CECONOMY

Q1 2021/22
QUARTERLY STATEMENT

7 February 2022

SELECTED KEY FIGURES

Q1 2021/22

–7.3% vs PY

(+2.9% vs 2019/20)

Sales decline[1] versus very high prior-year level, but above the "pre-pandemic level" of 2019/20

274 €m

Adjusted EBIT[2] €72 million below previous year due to sales and thus €15 million below 2019/20, yet with much higher online sales share

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

THE FIRST QUARTER IN REVIEW

»
We have once again shown that we can stand up to the challenges we are facing. In light of the circumstances, we delivered a solid start into the new financial year. We successfully implemented our pan-European campaigns in the Black Friday and Christmas period, and since mid-December the trend has been very encouraging. We relentlessly focus on becoming a fully customer-centric company and will emerge stronger from the current turbulences.
«

Dr Karsten Wildberger,
Chief Executive Officer

»
We should all prepare for a certain degree of volatility; that is simply part of the new normal. Despite the persisting adverse circumstances, we confirm our expectation of a slight increase in sales adjusted for currency effects and portfolio changes and a very clear increase in Adjusted EBIT in the full year 2021/22.
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Florian Wieser,
Chief Financial Officer

Contents

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

CECONOMY is generally steered on the basis of performance indicators derived from IFRS (International Financial Reporting Standards). In addition, the following key performance indicators apply: total sales growth adjusted for currency effects and portfolio changes and EBIT adjusted for portfolio changes and earnings effects from companies accounted for using the equity method. For the forecast key figures, the previous year's figures are adjusted accordingly. In financial year 2021/22, an adjusted EBIT also applies; the adjustment relates to non-recurring earnings effects in connection with (1) COVID-19-related store closures, (2) the introduction of a harmonized group-wide organizational structure ("Operating Model") and (3) the transaction announced on 14 December 2020 regarding the acquisition of the minority shareholding in MediaMarktSaturn as well as reorganization and simplification of the corporate structure. Details of the programmes are explained below:

(1) The COVID-19-related store closures relate to the permanent closures of MediaMarkt and Saturn stores in several European countries which have lower footfall as a result of the COVID-19 pandemic and cannot be brought back into the profit zone from the company's point of view.
(2) The Operating Model focuses in particular on the harmonization of structures and standardized, efficient processes and procedures for the administrative functions in the country organizations of MediaMarktSaturn. In addition, the management structures in the stores will be unified throughout Europe and the relief from administrative tasks will enable employees to focus on the customer experience to the greatest extent possible.
(3) The transaction relates to CECONOMY AG's acquisition of the 21.62 per cent minority stake in Media-Saturn-Holding GmbH ("MediaMarktSaturn") held by Convergenta Invest GmbH. The parties thereby intend to reorganize their shareholdings in MediaMarktSaturn and to achieve, among other things, a stronger focus on the operating business and the realization of considerable synergies based on a simplified company structure and governance.

The adjustment also affects the previous year's figures.

For more details on the management-relevant key performance indicators, please refer to pages 29 to 32 of CECONOMY's Annual Report 2020/21.

Recognized tax expenses were calculated in accordance with the regulations governing interim financial reporting using the so-called integral approach. Commercial rounding is used for the figures shown in this quarterly statement. This may result in some individual figures not adding up to the totals shown.

FINANCIAL FIGURES AT A GLANCE[1]

Sales and earnings

€ million	Q1 2020/21	Q1 2021/22	Change
Sales	7,464	6,854	−8.2%
Sales development adjusted for currency effects and portfolio changes	11.4%	−7.3%	–
Like-for-like sales development	11.7%	−6.8%	–
Online sales	2,259	1,887	−16.5%
Services & Solutions sales	343	344	0.2%
Gross margin	17.0%	17.3%	0.3%p.
EBIT	340	276	−18.8%
Adjusted EBIT	346	274	−20.8%
Adjusted EBIT margin	4.6%	4.0%	-0.6%p.
Net financial result	−10	−10	−5.8%
Tax rate	38.1%	39.8%	1.7%p.
Profit or loss for the period attributable to non-controlling interests	51	38	−26.5%
Net result	153	122	−20.1%
Earnings per share (€)	0.43	0.34	−0.09

