-1, 207-2, 207-3

CECONOMY's tax strategy is derived in part from the Group's philosophy as set out in the Code of Conduct. It is built on the principle that social acceptance is a key tenet of economic success.

CECONOMY has a special responsibility as a multinational corporation. The taxes that are levied in the countries in which the Group operates are paid and the tax laws and rules that apply there are obeyed. CECONOMY is aware that such taxes are often used to finance vital investment in education, research or infrastructure. Accordingly, any form of tax evasion is opposed, whether at CECONOMY itself or its business partners. These principles are taken into account in all business activities and decisions. The regulations and initiatives for tax transparency, in particular country-by-country reporting, are also complied with.

CECONOMY currently operates in 13 states. The transfer pricing system is consistent with OECD guidelines. Transfer pricing between the country organizations is calculated in line with the arm's-length principle. CECONOMY's business model expressly does not aim to maintain a presence in tax havens, hence it has no companies located at any sites on the common EU list of third country jurisdictions for tax purposes.

Responsibility for compliance with CECONOMY AG's tax obligations initially lies with the Management Board as a whole. The Management Board's schedule of responsibilities assigns this responsibility to the Chief Financial Officer (CFO), who in turn delegates it to the Vice President of Tax. To ensure the uniform handling of tax issues, a Group taxation function on the one hand and local tax functions on the other were set up to make a clear distinction between tax issues concerning Germany and those concerning other countries.

To ensure a cooperative relationship with the tax authorities, CECONOMY maintains an intensive, transparent and constructive dialogue with the revenue administration at local and national level.

Furthermore, to ensure that tax obligations are properly fulfilled, the Management Board as a whole has arranged for the introduction of a tax compliance management system (Tax CMS) and delegated the coordination of its introduction and its monitoring to the Vice President of Tax. The basic concept and minimum standards of the Tax CMS take into account the seven pillars of the IDW Assurance Standard 980 and the corresponding "IDW Technical Guidance 1/2016".

Instances or suspicions of tax misconduct can be reported internally or by third parties using the established communication channels of the compliance function.

↗ Further information on the whistleblowing system can be found on the company's website:
https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=13mesa1

Sustainability in supplier management

Relevant GRI codes: 102-9, 102-12, 102-13, 103

Sustainability in supplier management is a key component of CECONOMY's sustainability strategy. CECONOMY undertakes to respect fundamental and universal human rights and to assist in their protection and compliance. The company wishes to make a positive contribution to respect for human rights and wellbeing. The foundation and framework for corporate culture and the company's activities are formed by globally accepted standards and agreements. Furthermore, CECONOMY is committed to the principles of the UN Global Compact and wishes to contribute to the achievement of the Sustainable Development Goals through its own actions. Since 2018, CECONOMY has been a signatory of the Diversity Charter, thereby declaring its willingness to advocate diversity and equity as an employer.

CECONOMY's operating activities comprise supplier relationships concerning both own brands and third-party products and services, which are procured directly and indirectly. As Europe's biggest consumer electronics retailer, CECONOMY sells brand products from internationally renowned manufacturers and products from its own-brand company Imtron. The range is predominantly produced by manufacturers with factories in East and Southeast Asia. The upstream international supply chains therefore entail an elevated risk of breaches of human rights and environmental laws.

As part of its unceasing efforts, CECONOMY examines the relevant processes and guidelines in order to take on the additional requirements of the German Act on Corporate Due Diligence in Supply Chains and make the necessary adjustments. CECONOMY's goal is to implement all components of sustainable supplier management on the basis of a human rights due diligence process, in particular:

- policy statement on human rights;
- implementation of risk management;
- regular risk analysis;
- development and implementation of prevention measures and remedial actions;
- complaints procedures;
- risk-based controls and effectiveness review;
- documentation and reporting.

CECONOMY is working in close coordination with the respective units and purchasing departments of its country organizations. Responsibility lies with CECONOMY AG's CEO. The Sustainability department reports to Corporate Strategy, which in turn reports directly to the management of MSH. Furthermore, sustainable supplier management activities and their implementation status are reported on to CECONOMY AG's Management Board and Supervisory Board at quarterly meetings. Furthermore, in the coming financial year there are plans to report a human rights officer in charge of monitoring risk management.

As a member of the Responsible Business Alliance (RBA), MSH looks to industry-wide requirements and standards and is committed to the responsible business standards of the RBA Code of Conduct. CECONOMY is thus joining with leading companies in the electronics industry, campaigning for uniform standards for social, ecological and ethical issues within the supply chain, thereby endeavouring to improve the industry's supplier management in the long term.

