



HALF YEAR FINANCIAL REPORT

H1/Q2 2018/19

CONTENT

3	Summary	
4	Overview	
5	Interim group management report	
5	Macroeconomic conditions	
5	Earnings, financial and asset position of the group	
7	METRO Segments	
11	Risks and opportunities	
11	Report on events after the closing date and outlook	
12	Store network	
13	Condensed interim consolidated financial statements	
13	Income statement	
14	Reconciliation from profit or loss for the period to total comprehensive income	
15	Balance sheet	
17	Cash flow statement	
18	Statement of changes in equity	
19	Notes on the condensed interim consolidated financial statements	
19	Segment reporting	
21	Group Accounting principles and methods underlying the condensed interim financial report	
25	Notes to the income statement	
25	Notes to the balance sheet	
27	Report on events after the closing date	
27	Other notes	
31	Responsibility statement of the legal representatives	
32	Audit review report	
33	Financial calendar, imprint, Disclaimer	

METRO WITH 1.2% LFL GROWTH IN Q2 DESPITE EASTER SHIFT

H1:

Like-for-like sales increased by 1.8%; in local currency, sales grew by 1.9%, reported sales declined by -0.2% to €14.8 billion

EBITDA excluding earnings contributions from real estate transactions stood at €553 million (H1 2017/18: €615 million); reported EBITDA reached €587 million (H1 2017/18: €622 million)

EBITDA excluding earnings contributions from real estate transactions adjusted for currency effects was -6.9% lower than previous year

The profit or loss for the period from continuing operations attributable to METRO shareholders amounted to €147 million (H1 2017/18: €134 million)

The profit or loss for the period from continuing and discontinued operations attributable to METRO shareholders amounted to €-257 million in H1 2018/19 (H1 2017/18: €179 million) and was influenced by an impairment of the hypermarket business to the sum of €385 million

Earnings per share from continuing operations increased to €0.40 in H1 2018/19 (H1 2017/18: €0.37); including discontinued operations, it reached €-0.71 (H1 2017/18: €0.49)

Net debt stood at €3.6 billion (31/3/2018: €4.0 billion, thereof €3.6 billion in continuing operations)

Outlook for financial year 2018/19 confirmed

Q2:

Like-for-like sales increased by 1.2%; in local currency, sales grew by 1.6%, reported sales increased by 0.2% to €6.8 billion

EBITDA excluding earnings contributions from real estate transactions stood at €83 million (Q2 2017/18: €111 million); reported EBITDA reached €116 million (Q2 2017/18: €118 million)

Earnings per share from continuing operations: €-0.09 (Q2 2017/18: €-0.13)

OVERVIEW

H1/Q2 2018/19

€ million	H1 2017/18 ¹	H1 2018/19	Change	Q2 2017/18 ¹	Q2 2018/19	Change
Sales	14,803	14,769	-0.2%	6,737	6,752	0.2%
EBITDA excluding earnings contributions from real estate transactions	615	553	-10.1%	111	83	-25.1%
Earnings contributions from real estate transactions	7	34	-	7	32	-
EBITDA	622	587	-5.6%	118	116	-2.3%
EBIT	347	306	-11.7%	-17	-29	-66.5%
Earnings before taxes EBT	281	244	-13.1%	-52	-52	1.0%
Profit or loss for the period from continuing operations ²	134	147	9.4%	-45	-34	26.1%
Earnings per Share from continuing operations (€) ²	0.37	0.40	9.4%	-0.13	-0.09	26.1%
Profit or loss for the period ²	179	-257	-	-53	-459	-
Earnings per Share (€)	0.49	-0.71	-	-0.15	-1.26	-

¹ Adjustment of previous year due to discontinued operations and according to explanation in notes.

² attributable to METRO shareholders.