Cash flow

€ million	Q1 2020/21	Q1 2021/22	Change
Cash flow from operating activities	1,364	1,300	−63
Cash flow from investing activities	−95	−409	−314
Cash flow from financing activities	−142	−154	−12
Change in net working capital[2]	856	1,115	259
Free cash flow	1,329	1,253	−75

Statement of financial position

€ million	31/12/2020	31/12/2021	Change
Net working capital	−2,114	−1,926	188
Net liquidity (+)/Net debt (–)	428	−7	−434

Other operating key figures (as of 31/12)

	31/12/2020	31/12/2021	Change
Number of stores	1,021	1,019	−2
Total selling space (thousand m²)	2,638	2,580	−58
Workforce by full-time equivalents	47,470	45,507	−1,963

[1] Business figures represent the continuing operations of CECONOMY
[2] Change in net working capital shown from the related statement of financial position items, mainly adjusted for non-cash items

OUTLOOK

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.

The 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.

SALES

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.

EARNINGS

For financial year 2021/22, CECONOMY expects a very clear increase in adjusted EBIT compared with the previous year (2020/21: €237 million).

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.

EVENTS IN THE FIRST QUARTER

On 5 November 2021, CECONOMY AG announced in an ad hoc disclosure that the Group will again submit the transaction with Convergenta Invest GmbH to the General Meeting and propose a dividend distribution of around €63 million at the upcoming Annual General Meeting on 9 February 2022. The renewed decision on the Convergenta transaction is to take place in an extraordinary General Meeting on 12 April 2022, on the condition that the Annual General Meeting approves the proposed dividend distribution of around €63 million. With this dividend distribution, (i) the preference shareholders' claim to a dividend for the financial year ending 30 September 2021 and all claims to a preference dividend to be paid in arrears are met and (ii) a dividend payment of EUR 0.17 per share is made to the ordinary shareholders.

On 8 November 2021, it became known that CECONOMY's IT systems had fallen victim to a cyberattack. This resulted in temporary restrictions on the functionality of various services in stores as well as in the online business. Nevertheless, customers were still able to access both stores and the online channel during this time. The relevant IT systems were restored within a few days, so the operating business returned to normal. As a result of the cyberattack, the Group suffered lost sales and earnings, which are partially covered by a cyber incident insurance. At present, there are no indications that customer or employee data were stolen in the cyberattack. CECONOMY has also seen no further attacks to date.

On 24 December, CECONOMY's share in the Greek joint venture PMG Retail Market Ltd. was diluted from 25 per cent to 2 per cent after a capital increase carried out unilaterally by the main shareholder Olympia Group Ltd. As a result, the risk of future cash outflows decreased considerably. Regardless of this, PMG Retail Market Ltd. can still use the MediaMarkt brand until summer 2023.

The first quarter of 2021/22 was again impacted by local restrictions in the brick-and-mortar business as a result of the dynamic global development of the COVID-19 pandemic. Details of the main restrictions in the affected countries are explained below:

- **Germany**: During November 2021, the "2G rule" (admission only for people who can show proof of vaccination or recovery) was increasingly introduced in many German federal states in light of the continuous rise in infection rates. Further restrictions, such as limits on the number of customers in the store, were also imposed in other federal states. From 8 December 2021, the 2G rule applied nationwide in Germany. However, this has been overturned by the courts in Bavaria and Lower Saxony, where stores can decide to retain the 2G rule voluntarily.
- **Austria**: Stores in Austria were closed completely from 22 November to 12 December 2021. For eight out of 52 stores, the full closure was extended until 18 December 2021. In general, the 2G rule applied in Austria from 13 December 2021.
- **Netherlands**: From 13 November 2021, stores in the Netherlands had to close at 6:00 p.m. In addition, admission was granted only to people who could show proof of recovery, vaccination, or a negative test ("3G rule"). The reduced opening hours were tightened from 28 November 2021, and stores had to close at 5:00 p.m. In-store shopping was impacted by strict restrictions with regard to selling space and the number of customers. From 19 December 2021 to 14 January 2022, all stores in the Netherlands were completely closed. The pick-up option was possible for all customers nationwide.

In total, all stores with the exception of the 49 stores in the Netherlands were open with the respective national restrictions as of 31 December 2021. In the same quarter of the previous year, all stores in Germany, Austria and the Netherlands and some stores in Poland, Switzerland and Luxembourg were affected by temporary store closures.

