more restrained. The delivery business remained a growth driver here, as before.

In the 2016/17 financial year, **grocery retailing** continued to develop positively, with nominal sales growth of 1.2 per cent. All organisational forms participated in the increase in sales in the grocery retail sector. The big winners in the past five years have been supermarkets with a wide range of products, and organic markets. In the 2016/17 financial year, customers were again prepared to spend a higher proportion of their net disposable household income on food. The discounter business was able to overcome a brief period of weakness and to increase its turnover again. In the case of hypermarkets, the restructuring process initiated by the nationwide operators continues. Only small grocery stores are steadily losing ground.

Results of operations, financial position and net assets

Earnings position

COMPARISON OF FORECAST WITH ACTUAL BUSINESS DEVELOPMENTS

With the approval of the Annual General Meeting of the former METRO AG on 6 February 2017 on the demerger of the former METRO GROUP into two independent listed companies, the forecast of CECONOMY (former METRO GROUP), which relates exclusively to the continuing operations of CECONOMY, was already adjusted in the half-year financial statement in 2016/17.

Sales

CECONOMY had forecast slight sales growth adjusted for currency effects for financial year 2016/17. This goal was achieved with an increase of 1.4 per cent in local currency.

CECONOMY had expected like-for-like sales growth (in local currency) to increase slightly. With a 1.9 per cent increase in like-for-like sales, this target was also met.

Earnings

Adjusted for exchange rate effects, CECONOMY's EBIT before special items was expected to show a slight increase compared with the figure for financial year 2015/16 of €466 million. Adjusted for negative currency effects of €4 million, EBIT was €10 million or 2.2 per cent higher than in the previous year. CECONOMY has thus met its forecast.

GROUP SALES[1] INCREASED THANKS TO SUSTAINED GROWTH IN THE ONLINE BUSINESS

	Sales (€ million)		Change		Currency effects		Change (local currency)		Like-for-like sales (local currency)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Total	**21,870**	**22,155**	**0.6%**	**1.3%**	**−0.9%**	**−0.1%**	**1.5%**	**1.4%**	**0.1%**	**1.9%**
DACH	12,358	12,662	2.3%	2.5%	0.1%	0.0%	2.3%	2.4%	0.7%	3.2%
Western/Southern Europe	6,609	6,714	1.4%	1.6%	0.0%	0.0%	1.4%	1.6%	0.6%	−0.6%
Eastern Europe	2,181	2,226	−11.2%	2.0%	−8.2%	−0.4%	−3.0%	2.4%	−2.3%	3.1%
Others	722	553	5.2%	−23.4%	−0.1%	−1.5%	5.2%	−21.9%	−8.2%	0.2%

[1]All figures from continuing operations only

In financial year 2016/17, CECONOMY AG's sales increased by 1.3 per cent to €22.2 billion or 1.9 per cent on a like-for-like basis. The higher like-for-like sales growth is due mainly to the restructuring of redcoon and its exclusion from the like-for-like panel as a result. Currency-adjusted sales increased by 1.4 per cent in the past financial year 2016/17. There were no changes in the Group structure that would require adjustment.

Sales in the mobile communications and white goods segments grew at an above-average rate in the reporting period. In addition to a favourable basis for comparison, the introduction of new mobile communications and entertainment products also contributed to revenue growth in the fourth quarter.

The reconciliation from reported sales to like-for-like sales in local currency is shown in the following:

€ million	2015/16	2016/17
Total sales in € (as reported)	21,870	22,155
Total sales in local currency	21,852	22,155
Sales of stores that were not part of the like-for-like panel in 2016/17	751	643
Like-for-like sales in local currency	**21,101**	**21,512**

NOTES TO SALES BY SEGMENT

DACH

In the DACH segment, sales in the 2016/17 financial year rose by 2.5 per cent to €12.7 billion. This growth was mainly driven by the positive development in our home market of Germany. This growth reflected, among other things, the positive impact of the Saturn value-added tax campaign in January and the "5 Years of MediaMarkt Onlineshop Deutschland" campaign in May. In contrast, there was a decline in sales in Switzerland in financial year 2016/17, due in particular to declining footfall. However, the decline in sales was halted in the fourth quarter.

Western/Southern Europe

Sales in the Western/Southern Europe segment increased by 1.6 per cent to €6.7 billion in the past financial year, due in part to numerous

COMBINED MANAGEMENT REPORT

new openings. Growth in Spain and the Netherlands made a major contribution to the increase in sales. In Italy, the significant decline in revenues recorded in the first nine months of the year in a market environment with aggressive pricing was made up for significantly in the fourth quarter by optimised pricing and an improved assortment.

Eastern Europe

The Eastern Europe segment recorded a 2 per cent increase in sales to €2.2 billion in the 2016/17 financial year. Strong overall demand for consumer electronics and improved category management boosted sales again in Turkey. The growth was more than sufficient to compensate for the continuing negative development in Russia.

Others

The significant decline in sales of −23.4 per cent to €0.6 billion in the Others segment is primarily due to the termination of redcoon operations in six countries.