INTERIM GROUP MANAGEMENT REPORT

MACROECONOMIC CONDITIONS

In H1 2018/19, adjustments of earlier global growth forecasts increasingly suggest an overall slowdown of the global economical upswing. Some major national economies might even record a downturn. At present, a serious recession seems unlikely. As labour markets tend to react to negative economic developments with a delay, the labour situation in most countries remains positive. Over the course of H1, the inflation rate in Europe and Asia (except Turkey, Russia and India) fell slightly compared to the previous year. There is an ongoing risk that the US trade wars with the EU and China, respectively, may escalate. The continuing uncertainty about the withdrawal of the United Kingdom from the EU further exacerbate the situation. These unpredictable factors continue to influence international economic developments and may even cause a recession in some countries.

The current state of the **German** economy as well as the forecast for the remaining year worsened during the 2018/19 half year. This is offset by healthy, stable labour market and wage trends, which also have a positive effect on private consumption and retail sales. A potential recession could impact those areas, too. Inflation remained low during the first quarter of the 2019 calendar year.

Western Europe recorded similar developments during the H1 2018/19. A slowdown in economic growth during the first quarter of the 2019 calendar year has not yet had a negative impact on the labour market. Some countries have experienced a slowdown in real-wage growth, retail sales and private consumption, however. The continued expansive monetary policy of the ECB keeps interest low.

During H1 2018/19, the **Russian** economy grew slightly more slowly, which is in line with global trends. Macroeconomic developments are closely linked to the energy sector, that is, oil and gas. Unemployment and inflation have increased since the previous year due to an increase in VAT. Wage levels and private consumption declined slightly in H1 2018/19. The RUB/USD exchange rate remains weak yet stable. Any potential

resurgence of foreign-policy crises and the sanctions spiral enforced by the Western nations could have a negative impact on economic development in Russia.

In **Eastern Europe**, economic growth slowed down slightly in H1 2018/19 compared to the same period of the previous financial year. With the exception of Turkey, the region has recorded a considerably higher level of growth than Western Europe. Many sectors of the Turkish economy have been developing negatively; only tourism has resisted this downturn. While unemployment is on the rise in Turkey, the labour market situation in the other Eastern European states remains favourable. Inflation has risen moderately in most of them. Driven by largely stable real-wage growth, real private consumption has increased, but the growth rate is lower than it was in the previous year. Again, Turkey is an exception, having recorded negative developments with regards to these indicators.

The **Asian** emerging economies were in line with global developments during H1 2018/19. Nonetheless, they recorded significantly stronger economic growth than the other regions. Both in China and India, inflation is low. In Japan, it has even fallen to considerably less than 1%. China, India and Pakistan recorded positive growth in real private consumption, which corresponds to the development of real wages in the 3 countries. Due to the trade war between China and the US, the economy of the former nation remains at risk of a considerable downturn.

EARNINGS, FINANCIAL AND ASSET POSITION OF THE GROUP

Key performance indicators

METRO's strategic focus on creating additional value for our customers and the objective of sustainably increasing the value of our company are also reflected in our internal management system. We use various key figures for the planning, management and control of our business activities.

As in the previous year, the most important key figures indicators for METRO in financial year 2018/19 are exchange-rate-adjusted sales growth (as a total figure and a like-for-like figure) and the EBITDA excluding earnings contributions from real estate transactions. The earnings contributions from real estate transactions include the EBITDA-effective earnings from the disposal of land and land usage rights and buildings as part of a disposal transaction. Earnings from the disposal of dedicated real estate companies or the disposal of shares in such companies capitalised at-equity are, as a result of their commercial substance, also included in the earnings contributions from real estate transactions.

More detailed explanations of key performance indicators can be found in the METRO annual report 2017/18 on pages 47-48 and in the footnotes to the table on page 79.

All following explanations of the business development focus on the continuing operations unless otherwise stated.

Sales

Despite the shift in the Easter business, like-for-like sales at METRO rose by 1.8% in H1 2018/19. This growth is mainly attributable to the very positive like-for-like sales development in Eastern Europe excluding Russia and Asia. Reported sales increased by 1.9% in local currency. The reported sales of METRO slightly decreased by -0.2% to €14.8 billion since the previous year, which is mainly due to the negative development of the Russian and Turkish currency.