EVENTS AFTER THE REPORTING DATE

There are no relevant events for this period.

RESULTS IN DETAIL

Earnings position

Sales in the Group

	Sales (€ million)		Change	Currency effects	Sales adjusted for currency effects and portfolio changes	Like-for-like sales (local currency)
	Q1 2020/21	Q1 2021/22	Q1 2021/22	Q1 2021/22	Q1 2021/22	Q1 2021/22
Total	**7,464**	**6,854**	**−8.2%**	**−0.8%**	**−7.3%**	**−6.8%**
DACH	4,424	3,919	−11.4%	0.1%	−11.5%	−9.6%
Western/Southern Europe	2,295	2,216	−3.4%	0.0%	−3.4%	−5.1%
Eastern Europe	569	552	−2.9%	−14.3%	11.4%	11.0%
Others	176	166	−5.7%	1.3%	−7.0%	−6.8%

GROUP SALES ADJUSTED FOR CURRENCY EFFECTS AND PORTFOLIO CHANGES IN THE FIRST QUARTER BELOW PREVIOUS YEAR BUT ABOVE PRE-PANDEMIC LEVEL OF 2019/20

In the **first quarter of 2021/22**, CECONOMY generated Group sales of €6.9 billion, a decline of 8.2 per cent compared with the prior-year period. Adjusted for currency effects and portfolio changes, sales were down 7.3 per cent year-on-year. On a like-for-like basis, Group sales recorded a decrease of 6.8 per cent.

Sales in the **first quarter of 2021/22** did not reach the previous year's very high level, but exceeded the level of the first quarter of 2019/20. The past quarter was influenced by the COVID-19 pandemic, the associated selling restrictions, and muted consumer sentiment. In addition, temporary adverse effects as a result of the cyberattack resulted in Group-wide sales losses, especially in the campaign for Singles' Day in November 2021. The re-introduction of selling restrictions in response to the dynamic development of the pandemic had a particularly negative impact on the DACH segment in the first quarter of 2021/22. In Germany, access to stores was restricted in the course of the first quarter depending on the regional infection rate. From the beginning of December 2021, admission all over the country was restricted to people who could show proof of vaccination or recovery ("2G rule"). In Austria – after stores were closed completely for around three weeks, including the Black Friday week – access to stores was likewise restricted to people who could show proof of vaccination or recovery. In the Netherlands, stores had to close completely as a temporary measure from 19 December 2021; previously, opening hours had been significantly curtailed since the end of November 2021. In the other countries, there were no considerable government-ordered restrictions in response to the pandemic in the first quarter of 2021/22.

The online business remains at a sustained high level, but was nevertheless 16.5 per cent below the record figure of the same quarter of the previous year. The brick-and-mortar business likewise declined by 4.6 per cent. In the last two weeks of December, CECONOMY posted clearly positive sales growth compared to the previous year's weaker base as a result of COVID-19.

EXPLANATION OF SALES IN THE DACH SEGMENT

In the **first quarter of 2021/22**, the DACH segment generated sales of €3.9 billion, which corresponds to a decline of 11.4 per cent. Adjusted for currency effects and portfolio changes, sales were 11.5 per cent below the comparable figure of the previous year.

Declining sales were seen in Germany, Austria and Switzerland, while sales in Hungary grew thanks to strong Christmas business. In Germany, primarily the new access restrictions in response to COVID-19, such as the 2G rule in the stores, as well as generally weak consumer confidence had a negative impact on sales development. Insufficient product availability due to global supply shortages, such as in the telecommunication sector, contributed to this development. In addition, Germany benefited in the prior-year period from the general VAT reduction. Sales in Austria recovered after stores were completely closed for three weeks but were unable to fully compensate for the lost brick-and-mortar sales. Also, the 2G rule impacted retail trade in Austria.

EXPLANATION OF SALES IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the **first quarter of 2021/22**, the Western/Southern Europe segment generated sales of €2.2 billion, which corresponds to a decline of 3.4 per cent, but was also significantly higher than the level of financial year 2019/20. There were no currency or portfolio change effects.