ONLINE BUSINESS CONTINUES TO DRIVE GROWTH

In the online business, the two retail brands MediaMarkt and Saturn achieved a sales increase of around 40 per cent in the past financial year. Total online sales in the Group including pure play online activities (including redcoon) rose by around 23 per cent. At €2.4 billion, it accounted for 10.9 per cent of total sales. In the previous year, this figure was 8.9 per cent.

Our pick-up option (collection in store of goods ordered online) again contributed to this sales growth. This option was selected in around 42 per cent of all transactions generated online. Our campaign celebrating the 5th anniversary of our MediaMarkt Online Shop in Germany also had a positive impact on both sales and gross margin in the third quarter. In addition, the expansion of our online business continues to progress. For example, we increased the number of items available online to around 350,000 by the end of the financial year.

POSITIVE SALES TREND IN SERVICES & SOLUTIONS

Sales in the Services & Solutions division also developed positively. At €1.4 billion, they were 6 per cent higher than in the previous year and accounted for 6.2 per cent of total sales. This was boosted by the expansion of our “SmartBars”, which meanwhile offer repair and other services in 642 stores. There was also strong growth in the areas of the brokerage of mobile phone contracts and the financing business.

CUSTOMER LOYALTY PROGRAMME RECORDS SUSTAINABLE GROWTH

Our two customer loyalty programmes – MediaMarkt Club and Saturn Card – also continued to develop very satisfactorily. Since the beginning of the financial year, the MediaMarkt Club in Germany has welcomed around 2 million new members, taking total membership to 3.2 million as of 30 September 2017, while the number of holders of our recently launched Saturn Card has now risen to 600,000 in Germany.

With the successful launch of both programmes in Germany, we see this as confirmation of our commitment to actively promoting their introduction in other countries.

TOTAL NUMBER OF STORES AT 1,053 AT THE END OF THE FINANCIAL YEAR

At the end of the last financial year, our network comprised 1,053 stores in total. As part of our selective expansion strategy, a total of 40 new stores (of which nine are shop-in-shop locations) were opened. The largest number of new store openings was in Turkey with ten new stores, followed by Belgium with seven new stores, and Germany and Italy with five each. In contrast, a total of ten stores were closed during the same period. Of these, five were in Russia, two each in Belgium and Turkey, and one in Switzerland. In addition to measures to reduce space at existing stores, the smaller size of the new store openings has reduced average selling space across all locations by 3.4 per cent to 2,811 square metres by the end of the 2016/17 financial year. At the end of the previous 2015/16 financial year, the average selling space per store was still 2,909 square metres. The total selling space was 2,960 thousand square metres, after standing at 2,975 thousand square metres in the previous year.

SLIGHT DECLINE IN EBITDA, BUT EBIT INCREASES SLIGHTLY[1]

	EBITDA		Special items		EBITDA before special items		EBIT		Special items		EBIT before special items	
in € million	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Total	**619**	**597**	**100**	**107**	**719**	**704**	**312**	**334**	**−154**	**−138**	**466**	**471**
DACH	470	516	22	23	493	539	298	384	−60	−38	359	421
Western/Southern Europe	212	148	18	21	230	169	137	65	−21	−26	158	91
Eastern Europe	−45	−15	54	49	9	34	−102	−57	−67	−60	−35	3
Others	−18	−52	6	13	−12	−39	−22	−58	−6	−14	−16	−44

[1]All figures from continuing operations only

The **EBITDA** of CECONOMY AG decreased in the past financial year, from €619 million to €597 million.

This includes **special items** amounting to €107 million, compared with €100 million in the previous year. The special items in the financial year 2016/17 resulted mainly from a Group-wide efficiency enhancement project, the restructuring in Russia and provisions for legal risks from past activities at redcoon.

EBITDA before special items fell from €719 million in the previous year to €704 million. This decrease is due in particular to additional expenses for the establishment of a listed company. The previous year's result also included income of €35 million from the redemption of pension obligations, which was offset in the current financial year by lower results from plan curtailments of €18 million. Without these effects, EBITDA would have increased by around €12 million. The online activities and higher subsequent reimbursements made a particularly positive contribution. While Germany and Turkey improved their results, results deteriorated in Italy and Switzerland in particular.

The difference between EBITDA and EBIT before special items decreased by €21 million to €233 million. Impairment losses in Germany and Russia not related to restructuring had a negative impact on the previous year's figures.

As a result, **EBIT before special items** improved by €6 million to €471 million. Reported **EBIT** increased by €22 million to €334 million.

NOTES TO EARNINGS BY SEGMENT

DACH

In the DACH segment, **EBITDA** increased from €470 million to €516 million. The special items included in EBITDA remained virtually unchanged at €23 million in the past financial year. **EBITDA before special items** thus improved from €493 million to €539 million.

Germany in particular contributed to the improvement in earnings thanks to strong growth in online sales, higher subsequent rebates and strong sales of white goods products. In contrast, the decline in sales in Switzerland also led to a deterioration in profitability. However, this trend was halted in the fourth quarter.

EBIT before special items in the DACH segment improved by €63 million to €421 million. Reported **EBIT** increased by €85 million to €384 million.