As a central component of its risk management for due diligence compliance, CECONOMY already published a human rights policy in 2019. The document sets out the policy statement on human rights and provides an overview of the company's strategy and its expectations for itself and its own value chain. The policy statement on human rights provides a foundation for the actions of our employees, managers, business partners and other stakeholders. The policy statement is a foundation for processes, decisions and cooperation with business partners. These values and commitments are also set out in the Group-wide Code of Conduct.

↗ The Human Rights Policy can be found at www.mediamarktsaturn.com. Further information on the Code of Conduct can be found in the section on compliance.

A Group-wide whistleblowing system has been created as an instrument for identifying human rights risks and violations. Any suspected human rights violations in the supply chain can be reported anonymously using this whistleblowing system, by employees (of the company) and third parties alike.

↗ Further information on the whistleblowing system can be found in the section on compliance and at https://www.bkms-system.net/bkwebanon/report/clientInfo?cin=13mesa1.

SUSTAINABILITY IN SUPPLIER MANAGEMENT (THIRD-PARTY BRANDS)

Relevant GRI codes: 103, 412 (management approach)

In order to fulfil CECONOMY's overriding goal of implementing a comprehensive human rights due diligence process by the end of 2022, the implementation of a regular risk analysis and the development of suitable prevention measures and remedial actions are essential in the area of third-party brands in particular.

CECONOMY has set itself the following goal by the end of the 2022/23 financial year: For more than 80 per cent of the share of sales generated with third-party brand manufacturers, the corresponding suppliers are audited respectively rated by external agency for their compliance with labour laws and human rights. Procurement strategies, purchasing practices and corresponding guidelines perform a vital function in preventing negative repercussions of the CECONOMY Group's business activities on people and the environment.

As a participant in a large number of global value chains, Procurement works closely with the suppliers of goods. Since this financial year, the expectation that suppliers avoid, minimize and rectify substantial actual and potential negative social and ecological repercussions has also been a fixed component of the Group-wide framework purchasing agreement template. It also covers working and social conditions, respect for human rights, environmental protection, the fight against corruption and bribery and suppliers' due diligence along their own supply chain.

CECONOMY uses a risk-based approach for due diligence compliance in the supply chain. With a focus on suppliers and manufacturers with the highest sales, CECONOMY uses sustainability ratings provided by an independent CSR rating agency. In the financial year 2020/21, the sustainability performance of manufacturers accounting for 44.7 per cent share of sales was assessed in the areas of the environment, labour law and human rights, sustainable procurement and ethics. Manufacturers that account for 43.5 per cent of sales achieved a score in the green range, i.e. more than 45 out of 100 points.

For the financial year 2021/22, there are plans to introduce a systematic and comprehensive risk analysis in relation to human rights and environmental law aspects in order to identify the priority risks in the supply chain. Moving ahead, there will be a comprehensive reassessment of risks at annual intervals and on a case-by-case basis. CECONOMY is striving to publish the initial results and the resulting measures for the financial year 2021/22. In order to develop suitable prevention measures and remedial actions, the company is aiming to establish measures for improvements and timetables together with its suppliers. The effectiveness of the measures implemented will be ascertained using risk-based controls. If the agreed remedial actions do not result in any improvement, business relations could be suspended or even discontinued depending on an individual analysis.

OWN BRANDS: SUPPLIER MANAGEMENT AT IMTRON

Relevant GRI codes: 102-9, 102-13, 103, 414-2

In addition to trade with brand-name products from world-renowned manufacturers, CECONOMY also sells products from its own-brand company Imtron, which is responsible for its own supplier management. The business purpose of Imtron is to supply the country organizations centrally with high-quality own-brand products, including the brands ok., KOENIC, PEAQ and ISY.

In conjunction with its supplier management, Imtron has established the Supplier Code of Conduct as a fixed component of all contracts in connection with products. Imtron has also set itself the goal of achieving a long-term improvement in its supplier relationships. In addition to the contractual obligations of Imtron's requirements, the operation of the amfori BSCI social standard system is a key element within the Imtron procurement process. The primary objective is for production facilities to be successfully audited in accordance with the amfori BSCI management system or other accepted social standard systems.

Imtron's own Procurement Policy ensures compliance with defined procurement processes and methods. The framework regulates all procurement processes and minimum requirements for all products and goods-related services. It also defines process and documentation requirements and responsibilities to ensure the utmost transparency in procurement processes. The policy takes into account CECONOMY's higher-ranking Group policies and is binding for all employees and departments of Imtron and its wholly owned subsidiary Imtron Asia Hong Kong Limited. Compliance with Imtron's Procurement Policy is reviewed by the internal control system and on a test basis by Internal Audit at MSH at regular intervals. The results of this are reported to the management of both Imtron and MSH, and are applied in detailed improvement action plans. The Procurement Policy itself is subject to regular internal plausibility checking and is thus updated and revised regularly.