A slight sales increase was recorded in Italy and Belgium; sales declined in the other countries. In the Netherlands, brick-and-mortar business was impacted in particular by reduced opening hours ordered by the government from the end of November 2021 and the temporary complete closure of stores that followed in order to contain the pandemic. Online sales did not reach the high level of the previous year, which was likewise influenced by temporary store closures. Belgium benefited from the previous year’s weak comparison basis due to the COVID-19-related store closures of around four weeks in the prior-year period.

EXPLANATION OF SALES IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2021/22**, sales in the Eastern Europe segment declined by 2.9 per cent to €0.6 billion. Quarterly sales were adversely affected by the sharp depreciation of the Turkish lira. Adjusted for currency effects and portfolio changes, however, sales were significantly above the comparable figure of the previous year at 11.4 per cent.

In Turkey, the positive sales momentum continued and again led to high double-digit growth rates in local currency. Turkey benefited from continuously strong customer demand, both in brick-and-mortar business and online. In Poland, sales in the first quarter of 2021/22 were negatively affected mainly by lower footfall in stores and were therefore below the previous year despite a low basis for comparison due to the partial lockdown at that time.

EXPLANATION OF SALES IN THE OTHERS SEGMENT

In the **first quarter of 2021/22**, sales in the Others segment decreased by 5.7 per cent compared with the prior-year period to €0.2 billion. Adjusted for currency effects and portfolio changes, sales were down 7.0 per cent year-on-year.

While brick-and-mortar sales in Sweden reached the previous year’s level, declining online sales as a result of weaker consumer confidence led to a reduction in total sales.

Online and Services & Solutions sales in the Group

	Sales (€ million)		Change (%)	In % of total sales
	Q1 2020/21	Q1 2021/22		
Online	2,259	1,887	−16.5	27.5
Services & Solutions	343	344	0.2	5.0

CONTINUINGLY HIGH ONLINE SHARE OF TOTAL SALES

In the **first quarter of 2021/22**, online sales decreased by 16.5 per cent to €1.9 billion. The online share of total sales amounted to 27.5 per cent (Q1 2020/21: 30.3 per cent and Q1 2019/20: 15.4 per cent). In the prior-year period, the online business benefited from severe restrictions in the brick-and-mortar business as a result of the hard lockdown. In the first three months of the reporting period, the pick-up rate was 36 per cent and thus above the previous year’s level (Q1 2020/21: 32 per cent).

SLIGHT IMPROVEMENT IN SERVICES & SOLUTIONS BUSINESS

In the **first quarter of 2021/22**, Services & Solutions sales increased by 0.2 per cent to €344 million. This equates to a Services & Solutions share of total sales of 5.0 per cent (Q1 2020/21: 4.6 per cent). In terms of Service & Solutions business, continuous online improvements compensated for the decline in stores as a result of COVID-19 restrictions.

Earnings development in the Group

€ million	Reported EBIT Q1 2020/21	Reported EBIT Q1 2021/22	Change compared to prior year Q1 2021/22	Adjusted EBIT[1] Q1 2020/21	Adjusted EBIT[1] Q1 2021/22	Change compared to prior year Q1 2021/22
Total[2]	**340**	**276**	**−64**	**346**	**274**	**−72**
DACH	260	180	−80	259	180	−79
Western/Southern Europe	74	76	2	74	73	−1
Eastern Europe	16	23	7	16	23	7
Others	−9	−4	6	−3	−2	1

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

ADJUSTED GROUP EBIT IN THE FIRST QUARTER BELOW PREVIOUS YEAR

In the **first quarter of 2021/22**, reported Group EBIT decreased by €64 million to €276 million (Q1 2020/21: €340 million). This includes non-recurring effects amounting to €3 million in connection with the introduction of a harmonized organizational structure (“Operating Model”) and in connection with the acquisition of the minority shareholding in MediaMarktSaturn and reorganization and simplification of the corporate structure announced on 14 December 2020. In the previous year, reported Group EBIT included non-recurring effects amounting to €−5 million. Earnings effects from companies accounted for using the equity method totalled €−1 million in the reporting period (Q1 2020/21: €−1 million). Adjusted for non-recurring effects, earnings effects from companies accounted for using the equity method, and portfolio changes, Group EBIT declined by €72 million to €274 million (Q1 2020/21: €346 million).