In Q2 2018/19, like-for-like sales rose by 1.2% despite the shift in the Easter business. Reported sales increased by 1.6% in local currency. The reported sales of METRO remained nearly flat.

Earnings

The **earnings before interest, taxes, depreciation and amortisation (EBITDA) excluding earnings contributions from real estate transactions** of METRO reached a total of €553 million in H1 2018/19 (H1 2017/18: €615 million). Apart from the shift in the Easter business and the operative development in Russia, that decline is also due to the increased cost of digitalisation/IT. The negative development of the Russian and Turkish currency further impacted the result. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions decreased by €-41 million (-6.9%).

Earnings contributions from real estate transactions totalled €34 million (H1 2017/18: €7 million). **EBITDA** in H1 2018/19 amounted to €587 million (H1 2017/18: €622 million).

The EBITDA excluding earnings contributions from real estate transactions reached a total of €83 million in Q2 2018/19 (Q2 2017/18: €111 million). Apart from the shift in the Easter business and the operative development in Russia, that decline is also due to the increased cost of digitalisation/IT. The negative development of the Russian and Turkish currency further impacted the result.

Earnings contributions from real estate transactions totalled €32 million (Q2 2017/18: €7 million). **EBITDA** in Q2 2018/19 amounted to €116 million (Q2 2017/18: €118 million).

The **financial result** in H1 2018/19 stood at €-62 million (H1 2017/2018: €-66 million). Thanks to a more favourable refinancing rate, the interest result improved by €5 million.

Earnings before taxes amounted to €244 million in H1 2018/19 (H1 2017/18: €281 million).

For the continuing operations, a tax rate of 37.9% is expected for the financial year 2018/19. This results in **income tax expenses** of €92 million in H1 2018/19 (H1 2017/18: €142 million).

The **profit or loss for the period from continuing operations** attributable to METRO **shareholders** amounted to €147 million in H1 2018/19 (H1 2017/18: €134 million).

The profit or loss for the period from continuing and discontinued operations attributable to METRO shareholders amounted to €-257 million in H1 2018/19 (H1 2017/18: €179 million) and was influenced by an impairment of the hypermarket business to the sum of €385 million.

Earnings per share from continuing operations increased to €0.40 in H1 2018/19 (H1 2017/18: €0.37).

Earnings per share from continuing operations and discontinued operations reached €-0.71 in H1 2018/19 (H1 2017/18: €0.49).

Investments

METRO **invested** €221 million in H1 2018/19 (H1 2017/18: €230 million). In Q2 2018/19 METRO invested €131 million (Q2 2017/18: €130 million).

Financing and net debt

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €5 billion. As per 1 March 2019, a due bond of €500 million was repaid with a coupon of 3.375%. By 31 March 2019, the bond issuance programme had been utilised up to €1,901 billion (31/3/2018: €2,901 billion).

Short-term financing requirements are covered through the Euro Commercial Paper Programme with a maximum volume of €2 billion. On average, the programme was used at €569 million during the reporting period. By 31 March 2019, the programme had been utilised up to €1.147 billion (31/3/2018: €677 million).

Bilateral credit facilities totalling €633 million were used as of 31 March 2019 (31/3/2018: €609 million). As a cash reserve, two syndicated credit facilities worth €1,750 million and additional multi-year bilateral credit facilities worth €250 million remain available to METRO.

The reported net debt, after netting cash and cash equivalents as well as financial investments with financial liabilities (including finance leases), totalled €3.6 billion as of 31 March 2019 (31/3/2018: €4.0 billion, thereof €3.6 billion in continuing operations).

Balance sheet

Total assets have decreased by €0.4 billion to €14.8 billion since the end of the financial year on 30 September 2018, which was primarily due to an impairment of the hypermarket business. In year-on-year comparison as at 31 March 2018, total assets decreased by €-0.8 billion. Moreover, reductions of financial liabilities and the corresponding reduction of liquid assets have contributed to that development.

As of 31 March 2019, the METRO group balance sheet reports equity in the amount of €2.6 billion.