Since 2014, Imtron has been a member of amfori BSCI, which was founded to protect workers' rights in production facilities. The amfori BSCI Code of Conduct is based on Social Accountability International's SA8000 standard, the United Nations Universal Declaration of Human Rights, the UN Global Compact, the core labour standards of the International Labour Organisation and OECD directives. amfori BSCI principles therefore include the active management of operational and environmental protection, health and safety at work, the fight against corruption and the general prohibition of child and forced labour. These are compiled in a Supplier Code of Conduct and are communicated to all Imtron suppliers and business partners. The Supplier Code of Conduct is a fixed component of all contracts in connection with products, and therefore mandatory for all Imtron suppliers. All new and existing suppliers of Imtron own-brand products are compelled by this Code of Conduct to comply with sustainability criteria. One long-term goal is to improve long-term business relationships with suppliers. For example, Imtron has been working with 54 per cent (previous year: 44 per cent) of its active suppliers for more than five years.

Within Imtron, the Sustainability, Compliance & Contract Management department conducts central monitoring of compliance with criteria and requirements. For example, it investigates whether a business partner has undergone a valid amfori BSCI audit. All active Imtron suppliers (business relationships within the past two years) are required to sign a code of conduct based on amfori BSCI as an annex to their contract. 100 per cent of Imtron suppliers have signed this Code of Conduct as of the end of the financial year 2020/21. Every order by Imtron is also subject to this department's approval. Imtron's procurement decisions are thus defined by amfori BSCI, establish a minimum standard for business partners and secure a commitment from every manufacturer.

As a member of amfori BSCI, Imtron is required to allow regular audits of its production facilities. An amfori BSCI audit is considered to have been passed or to be successful if the production facility has at least scored a "D" grade.

Successful BSCI audits[1]

	2018/19	2019/20	2020/21
Number of suppliers audited (absolute)	121 of 127	122 of 126	131 of 135
Share of suppliers audited (in %)	95.3	96.8	97.0

[1] Successful social audits based on own imports (audits of all producers in defined risk countries in which Imtron manufactures imported goods, show the successful implementation of BSCI or an equivalent social standard system through an independent third-party certificate).

As in the previous years, in the financial year 2020/21 Imtron worked to ensure that production facilities that got a D on their audit rapidly take corrective measures and are audited again within a few months to improve their results. This contributed to a positive development in audits. For example, two of the three production facilities that only earned a "D" in their audit successfully raised their overall grade to "C" within a maximum period of four months in the financial year 2020/21. There were no zero-tolerance cases as defined by amfori BSCI in the financial year 2020/21. This means that no suppliers experienced particularly critical incidents.

Out of the 135 production facilities in what are considered risk countries, 97.0 per cent have undergone successful audits. Imtron defines risk countries as those countries that amfori BSCI has also classified as risk countries. The resulting monthly overviews of improvements and deteriorations are regularly reported to Imtron's management. In particular, the tracking of audit results and the preparation and implementation of action plans in cooperation with production facilities are to be intensified in the long term.

Compliance with the requirements of the production facilities is monitored by internal data management that is constantly updated with audit data from the amfori BSCI database. Moreover, these data on production facilities and the current social audits are maintained in the Imtron procurement IT system. The associated production facilities and the current result of the social audit are saved for each product and supplier. This IT solution contributes towards the transparent documentation of the fulfilment of sustainability requirements within Imtron.

Outlook

In financial year 2021/22, CECONOMY will continue to develop and implement its sustainability strategy and the associated activities.

Even today, a wide range of sustainability projects and initiatives have already been successfully implemented at the country organizations. So that CECONOMY can keep an eye on all relevant issues and identify new challenges early on, the Group will perform a new materiality analysis in the coming financial year and engage in an intensive dialogue with its stakeholders. In this way, own actions shall be regularly scutinized and sustainability activities consistently further developed.

As well as increasing the attractiveness of the brand, offer and private labels, sustainability is giving rise to a plethora of new business models, such as expanding the sustainable range and offering circular economy services. CECONOMY thereby wishes to make an important contribution to extending product lifecycles.

High-quality customer advice and education on sustainable consumption, in addition to other measures to reduce the CO_2 emissions of the company's own operations, are being intensified.

To reduce the consumption of resources, CECONOMY would also like to advance the optimization of product and logistics packaging.