The decline in adjusted Group EBIT in the **first quarter of 2021/22** was mainly driven by the negative development in the DACH segment, especially Germany and Austria. This was primarily driven by the temporary restrictions in brick-and-mortar business as a result of COVID-19. In contrast, the Western/Southern Europe, Eastern Europe and Others segments are above the previous year’s level overall. Across all segments, the negative sales development was only partially compensated for by the slight improvement in the gross margin to 17.3 per cent (Q1 2020/21: 17.0 per cent). The positive development of the gross margin is attributable to higher income from the Services & Solutions business. Overall, the costs were on par with the previous year, whereby lower government support in the context of the COVID-19 pandemic was counterbalanced by declining operating personnel expenses and savings in location costs. A lower availability of goods than in the previous year and the cyberattack caused negative earnings effects. The negative effect of the cyberattack is reduced by a claim for damages.

EXPLANATION OF THE RESULT IN THE DACH SEGMENT

In the **first quarter of 2021/22**, EBIT in the DACH segment was €180 million and therefore declined by €80 million year-on-year (Q1 2020/21: €260 million). This includes non-recurring effects amounting to €1 million (Q1 2020/21: €1 million). Adjusted for these effects, EBIT in the DACH segment decreased by €79 million to €180 million (Q1 2020/21: €259 million).

This was primarily the result of a significantly negative earnings development in Germany and Austria, which is particularly attributable to the COVID-19 pandemic and other external influencing factors such as the cyberattack. In Germany, the temporary restrictions on admission to stores (“2G rule”) as a result of COVID-19 significantly influenced footfall in the stores, which negatively impacted both product sales and the Services & Solutions business. In Austria, earnings development was adversely affected by temporary store closures in response to COVID-19, including in the Black Friday campaign period, which were replaced over the course of the quarter by restrictions on admission to stores (“2G rule”). On the other hand, in contrast with the prior-year quarter, this was offset only with lower government support in connection with the COVID-19 pandemic in Austria. In Hungary, earnings were also negatively affected by a retail sales tax.

EXPLANATION OF THE RESULT IN THE WESTERN/SOUTHERN EUROPE SEGMENT

In the **first quarter of 2021/22**, the Western/Southern Europe segment generated EBIT of €76 million, €2 million above the previous year’s level (Q1 2020/21: €74 million). This includes non-recurring effects amounting to €3 million (Q1 2020/21: €−1 million). Adjusted for these earnings effects and portfolio changes, EBIT declined by €1 million to €73 million (Q1 2020/21: €74 million).

The development within the segment is heterogeneous. Adjusted EBIT in Italy is higher than in the previous year, mainly due to the partial reversal of a risk provision. The slight sales increase was compensated for by a higher cost level against the background of lower government support in the context of the COVID-19 pandemic. Spain saw a sales-driven earnings decline, while the other countries of the segment were largely at the previous year's level. In the Netherlands, the negative sales development was offset by cost savings.

EXPLANATION OF THE RESULT IN THE EASTERN EUROPE SEGMENT

In the **first quarter of 2021/22**, EBIT in the Eastern Europe segment of €23 million was €7 million above the previous year's level (Q1 2020/21: €16 million). Notable non-recurring effects were neither incurred in the current nor in the previous year. Accordingly, adjusted EBIT in the Eastern Europe segment increased by €7 million to €23 million (Q1 2020/21: €16 million).

In Poland, earnings developed positively compared with the prior-year quarter, which was negatively affected by a partial lockdown. In Turkey, the positive margin development resulted in earnings slightly above the previous year despite increased costs.

EXPLANATION OF THE RESULT IN THE OTHERS SEGMENT

The Others segment covers, in particular, the activities of CECONOMY AG, the earnings effects from companies accounted for using the equity method, Sweden and the activities of smaller companies. In the **first quarter of 2021/22**, EBIT increased by €6 million year-on-year to €−4 million (Q1 2020/21: €−9 million). This includes expenses in connection with the transaction announced on 14 December 2020 relating to the acquisition of the minority shareholding in MediaMarktSaturn and reorganization and simplification of the corporate structure amounting to €1 million (Q1 2020/21: €6 million). Earnings effects from companies accounted for using the equity method totalled €−1 million in the reporting period (Q1 2020/21: €−1 million). Adjusted for non-recurring effects and earnings effects from companies accounted for using the equity method, EBIT rose by €1 million to €−2 million as a result of cost savings at CECONOMY AG (Q1 2020/21: €−3 million). Earnings in Sweden, at €0 million, were €1 million lower than in the previous year (Q1 2020/21: €1 million). Other, smaller operating companies in the Others segment generated an EBIT of €0 million (Q1 2020/21: €1 million).