Western/Southern Europe

The segment Western/Southern Europe recorded a decline in **EBITDA** in the past financial year from €212 million in the previous year to €148 million. The special items included in this figure increased slightly from €18 million in the previous year to €21 million. Accordingly, the segment reported a decline in **EBITDA before special items** from €230 million to €169 million.

The aggressive competitive environment in Italy contributed to this decline in earnings. In Spain, on the other hand, earnings developed positively, while earnings were down in the Netherlands, due to a negative one-off accounting effect resulting from the insolvency of a major telecom provider.

EBIT before special items in the Western/Southern Europe segment fell by €–67 million to €91 million, while reported **EBIT** fell by €–72 million to €65 million.

Eastern Europe

EBITDA of the Eastern Europe segment improved in the past financial year from €–45 million in the previous year to €–15 million. EBITDA included special items of €49 million. These were slightly lower than in the previous year (€54 million). The majority was due to restructuring measures in Russia. In addition, there were special factors in connection with legal risks from past activities at redcoon Poland. **EBITDA before special items** improved from €9 million to €34 million.

The positive development in the Eastern Europe segment was mainly due to a significant improvement in earnings in Turkey and stabilisation in Russia.

EBIT before special items in the Eastern Europe segment rose by €37 million to €3 million, while reported **EBIT** improved by €44 million to €–57 million.

Others

The Others segment comprises, in particular, activities relating to CECONOMY AG in its capacity as strategic management holding company, and operations of smaller companies.

EBITDA in the Others segment fell from €–18 million to €–52 million. The special items included in EBITDA increased from €6 million in the previous year to €13 million in the past financial year, due mainly to costs in connection with the demerger. Accordingly, the segment reported a decline in **EBITDA before special items** from €–26 million to €–39 million.

This decline is mainly due to the higher holding costs resulting from the hive-down and spin-off of the wholesale and food and retail business. The previous year's result also included income of €35 million from the redemption of pension obligations, which was offset in the current financial year by lower results from plan curtailments of €18 million.

EBIT before special items in the Others segment fell by €–28 million to €–44 million, while reported **EBIT** declined by €–36 million to €–58 million.

NET FINANCIAL RESULT AND TAXES

€ million	2015/16	2016/17
Earnings before interest and taxes EBIT	**312**	**334**
Earnings share of non-operating companies recognised at equity	0	0
Other investment result	0	–5
Interest income/expenses (interest result)	–12	–11
Other financial result	–10	–10
Net financial result	**–22**	**–26**
Earnings before taxes EBT	**290**	**308**
Income taxes	–198	–186
Profit or loss for the period from continuing operations	**92**	**121**
Profit or loss for the period from discontinued operations after tax	565	1,032
Profit or loss for the period	**657**	**1,153**

Net financial result

At €–26 million, the financial result was relatively constant compared to the previous year (2015/16: €–22 million). The change of €–4 million mainly results from the impairment of the shares in Locafox GmbH, which is reflected in the investment result.

↗ For more information about the net financial result, see the notes to the consolidated financial statements, Nos. 6 to 8 – Other income from investments/earnings share of operating/non-operating companies recognised at equity, Other investment result, Net interest income/interest expenses, and Other financial result.

Taxes

The recognised income tax expense of €186 million (2016/17: €198 million) are €12 million lower than in the previous year, which is mainly due to lower actual taxes outside Germany.

€ million	2015/16	2016/17
Actual taxes	177	167
thereof Germany	(118)	(118)
thereof international	(59)	(49)
thereof tax expenses/income of current period	(171)	(160)
thereof tax expenses/income of previous periods	(6)	(7)
Deferred taxes	21	19
thereof Germany	(–8)	(19)
thereof international	(29)	(0)
	198	**186**

The Group tax rate represents the relationship between recognised income tax expenses and earnings before taxes. In the period under review, the Group's tax rate from continuing operations before special items was 44.1 per cent (2015/16: 48.8 per cent). The reported Group tax rate is 60.6 per cent (2015/16: 68.4 per cent).

↗ For more information about income taxes, see the notes to the consolidated financial statements, No. 10 – Income taxes.

PROFIT OR LOSS FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the period from continuing operations rose by €30 million to €121 million (2015/16: €92 million) thanks to improved EBIT and lower tax expenses.

The total profit or loss for the period according to the statement of profit or loss for the 2016/17 financial year was €1,153 million, €496 million higher than in the same period of the previous year (2015/16: €657 million.). This includes the profit or loss for the period from continuing operations of €1,032 million, which, due to the demerger, increased by €467 million compared with the previous year (2015/16: €565 million). The profit or loss for the period from discontinued operations includes current earnings from discontinued operations to the deconsolidation, taking into account the suspended scheduled depreciation in the amount of €456 million as well as the non-cash result from the deconsolidation in the amount of €576 million.

Earnings per share before special items from continuing operations were €0.58, 11 cents higher than the previous year's figure (2015/16: €0.47). Total earnings per share are €3.37 (2015/16: €1.83). This includes the aforementioned deconsolidation result of €576 million and the effect of the depreciation not taken in current income. Both effects are non-cash.