Appendix – GRI index table

Codes	Disclosures	Section	Notes on omissions and additional explanations
102	**General Disclosure**		
	1. Organisational Profile		
102-1	Name of the organization		Annual report 2020/21
102-2	Activities, brands, products, and services	Sustainability strategy and material issues ("Business model") Customer ("Sustainable products, services and customer communication")	Annual report 2020/21
102-3	Location of headquarters		Annual report 2020/21
102-4	Location of operations		Annual report 2020/21
102-5	Ownership and legal form		Annual report 2020/21
102-6	Markets served		Annual report 2020/21
102-7	Scale of the organization	Transparency and integrity ("Compliance")	Annual report 2020/21
102-8	Information on employees and other workers		Annual report 2020/21
102-9	Supply chain	Transparency and integrity ("Own brands: Supplier management at IMTRON")	Annual report 2020/21
102-12	External initiatives	Sustainability strategy and sustainability management ("Networks and initiatives") ("Green Consumption Pledge")	
102-13	Membership of associations	Sustainability strategy and material issues ("Networks and initiatives") Transparency and integrity ("Sustainability in supplier management") ("Own brands: Supplier management at IMTRON")	
	2. Strategy		
102-14	Statement from senior decision-maker	Sustainability strategy and material issues ("About this report") Customer ("Sustainable products")	Annual report 2020/21

Codes	Disclosures	Section	Notes on omissions and additional explanations
102-15	Key impacts, risks, and opportunities	Sustainability strategy and sustainability management ("Risks in connection with non-financial aspects and material issues")	Annual report 2020/21
	3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Transparency and integrity ("Compliance")	Information on compliance can be found in the section on compliance.
102-18	Governance structure		The declaration on corporate governance is published on the website www.ceconomy.de/en/ under Company – Corporate Governance.
102-20	Delegating authority		Annual report 2020/21
102-46	Defining report content and topic Boundaries	Sustainability strategy and material issues ("Sustainability concept")	
102-47	List of material topics	Sustainability strategy and material issues ("Sustainability concept") ("Sustainability strategy")	
102-50	Reporting period		Annual report 2020/21
102-51	Date of most recent report		Annual report 2020/21
102-52	Reporting cycle		Annual report 2020/21
102-53	Contact point for questions regarding the report		sustainability@mediamarktsaturn.com
103	**Management Approach**	Customer ("Sustainable products") Employees ("Society") Climate and resources ("Sustainable logistics") Transparency and integrity ("Data protection") ("Sustainability in supplier management") ("Third-party brands") ("Own brands: Supplier management at IMTRON")	
103-1	Explanation of the material topic and its boundary	Customer ("Technology") ("Innovation and new business models") Employees Climate and resources ("Climate strategy") ("Climate protection and energy")	
103-2	The management approach and its components	Customer ("Technology") ("Innovation and new business models") Employees Customer Climate and resources ("Climate strategy") ("Climate protection and energy")	
103-3	Evaluation of the management approach	Customer ("Technology") ("Innovation and new business models")	
200	**Economic Topics**		
205	Anti-corruption	Transparency and integrity ("Compliance")	The management approach to the topic of anti-corruption is described in the "Compliance" section.
207	**Tax**		
207-1	Approach to tax	Transparency and integrity ("Responsible tax strategy")	
207-2	Tax governance, control, and risk management	Transparency and integrity ("Responsible tax strategy")	
207-3	Stakeholder engagement and management of concerns related to tax	Transparency and integrity ("Responsible tax strategy")	
300	**Environmental Topics**		
302	**Energy**		