EBIT adjustments in the Group

	Q1 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]	**340**	**0**	**0**	**−6**	**−1**	**346**
DACH	260	0	1	0	0	259
Western/Southern Europe	74	0	−1	0	0	74
Eastern Europe	16	0	0	0	0	16
Others	−9	0	0	−6	−1	−3

[1] Including consolidation

	Q1 2021/22					
		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]	**276**	**0**	**4**	**−1**	**−1**	**274**
DACH	180	0	1	0	0	180
Western/Southern Europe	76	0	3	0	0	73
Eastern Europe	23	0	0	0	0	23
Others	−4	0	0	−1	−1	−2

[1] Including consolidation

Financial and asset position

CASH FLOW

€ million	Q1 2020/21	Q1 2021/22	Change
Cash flow from operating activities	1,364	1,300	−63
Cash flow from investing activities	−95	−409	−314
Cash flow from financing activities	−142	−154	−12
Change in net working capital[1]	856	1,115	259
Free cash flow	1,329	1,253	−75

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

In the first quarter of financial year 2021/22, **cash flow from operating activities** of continuing operations resulted in a cash inflow of €1,300 million after €1,364 million in the previous year. The €63 million lower cash flow from operating activities is initially attributable to the change in other operating cash flow, which at €175 million amounts to a cash outflow that is €156 million higher than in the prior-year period (Q1 2020/21: €19 million). The lower cash outflow in the first quarter of the previous year is largely due to national governments' measures to combat the economic impact of the COVID-19 pandemic. Due to the end of these measures and especially of the COVID-19-related VAT deferrals, the deferred VAT was paid in Q1 2021/22, which led to a correspondingly high cash outflow in the current year. In addition, the lower cash flow from operating activities was influenced by higher cash outflows for income tax payments of €42 million (Q1 2020/21: cash inflow of €12 million). While the income tax payments in the first quarter of the previous year include considerable refunds of capital gains tax, the income taxes paid in Q1 2021/22 are slightly above the previous year's level due to back payments for previous years. In addition, lower operating earnings and higher cash outflows from the change in provisions for pensions and similar obligations had a negative effect on cash flow from operating activities. Cash outflows from the change in provisions for pensions and similar obligations increased by €36 million to €44 million (Q1 2020/21: €8 million), largely due to higher allocations to plan assets. The change in net working capital had the opposite effect. The cash inflow was much higher here due to prior-year effects. In the previous year, there was a high baseline as of 30 September 2020, a greater increase in inventories due to the lockdown in the second half of December in Germany and the Netherlands, and a deliberate build-up of inventory levels to ensure the availability of goods.

In the first three months of financial year 2021/22, **cash flow from investing activities** resulted in a cash outflow of €409 million. This compares with a cash outflow of €95 million in the prior-year period. The increase is mainly driven by higher net investment in financial investments and securities. To a lesser extent, the planned investments in modernization, which were slightly above the previous year's figure, also had an effect.

In the first three months of financial year 2021/22, **cash flow from financing activities** resulted in a cash outflow of €154 million after €142 million in the same period of the previous year. The higher cash outflow was mainly driven by profit transfers to minority shareholders that affected cash in the first quarter of 2021/22. Higher cash inflows of €18 million (Q1 2020/21: €3 million) from profit and loss transfers and other financing activities had the opposite effect. This increase is predominantly attributable to higher profit and loss transfers from investments, higher foreign currency gains on cash, and lower cash outflows for credit and commitment fees and fees from forfaiting.

In the first three months of financial year 2021/22, **free cash flow** amounted to €1,253 million and was thus €75 million below the previous year's figure of €1,329 million.