Earnings per share in the reporting period remained unchanged with a weighted number of 326,787,529 shares. On this basis, the profit or loss for the period attributable to CECONOMY AG shareholders from continuing operations before special items of €189 million and the profit or loss for the period attributable to CECONOMY AG shareholders (net profit) of €1,102 million were allocated. There was no dilution from so-called potential shares in financial year 2016/17 or in the previous year.

Profit or loss for the period and earnings per share

				Change	
		2015/16	2016/17	Absolute	%
Profit or loss for the period from continuing operations	€ million	92	121	30	32.4
Profit or loss for the period attributable to non-controlling interests from continuing operations[1]	€ million	46	34	−12	−25.4
Profit or loss for the period from continuing operations attributable to the shareholders of CECONOMY AG (€ million)	€ million	46	87	41	89.6
Earnings per share from continuing operations[2]	€	0.14	0.27	0.13	89.6
Earnings per share from continuing operations before special items[1,2]	€	0.47	0.58	0.11	24.3

[1] Previous year's figure includes a non-cash component of €15 million from the restructuring of market companies.
[2] After non-controlling interests

SPECIAL ITEMS[1]

Special items by segment

€ million	2015/16 as reported	2016/17 as reported	2015/16 special items	2016/17 special items	2015/16 before special items	2016/17 before special items
EBITDA	**619**	**597**	**100**	**107**	**719**	**704**
thereof DACH	470	516	22	23	493	539
Western/Southern Europe	212	148	18	21	230	169
Eastern Europe	−45	−15	54	49	9	34
Others	−18	−52	6	13	−12	−39
Consolidation	0	0	0	0	0	0
EBIT	**312**	**334**	**154**	**138**	**466**	**471**
thereof DACH	298	384	60	38	359	421
Western/Southern Europe	137	65	21	26	158	91
Eastern Europe	−102	−57	67	60	−35	3
Others	−22	−58	6	14	−16	−44
Consolidation	0	0	0	0	0	0
Net financial result	−22	−26	0	0	−22	−26
EBT	**290**	**308**	**154**	**138**	**444**	**446**
Income taxes	−198	−186	−19	−10	−217	−197
Profit or loss for the period from continuing operations	**92**	**121**	**136**	**128**	**227**	**249**
Profit or loss for the period from discontinued operations after tax	**565**	**1,032**	**−65**	**−340**	**500**	**692**
Profit or loss for the period	**657**	**1,153**	**70**	**−212**	**727**	**941**
Profit or loss for the period attributable to non-controlling interests	58	51	29	26	88	78
from continuing operations	46	34	29	26	75	60
from discontinued operations	13	17	0	1	13	18
Profit or loss for the period attributable to shareholders of CECONOMY AG	599	1,102	41	−239	639	864
from continuing operations	46	87	106	102	152	189
from discontinued operations	553	1,015	−65	−341	487	674
Earnings per share in € (basic = diluted)	**1.83**	**3.37**	**0.12**	**−0.73**	**1.96**	**2.64**
from continuing operations	0.14	0.27	0.32	0.31	0.47	0.58
from discontinued operations	1.69	3.11	−0.20	−1.04	1.49	2.06

[1] For an explanation of special items, see chapter "Group principles – Management system"

Special items by category 2015/16

		Special items				
in € million	as reported	Portfolio changes	Restructuring and efficiency enhancement measures	Risk provisions and impairments of goodwill	other special items	before special items
EBITDA	619	5	58	-	37	719
EBIT	312	5	111	-	37	466
Net financial result	−22	-	-	-	-	−22
EBT	290	5	111	-	37	444
Income taxes	−198	-	−19	-	-	−217
Profit or loss for the period from continuing operations	92	5	93	-	37	227
Profit or loss for the period from discontinued operations	565	−391	283	-	42	500
Profit or loss for the period	657	−386	376	-	79	727
Profit or loss for the period attributable to non-controlling interests	58	-	29	-	-	88
from continuing operations	46	-	29	-	-	75
from discontinued operations	13	-	-	-	-	13
Profit or loss for the period attributable to shareholders of CECONOMY AG	599	−386	346	-	79	639
from continuing operations	46	5	63	-	37	152
from discontinued operations	553	−391	283	-	42	487

Special items by category 2016/17

		Special items				
in € million	as reported	Portfolio changes	Restructuring and efficiency enhancement measures	Risk provisions and impairments of goodwill	other special items	before special items
EBITDA	597	1	85	-	21	704
EBIT	334	15	102	-	21	471
Net financial result	−26	-	-	-	-	−26
EBT	308	15	102	-	21	446
Income taxes	−186	−2	−9	-	0	−197
Profit or loss for the period from continuing operations	121	14	93	-	21	249
Profit or loss for the period from discontinued operations	1,032	−505	84	-	82	692
Profit or loss for the period	1,153	−492	177	-	103	941
Profit or loss for the period attributable to non-controlling interests	51	1	26	-	-	78
from continuing operations	34	-	26	-	-	60
from discontinued operations	17	1	-	-	-	18
Profit or loss for the period attributable to shareholders of CECONOMY AG	1,102	−493	151	-	103	864
from continuing operations	87	14	67	-	21	189
from discontinued operations	1,015	−506	84	-	82	674

Financial and asset position

CAPITAL STRUCTURE

As at 30 September 2017, CECONOMY's consolidated statement of financial position shows equity of €666 million (30/09/2016: €5,332 million). The reduction is mainly due to the demerger.