The equity ratio has declined from 20% to 18% since 30 September 2018. In year-on-year comparison as at 31 March 2018, the equity ratio decreased from 19% to 18%.

Cash flow

Cash flow from operating activities recognizes a cash outflow of €0.3 billion in H1 2018/19 (H1 2017/18: €0.2 billion cash outflow).

Cash flow from investing activities amounted to €-0.1 billion (H1 2017/18: €-0.2 billion) and is mainly attributable to investments in property, plant and equipment. The other investments include payouts for intangible assets and financial assets.

Cash flow before financing activities amounted to €0.0 billion (H1 2017/18: €0.3 billion cash inflow).

METRO SEGMENTS¹

METRO

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19
Total	14,803	14,769	-0.6%	-0.2%	-2.5%	-2.1%	1.9%	1.9%	1.3%	1.8%
Germany	2,437	2,376	2.1%	-2.5%	-0.1%	0.0%	2.1%	-2.5%	2.7%	-1.5%
Western Europe (excl. Germany)	5,225	5,253	3.9%	0.5%	0.0%	0.0%	3.9%	0.5%	0.3%	0.4%
Russia	1,534	1,374	-14.9%	-10.4%	-5.3%	-7.9%	-9.6%	-2.6%	-8.8%	-3.1%
Eastern Europe (excl. Russia)	3,359	3,410	2.6%	1.5%	-2.9%	-5.0%	5.4%	6.5%	6.0%	6.6%
Asia	2,227	2,328	-4.6%	4.5%	-7.4%	-1.2%	2.8%	5.7%	2.4%	4.7%
Others	20	28	-68.6%	38.9%	-0.3%	0.0%	-68.3%	38.9%	-	-

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19
Total	6,737	6,752	-1.7%	0.2%	-3.4%	-1.4%	1.7%	1.6%	1.6%	1.2%
Germany	1,067	1,024	2.6%	-4.1%	-0.1%	0.0%	2.7%	-4.1%	3.3%	-3.1%
Western Europe (excl. Germany)	2,339	2,333	1.8%	-0.3%	0.0%	0.0%	1.8%	-0.3%	-0.2%	-0.3%
Russia	624	573	-21.0%	-8.3%	-10.6%	-6.0%	-10.4%	-2.3%	-8.6%	-4.0%
Eastern Europe (excl. Russia)	1,513	1,550	2.6%	2.4%	-2.5%	-4.4%	5.1%	6.8%	5.7%	6.8%
Asia	1,190	1,255	-3.6%	5.5%	-8.5%	0.8%	4.8%	4.7%	4.3%	3.6%
Others	3	18	-80.8%	-	-0.1%	-0.1%	-80.7%	-	-	-

¹See notes on segment reporting.

Like-for-like sales at **METRO** rose by 1.8% in H1 2018/19. This growth is mainly attributable to the very positive like-for-like sales development in Eastern Europe excluding Russia and Asia. Sales in local currency increased by 1.9%. The reported sales of METRO slightly decreased by -0.2% to €14.8 billion since the previous year, which is mainly due to the negative development of the Russian and Turkish currency and the shift in the Easter business.

In Q2 2018/19, like-for-like sales rose by 1.2% despite the shift in the Easter business. Reported sales increased by 1.6% in local currency. The reported sales of METRO remained nearly flat despite the shift in the Easter business and negative currency effects.

In H1 2018/19, like-for-like sales in **Germany** decreased by -1.5%. In particular, the missing Easter business caused a decline in sales. Reported sales decreased by -2.5%.

Like-for-like sales in Germany decreased by -3.1% in Q2 2018/19. This development is in particular attributable to the Easter shift. Reported sales declined by -4.1%.

In H1 2018/19, like-for-like sales in **Western Europe (excl. Germany)** rose by 0.4%. Reported sales grew by 0.5% to €5.3 billion.

Like-for-like sales decreased by -0.3% in Q2 2018/19. The Easter shift caused a decline in sales. Reported sales decreased by -0.3% to €2.3 billion.