NET WORKING CAPITAL ON 31 DECEMBER 2021 SLIGHTLY BELOW THE PREVIOUS YEAR

As of 31 December 2021, **net working capital** amounted to €1,926 million, and was therefore €188 million below the previous year's figure (31 December 2020: €2,114 million). The significant decline in trade liabilities and similar liabilities was not entirely compensated by the lower inventories and receivables. Trade liabilities and similar liabilities as of 31 December 2021 were lower than in the previous year due to a decreased purchase volume. The declining purchase volume was mainly driven by supply shortages and lower sales in the first quarter. The supply shortages also contributed to the lower inventories year-on-year. However, inventories also increased in the previous year due to the deliberate build-up of inventory levels to ensure the availability of goods and due to lockdowns, especially in Germany and the Netherlands in the second half of December. In line with the trade liabilities and similar liabilities, receivables due from suppliers as of 31 December 2021 were also below the previous year's level. Trade receivables and similar claims likewise declined due to the somewhat weaker commission business and the sale of provider receivables in March 2021.

NET DEBT ON 31 DECEMBER 2021 BELOW THE PREVIOUS YEAR

As of 31 December 2021, **net debt** amounted to €7 million. In the previous year, net liquidity of €428 million was reported. The €434 million decline in net liquidity is mainly due to lower sales in the first quarter of 2021/22. Adjusted for lease liabilities, net liquidity as of 31 December 2021 amounted to €2,026 million (31 December 2020: €2,479 million).

INVESTMENTS HIGHER THAN PREVIOUS YEAR DUE TO RENTAL AGREEMENT EXTENSIONS

Investments totalled €145 million in the first quarter of 2021/22, €62 million above the previous year's level (Q1 2020/21: €83 million). The considerable increase is mainly attributable to the addition of rental right-of-use assets of €113 million, which was €58 million higher than in the prior-year period (Q1 2020/21: €55 million). This development was mainly driven by the extension of existing rental agreements for stores in Italy, Poland and Austria in particular. A slight increase in investments in modernization activities was also observed in the first quarter of 2021/22.

In the first three months of 2021/22, the store network was expanded by one store in Spain and two stores in Turkey. However, two stores in Germany were closed in the reporting period. At the end of the first quarter of 2021/22, the total number of stores was 1,019. The average selling space per store declined by 0.5 per cent from 2,545 square meters as of 30 September 2021 to 2,532 square meters as of 31 December 2021.

FINANCING

CECONOMY AG uses issues on the capital market for medium- and long-term financing. As of 31 December 2021, CECONOMY AG had several outstanding promissory notes together totalling €250 million with a remaining term of up to six years as well as a five-year senior unsecured bond of €500 million.

For obtaining short-term financial funding, CECONOMY AG has a euro-denominated commercial paper programme with a maximum volume of €500 million. As in the previous year, there was no outstanding commercial paper under the programme as of 31 December 2021.

In addition, syndicated credit facilities linked to sustainability targets are available to CECONOMY AG in an amount of €1,060 million. These, like the syndicated credit facilities available in the previous year, had not been utilized as of 31 December 2021.

CECONOMY AG is assessed by international rating agencies Moody's and Scope. As of 31 December 2021, CECONOMY had an investment grade rating (BBB–, outlook "stable") from Scope and a non-investment grade rating from Moody's (Ba1, outlook "stable"). The company has received a "BBB–" rating from Scope and a "Ba1" rating from Moody's for the bond.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Income statement

€ million	Q1 2020/21	Q1 2021/22
Sales	**7,464**	**6,854**
Cost of sales	−6,198	−5,671
Gross profit on sales	**1,266**	**1,183**
Other operating income	64	71
Selling expenses	−865	−848
General administrative expenses	−124	−127
Other operating expenses	−1	−1
Earnings share of investments accounted for using the equity method	−1	−1
Net impairments on operating financial assets and contract assets	0	−2
Earnings before interest and taxes (EBIT)	**340**	**276**
Other investment result	9	12
Interest income	3	2
Interest expenses	−15	−18
Other financial result	−6	−6
Net financial result	**−10**	**−10**
Earnings before taxes (EBT)	**330**	**266**
Income taxes	−126	−106
Profit or loss for the period from continuing operations	**204**	**160**
Profit or loss for the period from discontinued operations	0	0
Profit or loss for the period	**204**	**160**
Profit or loss for the period attributable to non-controlling interests	51	38
from continuing operations	**51**	**38**
from discontinued operations	0	0
Profit or loss for the period attributable to shareholders of CECONOMY AG	153	122
from continuing operations	**153**	**122**
from discontinued operations	0	0
Earnings per share in € (basic = diluted)	**0.43**	**0.34**
from continuing operations	**0.43**	**0.34**
from discontinued operations	0.00	0.00