The equity ratio is 8.0 per cent (30/09/2016): 21.4 per cent).

Based on the annual financial statements of CECONOMY AG prepared in accordance with German commercial law, the capital reserve was reduced to €128 million as a result of the hive-down and spin-off. Other demerger-related disposals in shareholders' equity were offset against reserves retained from earnings, resulting in a negative amount of €−294 million, which is mainly attributable to pension revaluation effects included in other comprehensive income.

€ million	Note no.	30/09/2016	30/09/2017
Equity	**32**	**5,332**	**666**
Share capital		835	835
Capital reserve		2,551	128
Reserves retained from earnings		1,934	−294
Non-controlling interests		12	−2

Net liquidity as of 30 September 2017 was €317 million (30/09/2016: Net debt €2,301 million, of which €2,943 million from discontinued operations).

Net liquidity/net debt is calculated by netting financial liabilities including finance leases in the amount of €544 million (30/09/2016: €4,759 million, of which €4,740 million from discontinued operations) with cash and cash equivalents in accordance with the statement of financial position in the amount of €861 million (30/09/2016: €2,368 million, of which €1,797 million from discontinued operations) as well as current financial investments in the amount of €0 million (30/09/2016: €90 million, of which €90 million from discontinued operations).

The change from net debt to net liquidity is mainly due to the demerger. In the previous year, net liquidity from continuing operations amounted to €642 million. The €325 million decrease in net liquidity from continuing operations to €317 million is mainly due to an increase in financial debt, primarily as a result of the acquisition of the 24.33 per cent interest in Fnac Darty S.A.

€ million	30/09/2016	30/09/2017
Cash and cash equivalents according to the statement of financial position	2,368	861
Current financial investments[1]	90	0
Borrowings (incl. finance leases)	4,759	544
Net liquidity (+)/net debt (-)	**−2,301**	**317**

[1] Shown in the statement of financial position under other financial and non-financial assets (current)

As at 30 September 2017, non-current liabilities amounted to €1,062 million (30/09/2016: €5,950 million, of which €5,048 million from discontinued operations).

Non-current liabilities as of the closing date consist mainly of provisions for pensions and similar obligations amounting to €640 million (30/09/2016: €1,414 million, of which €979 million from discontinued operations) and non-current financial liabilities in the amount of €278 million (30/09/2016: €3,812 million, of which €3,796 million from discontinued operations).

The significant decrease in non-current liabilities of €4,888 million is primarily due to the demerger. Non-current liabilities from continuing operations amounted to €902 million in the previous year. The increase of €160 million to €1,062 million is almost exclusively due to the combined effect of an increase in financial debt of €262 million and a decrease in provisions for pensions and similar obligations of €127 million.

As at 30 September 2017, CECONOMY had current liabilities of €6,551 million (30/09/2016: €13,670 million, of which €7,856 million from discontinued operations).

Current liabilities as of 30 September 2017 consist mainly of trade liabilities amounting to €4,929 million (30/09/2016: €9,383 million, of which €4,889 million from discontinued operations) and current financial liabilities in the amount of €266 million (30/09/2016: €947 million of which €944 million from discontinued operations) and current other financial and non-financial liabilities in the amount of €1,113 million (30/09/2016: €2,465 million, of which €1,358 million from discontinued operations).

The reduction in current liabilities of €7,119 million is mainly due to the demerger. Current liabilities from continuing operations amounted to €5,814 million in the previous year. The increase of €737 million is due to an increase in trade liabilities of €436 million and current financial liabilities of €263 million.

Compared with 30 September 2016, the debt ratio has increased by 13.3 percentage points to 92 per cent. After being at 69.7 per cent on 30 September 2016, the ratio of current liabilities of 86 per cent to total liabilities increased by 16.4 percentage points.

↗ For more information about the maturity, currency and interest rate structure of financial liabilities as well as the credit facilities, see the notes to the consolidated financial statements, No. 37 – Financial liabilities.

€ million	Note no.	30/09/2016	30/09/2017
Non-current liabilities		**5,950**	**1,062**
Provisions for pensions and similar obligations	33	1,414	640
Other provisions	34	383	51
Borrowings	35, 37	3,812	278
Other financial and non-financial liabilities	35, 38	191	86
Deferred tax liabilities	25	150	8
Current liabilities		**13,670**	**6,551**
Trade payables	35, 36	9,383	4,929
Provisions	34	705	199
Borrowings	35, 37	947	266
Other financial and non-financial liabilities	35, 38	2,465	1,113
Income tax liabilities	35	170	44
Liabilities related to assets held for sale	31	0	0

↗ For more information about the development of liabilities, see the notes to the consolidated financial statements under the numbers listed in the table. Information about contingent liabilities and other financial liabilities can be found in the notes to the consolidated financial statements, No. 45 – Contingent liabilities and No. 46 – Other financial liabilities.