Codes	Disclosures	Section	Notes on omissions and additional explanations
302-1	Energy consumption within the organization	Climate and resources (“Climate protection and energy”)	
302-3	Energy intensity	Climate and resources (“Climate protection and energy”)	
302-4	Reduction of energy consumption	Climate and resources (“Climate protection and energy”)	
305	**Emissions**		
305-1	Direct (Scope 1) GHG emissions	Climate and resources (“Climate protection and energy”)	
305-2	Energy indirect (Scope 2) GHG emissions	Climate and resources (“Climate protection and energy”)	
305-3	Other indirect (Scope 3) GHG emissions	Climate and resources (“Climate protection and energy”)	
305-4	Reduction of GHG emissions	Climate and resources (“Climate protection and energy”)	
305-5	Reduction of GHG emissions	Climate and resources (“Climate protection and energy”) (“Sustainable logistics”)	
306	**Waste**		
306-3	Waste generated	Climate and resources (“Old electrical devices”) (“Packaging”)	Packaging waste and old electronic devices are reported.
308	**Supplier Environmental Assessment**		
308-2	Negative environmental impacts in the supply chain and actions taken	Climate and resources (“Sustainable logistics”)	
400	**Social Topics**		
401	Employment	Employees	The management approach to the topic of employment is described in the “Employees” section.
402	Labor/Management Relations	Employees (“Employer/employee relationship”)	The management approach to the topic of labour/management relations is described in the “Employees” section.
403	**Occupational Health and Safety**		
403-1	Occupational health and safety management system	Employees (“Occupational safety and health management”)	
403-2	Hazard identification, risk assessment, and incident investigation	Employees (“Occupational safety and health management”)	
404	**Training and Education**		
404-2	Programs for upgrading employee skills and transition assistance programs	Employees (“Employee development and talent management”)	
405	**Diversity and Equal Opportunity**		
405-1	Diversity of governance bodies and employees	Employees (“Diversity and equal opportunities”)	Diversity among employees and at various management levels is reported, but not the diversity of governance bodies (Management Board/Supervisory Board).
412	Human Rights Assessment		The management approach to human rights assessment is described in the “Sustainability in supplier management (third-party brands)” section.
413	**Local Communities**		
413-1	Operations with local community engagement, impact assessments, and development programs	Employees (“Society”)	
414	**Supplier Social Assessment**		
414-2	Negative social impacts in the supply chain and actions taken	Transparency and integrity (“Own brands: Supplier management at IMTRON”)	
417	Marketing and Labeling	Customer (“Sustainable products”)	The management approach to marketing and labelling is described in the “Sustainable products, services and customer communication” section.
418	Customer Privacy	Transparency and integrity (“Data protection”) (“Information security”)	The management approach to customer privacy is described in the “Data protection and information security” section.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE THE SEPARATE NON-FINANCIAL GROUP REPORT[1]

TO THE SUPERVISORY BOARD OF CECONOMY AG, DÜSSELDORF

We have performed an independent limited assurance engagement on the Separate Non-Financial Group Report (further "Report") of the CECONOMY Group (further "CECONOMY") as well as the section 'Group business model' of the Combined Management Report, which has been qualified as part of the Report by reference, according to Sections 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from October 1, 2020 to September 30, 2021.

As disclosed in the section 'Our own brands: Imtron supplier management', audits of suppliers were conducted by external firms mandated by CECONOMY to ensure compliance with the environmental, social and health standards of the amfori Business Social Compliance Initiative (BSCI). The appropriateness and accuracy of the conclusions from the audit / certification work performed was not part of our limited assurance procedures. In addition, our limited assurance procedures did not include the audit of the compliance with the reporting criteria set out by the Global Reporting Initiative (GRI), on which CECONOMY orientates its non-financial report.

Management's Responsibility

The legal representatives of CECONOMY are responsible for the preparation of the Report in accordance with Sections 315b, 315c in conjunction with 289b to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

[1] Our engagement applied to the German version of the Report 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of personnel on corporate level who are responsible for the materiality analysis in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of CECONOMY AG
- A risk analysis, including media research, to identify relevant information on
- CECONOMY AG's sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the site in Spain
- Assessment of the overall presentation of the selected sustainability performance disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of CECONOMY AG for the business year from October 1, 2020 to September 30, 2021 has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289b to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of CECONOMY AG, Düsseldorf only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of CECONOMY AG, Düsseldorf and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Cologne, 8 December 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Gnändiger	Gädeke
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

INFORMATION AND FINANCIAL CALENDAR

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Disclaimer
This 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 synergy effects, as well as legal and political decisions. Accordingly, CECONOMY AG assumes no liability and provides no guarantee (either explicitly or implicitly) that the forward-looking statements, including the estimates, expectations and assumptions underlying these statements, are correct or complete. CECONOMY AG accepts no special obligation to publicly correct or update these forward-looking statements to reflect events or circumstances that have occurred after the publication date of this report.

Gender Clause
For a better readability, the masculine language form is used in this report for personal designations that refer to more than one gender. However, this does not imply any discrimination against other genders, but is to be understood as gender-neutral in the sense of linguistic simplification.

Published on 14 December 2021

Financial calendar 2021/22

7 February 2022	Quarterly statement Q1 2021/22
9 February 2022	General Meeting
12 April 2022	Extraordinary General Meeting
13 May 2022	Half-year financial report Q2/H1 2021/22
11 August 2022	Quarterly statement Q3/9M 2021/22
26 October 2022	Trading statement Q4/FY 2021/22
15 December 2022	Annual report FY 2021/22

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