Statement of financial position

Assets

€ million	30/09/2021	31/12/2020	31/12/2021
Non-current assets	**3,903**	**3,734**	**3,788**
Goodwill	524	524	524
Other intangible assets	125	103	127
Property, plant and equipment	507	543	483
Right-of-use assets	1,933	1,930	1,904
Financial assets	280	293	223
Investments accounted for using the equity method	425	266	424
Other financial assets	3	4	3
Other assets	8	8	8
Deferred tax assets	99	64	92
Current assets	**6,764**	**9,079**	**9,047**
Inventories	3,111	3,668	3,611
Trade receivables and similar claims	361	493	415
Receivables due from suppliers	1,142	1,834	1,701
Other financial assets	276	213	692
Other assets	183	222	239
Income tax assets	107	40	106
Cash and cash equivalents	1,582	2,610	2,282
	10,667	**12,813**	**12,835**

Equity and liabilities

€ million	30/09/2021	31/12/2020	31/12/2021
Equity	**757**	**724**	**859**
Share capital	919	919	919
Capital reserve	321	321	321
Reserves retained from earnings	−527	−622	−451
Non-controlling interests	44	106	70
Non-current liabilities	**2,686**	**2,405**	**2,628**
Provisions for pensions and similar obligations	462	514	435
Other provisions	38	29	36
Borrowings	2,109	1,766	2,080
Other financial liabilities	43	50	43
Other liabilities	5	10	4
Deferred tax liabilities	29	37	30
Current liabilities	**7,224**	**9,684**	**9,348**
Trade liabilities and similar liabilities	5,470	8,109	7,653
Provisions	108	143	92
Borrowings	756	566	749
Other financial liabilities	420	362	362
Other liabilities	359	314	325
Income tax liabilities	110	190	168
	10,667	**12,813**	**12,835**

Cash flow statement

€ million	Q1 2020/21	Q1 2021/22
EBIT	340	276
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	181	169
Change in provisions for pensions and similar obligations	−8	−44
Change in net working capital[1]	856	1,115
Income taxes paid	12	−42
Reclassification of gains (–)/losses (+) from the disposal of fixed assets	0	0
Other	−19	−175
Cash flow from operating activities of continuing operations	**1,364**	**1,300**
Cash flow from operating activities of discontinued operations	0	0
Cash flow from operating activities	**1,364**	**1,300**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment	−29	−40
Other investments	−6	−8
Financial investments and securities	−65	−365
Disposals of financial investments and securities	0	0
Disposals of companies	0	0
Disposal of long-term assets and other disposals	5	3
Cash flow from investing activities of continuing operations	**−95**	**−409**
Cash flow from investing activities of discontinued operations	0	0
Cash flow from investing activities	**−95**	**−409**
Profit distribution	0	−26
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	0	0
Redemption of liabilities from put options of non-controlling interests	0	0
Proceeds from long-term borrowings	1	2
Redemption of lease liabilities	−133	−127
Redemption of other borrowings	−1	−6
Interest paid	−15	−16
Interest received	3	2
Profit and loss transfers and other financing activities	3	18
Cash flow from financing activities of continuing operations	**−142**	**−154**
Cash flow from financing activities of discontinued operations	0	0
Cash flow from financing activities	**−142**	**−154**
Total cash flows	**1,127**	**738**
Currency effects on cash and cash equivalents	−1	−37
Total change in cash and cash equivalents	**1,126**	**701**
Total cash and cash equivalents as of 1 October	1,484	1,582
Less cash and cash equivalents recognized in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 1 October	**1,484**	**1,582**
Total cash and cash equivalents as of 31 December	2,610	2,282
Less cash and cash equivalents recognized in assets in accordance with IFRS 5	0	0
Cash and cash equivalents as of 31 December	**2,610**	**2,282**

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

FINANCIAL CALENDAR

General Meeting	Wednesday	9 February 2022	10:00 a.m.
Extraordinary General Meeting	Tuesday	12 April 2022	10:00 a.m.
Half-year financial report Q2/H1 2021/22	Friday	13 May 2022	7:00 a.m.
Quarterly statement Q3/9M 2021/22	Thursday	11 August 2022	7:00 a.m.
Annual report FY 2021/22	Tuesday	15 December 2022	7:00 a.m.

All time specifications according to German time.

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

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Disclaimer

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

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