INVESTMENTS/DIVESTMENTS

In the financial year 2016/17 CECONOMY invested €319 million, around €90 million below the previous year's level (continuing operations). While expenditures for expansion activities were kept stable, investments in modernisation measures declined significantly. This is, however, exclusively due to the nationwide introduction of electronic price tags in MediaMarkt and Saturn stores in the previous year, which moved point-of-sale digitalisation ahead. Excluding this one-off investment, expenditure on modernisation measures remains at the previous year's level. Following the investment in the acquisition of RTS Elektronik Systeme GmbH (RTS) in the previous year, the acquisition of Electronic Repair Logistics B.V. in the Netherlands in the current financial year further expanded our service expertise. A total of 40 new stores were opened in the 2016/17 financial year, compared with 33 new store openings in the previous year. Despite the higher number of expansion investments, there is a clear trend toward selective expansion with new, less capital-intensive small formats, which account for more than half of the new openings.

Investments according to CECONOMY segment report

€ million	2015/16	2016/17	Change Absolute	Change %
DACH	244	168	−76	−31.1
Western/Southern Europe	113	112	−1	−0.6
Eastern Europe	47	34	−13	−26.9
Others	3	5	2	51.8
CECONOMY	**406**	**319**	**−87**	**−21.5**

€168 million was invested in the **DACH** region in financial year 2016/17. Investment is thus around €76 million below the previous year's level. This is due mainly to the introduction of the Electronic Shelf Label (ESL) and the acquisition of RTS in the previous year. Investments in expansion declined due to a lower number of new store openings and a focus on smaller store formats. A total of eight stores were opened in the DACH region, following eleven new store openings in the previous year. In Germany, the store network was expanded by five new locations; in addition to three new openings, two stores were taken over by the Expert Flösch network group. Two stores were opened in Hungary in the new shop-in-shop format in cooperation with Tesco. In addition, a new store was opened in Austria. In Switzerland, a store in Bern was closed.

Investments in **Western/Southern Europe** in financial year 2016/17 amounted to €112 million, around €1 million below the previous year's level. Also due to the implementation of the Electronic Shelf Label (ESL) in the previous year, investments in modernisation measures declined significantly. This was counterbalanced by higher investments in expansion (a total of 18 new stores with seven new openings in the previous year) and the acquisition of Electronic Repair Logistics B.V. in the Netherlands. Expansion focused on Belgium, with seven new openings; Italy, with five new openings; and Spain, with four new openings. Branch networks in Greece and Portugal were supplemented by one location each. In Belgium, six of the seven new store openings will be operated in the shop-in-shop format at MAKRO Belgium stores. Two stores in Belgium were also closed in the reporting period.

In **Eastern Europe**, €34 million was invested in financial year 2016/17, which is €13 million less than in the same period of the previous year. The decline is the result of lower investments in modernisation due to the rollout of the Electronic Shelf Label (ESL) in the previous year. Expansion investments were slightly lower than in the previous year, with a total of 14 new store openings, one store fewer than in the previous year. As in the previous year, the focus of expansion was on Turkey, with ten new store openings. Three stores were opened in Poland and another store was opened in Russia in September in a METRO Cash & Carry store, using the shop-in-shop concept. In addition, five stores were closed in Russia and two stores were closed in Turkey.

Investments in the **Others segment** amounted to €5 million in financial year 2016/17 (2015/16: €3 million). Investments related primarily to concept and modernisation measures as well as intangible assets.

In 2016/17, CECONOMY received €34 million in cash from **divestments** (2015/16: €21 million). This relates mainly to the sale of shelves and other equipment from closed stores.

COMBINED MANAGEMENT REPORT

LIQUIDITY (CASH FLOW STATEMENT)

From continuing operations, operating activities in the financial year 2016/17 generated cash outflow of €521 million (2015/16: €+378 million). The year-on-year improvement of €143 million is mainly due to the positive development of net working capital (2016/17: €52 million, 2015/16: €–225 million, deviations from values in the statement of financial position due to translation effects and changes in the consolidation group). This improvement was achieved despite a one-off payment of €220 million from the METRO benevolent fund in the previous year, which was reported under other operating activities (2016/17: €64 million, 2015/16: €233 million).

Investing activities from continuing operations amounted to cash inflow of €744 million (2015/16: €–376 million). The change compared with the previous year is mainly due to payments for the acquisition of the investment in Fnac Darty S.A.

The cash flow from financing activities from continuing operations was an inflow of €140 million (2015/16: €–454 million), mainly due to proceeds from non-current borrowings of €512 million in connection with the acquisition of approximately 24.33 per cent of Fnac Darty S.A.

↗ For more information, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements, No. 42 – Notes to the cash flow statement.

Cash flow statement[1]

€ million	2015/16	2016/17
Cash flow from operating activities of continuing operations	**378**	**521**
Cash flow from operating activities of discontinued operations	1,192	236
Cash flow from operating activities	1,569	758
Cash flow from investing activities of continuing operations	**–376**	**–744**
Cash flow from investing activities of discontinued operations	354	–1,544
Cash flow from investing activities	–22	–2,287
Cash flow before financing activities of continuing operations	**2**	**–222**
Cash flow before financing activities of discontinued operations	1,546	–1,308
Cash flow before financing activities	1,548	–1,530
Cash flow from financing activities of continuing operations	**–454**	**140**
Cash flow from financing activities of discontinued operations	–3,130	–91
Cash flow from financing activities	–3,584	49
Total cash flows	–2,036	–1,480
Currency effects on cash and cash equivalents	–13	–27
Total change in cash and cash equivalents	–2,049	–1,507

[1]Abridged version. The complete version is shown in the consolidated financial statements.

FINANCIAL MANAGEMENT

Principles and objectives of financial activities
The financial management function at CECONOMY ensures the permanent liquidity of the Group, manages cash flows throughout the Group, and reduces financial risks where economically feasible. The Treasury function manages these tasks centrally for the Group as a whole, with the aim of centrally steering the financing requirements and assets of Group companies to ensure surplus cash flows are invested at attractive terms and conditions or that any refinancing requirements can be funded where possible on the international capital markets. This applies to operating activities as well as to investments. CECONOMY aligns its selection of investment and financial products to the maturities of the underlying transactions.

METRO GROUP's financial activities are based on a financial budget for the Group, which covers all relevant companies and is updated monthly. In addition to daily reconciliation of the Group-wide financial status, CECONOMY prepares both a short-term liquidity plan and a long-term liquidity plan for three months after the end of the financial year, which is updated on a rolling basis.

In addition, an intensive dialogue with bond investors and credit analysts facilitates capital market access. Our Creditor Relations team also presents the Company to all key European financial markets during its annual roadshow. Investors and analysts can also learn about CECONOMY's high-performance capabilities in face-to-face meetings and tours.

The following principles apply to all Group-wide financial activities:

Financial unity: By presenting a single face to the financial markets, the Group obtains better terms on financial markets.

Financial scope: In our relationships with banks and other business partners in the financial arena, we consistently maintain our scope of action in order to remain independent.

Centralised risk management: We conduct financial transactions to cover our financing requirements and hedge risks related to underlying business transactions. CECONOMY's total financial portfolio is centrally monitored by the Treasury function.

Centralised risk monitoring: Changes in financial parameters, such as interest rate or exchange rate fluctuations, can impact the financing activities of CECONOMY. Associated risks are regularly quantified by the Treasury in the context of scenario analyses. Open risk positions – for example, financial transactions without an underlying business transaction – may only be concluded after the Management Board of CECONOMY AG has granted the appropriate approval.

Exclusively authorised contractual partners CECONOMY conducts financial transactions only with contractual partners who have been authorised by the Treasury function. The creditworthiness of these contractual partners is tracked daily, based on their ratings and the monitoring of their credit risk ratios (essentially credit default swap analyses). On this basis, the Treasury function at CECONOMY continuously monitors adherence to the authorised limits.

Approval requirement: As a matter of principle, all financial transactions of CECONOMY companies are conducted with CECONOMY AG. In cases where this is not possible for legal reasons, these transactions are concluded with another Group company on behalf of the Group company or directly between the Group company and the external financial partner in coordination with CECONOMY AG.

Audit security: The principle of dual control applies within our Company. All processes and responsibilities are laid down in Group-wide guidelines. The conclusion of financial transactions is organisationally separated from the settlement and controlling functions.

↗ For more information about the risks stemming from financial instruments and hedge accounting, see the notes to the consolidated financial statements, No. 44 – Management of financial risks.

Ratings

Ratings evaluate the ability of a company to meet its financial obligations. They communicate the creditworthiness of a company to potential debt capital providers. In addition, ratings facilitate access to international capital markets. CECONOMY AG has commissioned Moody's Investor Service – a leading international ratings agency – and Scope Ratings – an agency that is increasingly making a name for itself in European ratings – to continuously analyse CECONOMY's creditworthiness.

The current ratings awarded to CECONOMY AG by Moody's Investor Service and Scope Ratings are as follows:

Moody's Investors Service

Category	2017
Non-current	Baa3
Current	P-3
Outlook	Stable

Scope Ratings

Category	2017
Non-current	BBB-
Current	S-2
Outlook	Stable

Based on these ratings, CECONOMY has access to all financial markets.

Financing measures

CECONOMY AG's medium- and long-term financing needs are covered by issues on the capital markets. In March 2017, the Company successfully issued several promissory note loans with a total volume of €250 million and terms of five, seven and ten years, respectively.

A euro-denominated commercial paper programme with a maximum volume of €500 million is available to cover the short-term financing requirements of CECONOMY AG. As at 30 September 2017, commercial paper with a nominal volume of €254 million was outstanding.

The Group had access to sufficient liquidity at all times. CECONOMY AG has adequate reserves comprising both the liquidity available within the Company, and a syndicated credit facility of €550 million together with multi-year guaranteed credit facilities of €490 million. These comprehensive multi-year credit facilities, which are listed in the table below, were undrawn as of 30 September 2017.

CECONOMY's undrawn credit facilities

	30/09/2016			30/09/2017		
		Remaining term			Remaining term	
€ million	Total	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year
Bilateral credit facilities	681	437	244	498	8	490
Utilisation	–276	–132	–144	–8	–8	0
Unutilised bilateral credit facilities	405	305	100	490	0	490
Syndicated credit facilities	2,525	0	2,525	550	0	550
Utilisation	0	0	0	0	0	0
Unutilised syndicated credit facilities	2,525	0	2,525	550	0	550
Total credit facilities	3,206	437	2,769	1,048	8	1,040
Total utilisation	–276	–132	–144	–8	–8	0
Total undrawn credit facilities	**2,930**	**305**	**2,625**	**1,040**	**0**	**1,040**

ASSET POSITION

In financial year 2016/17, total assets decreased by €16,672 million to €8.3 billion as a result of the demerger (30/09/2016: €25.0 billion).

The non-current assets as of 30 September 2017 were €2,144 million (30/09/2016): €13,369 million, of which €11,595 million from discontinued operations). This mainly consists of goodwill amounting to €531 million (30/09/2016: €3,361 million, of which €2,847 million from discontinued operations) and property, plant and equipment in the amount of €858 million (30/09/2016: €8,141 million, of which €7,260 million from discontinued operations) and non-current financial liabilities in the amount of €135 million (30/09/2016: €104 million, of which €89 million from discontinued operations) and investments accounted for using the equity method in the amount of €458 million (30/09/2016: €188 million, of which €183 million from discontinued operations).

The €11,225 million decrease in non-current assets is mainly due to the demerger. This was partly offset by the acquisition of the 24.33 per cent stake in Fnac Darty S.A., which was acquired as a €458 million investment and accounted for using the equity method. In addition, the inclusion of the investments classified as non-current in the amount of 1 per cent in the current METRO AG and 6.61 per cent in METRO PROPERTIES GmbH & Co. KG resulted in an increase in non-current financial assets of €116 million.

€ million	Note no.	30/09/2016	30/09/2017
Non-current assets		**13,369**	**2,144**
Goodwill	8	3,361	531
Other intangible assets	19	497	100
Property, plant and equipment	20	8,141	858
Investment properties	22	126	0
Financial assets	23	104	135
Investments accounted for using the equity method	23	188	458
Other financial and non-financial assets	24	289	22
Deferred tax assets	25	663	39

↗ For more information about the development of non-current assets, see the notes to the consolidated financial statements under the numbers listed in the table.

As at 30 September 2017, current assets amounted to €6,136 million (30/09/2016: €11,583 million, of which €6,655 million from discontinued operations). At the closing date, they consisted mainly of inventories amounting to €2,553 million (30/09/2016: €5,456 million, of which €3,063 million from discontinued operations) and trade receivables in the amount of €498 million (30/09/2016: €808 million, of which €485 million from discontinued operations) and current other financial and non-financial assets in the amount of €2,136 million (30/09/2016: €2,734 million of which from discontinued operations €1,278 million) and cash and cash equivalents of €861 million (30/09/2016: €2,368 million, of which €1,707 million from discontinued operations).

The €5,447 million decrease in current assets is also mainly due to the demerger. By contrast, trade receivables increased by €175 million and inventories by €161 million. In addition, other financial and non-financial assets from continuing operations increased by €680 million. This increase is primarily due to the addition of the nine-per cent stake in the current METRO AG amounting to €584 million.

€ million	Note no.	30/09/2016	30/09/2017
Current assets		**11,583**	**6,136**
Inventories	26	5,456	2,553
Trade receivables	27	808	498
Other financial and non-financial assets	24	2,734	2,136
Entitlements to income tax refunds		216	87
Cash and cash equivalents	30	2,368	861
Assets held for sale	31	0	0

↗ For more information about the development of current assets, see the notes to the consolidated financial statements under the numbers listed in the table.

Net working capital developed as follows in the financial year 2016/17:

€ million	30/09/2016	30/09/2017
Inventories	5,456	2,553
Trade receivables	808	498
Receivables due from suppliers	1,774	1,246
Receivables from credit cards	104	68
Advance payments on inventories	12	0
Trade payables	−9,383	−4,929
Liabilities to customers	−184	−129
Deferred revenues from vouchers and customer loyalty programmes	−163	−69
Provisions for customer loyalty programmes and rights of return	−56	−19
Prepayments received on orders	−48	−39
Net working capital	**−1,680**	**−820**

Net working capital increased by €860 million compared with the previous year to €−820 million (30/09/2016: €−1,680 million of which €−901 million from discontinued operations). Net working capital for continuing operations thus showed an improvement.

The amount of net working capital as of 30 September 2017 is mainly based on inventories amounting to €2,553 million (30/09/2016:

€5,456 million of which €3,063 million from discontinued operations), trade receivables of €498 million (30/09/2016: €808 million, of which from discontinued operations €485 million), receivables due from suppliers of €1,246 million (30/09/2016: €1,774 million of which €562 million from discontinued operations), trade liabilities of €4,929 million (30/09/2016: €9,383 million, of which €4,889 million from discontinued operations).

This increase is mainly due to the demerger. Inventories from continuing operations increased by €160 million, trade receivables by €175 million and trade liabilities by €436 million.