In **Russia**, like-for-like sales in the H1 2018/19 declined by -3.1%. In local currency, sales decreased by -2.6%. As a result of negative currency effects, the reported sales decreased by a substantial -10.4%.

Like-for-like sales decreased by -4.0% in Q2 2018/19. In local currency, sales decreased by -2.3% and reported sales declined by -8.3% due to unfavourable currency effects. The initiated measures, such as price in-

vestments, continue to take effect, albeit slower than expected.

In **Eastern Europe (excluding Russia)**, like-for-like sales in H1 2018/19 were clearly positive at a growth of 6.6%. This is predominantly attributable to the performance in Turkey, Romania and Ukraine. In local currency, sales grew by 6.5%. Due to negative currency effects, especially in Turkey, reported sales increased by only 1.5%.

In Eastern Europe excluding Russia, like-for-like sales in Q2 2018/19 were clearly positive at 6.8%. This is predominantly attributable to double-digit growth in Turkey, Romania and Ukraine. In local currency, sales also grew by 6.8%. Due to negative currency effects, especially in Turkey, reported sales increased by only 2.4%.

Like-for-like sales in **Asia** increased in H1 2018/19 by 4.7%. All countries contributed to this. Sales in local currency increased by 5.7%. Due to unfavourable currency effects, reported sales only rose by 4.5%.

In Q2 2018/19, like-for-like sales rose by 3.6%. Again, all countries contributed to this. Sales in local currency increased by 4.7%. Unlike the half year, Q2 2018/19 experienced favourable currency effects, which led to a 5.5% increase in the reported sales.

The **delivery business** of METRO increased by about 9% to €2.8 billion in H1 2018/19. As a result, share of sales accounts for 19% of total sales.

In Q2 2018/19, delivery sales once again increased by approximately 9% and achieved a 20% share of total sales.

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions		EBITDA		EBIT		Investments	
	H1 2017/18	H1 2018/19	Change (€)	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19
	Total	615	553	-62	7	34	622	587	347	306	230
Germany	53	46	-8	0	0	53	46	16	6	18	48
Western Europe (excl. Germany)	194	195	1	0	0	195	195	126	128	45	38
Russia	143	109	-34	0	0	143	109	116	83	48	7
Eastern Europe (excl. Russia)	167	155	-12	1	2	168	157	118	106	21	26
Asia	83	84	1	3	30	86	114	53	79	19	25
Others	-24	-35	-11	3	2	-21	-34	-83	-97	81	76

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions		EBITDA		EBIT		Investments	
	Q2 2017/18	Q2 2018/19	Change (€)	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19
	Total	111	83	-28	7	32	118	116	-17	-29	130
Germany	-12	-23	-10	0	0	-12	-23	-31	-42	12	41
Western Europe (excl. Germany)	24	20	-4	0	0	24	20	-10	-12	28	25
Russia	35	30	-5	0	0	35	30	22	17	25	3
Eastern Europe (excl. Russia)	44	42	-3	1	0	45	42	20	14	12	8
Asia	48	48	1	3	30	51	79	34	60	8	14
Others	-26	-34	-7	3	2	-23	-32	-51	-65	45	40

EBITDA excluding earnings contributions from real estate transactions reached a total of €553 million in H1 2018/19 (H1 2017/18: €615 million). Apart from the shift in the Easter business and the operative development in Russia, that decline is also due to the increased cost of digitalisation/IT. The negative development of the Russian and Turkish currency further impacted the result. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions decreased by €-41 million (-6.9%).

Earnings contributions from real estate transactions totalled €34 million (H1 2017/18: €7 million).

EBITDA in H1 2018/19 amounted to €587 million (H1 2017/18: €622 million).

The EBITDA excluding earnings contributions from real estate transactions reached a total of €83 million in Q2 2018/19 (Q2 2017/18: €111 million). Apart from the shift in the Easter business and the operative development in Russia, that decline is also due to the increased cost of digitalisation/IT. The negative development of

the Russian and Turkish currency further impacted the result.

Earnings contributions from real estate transactions totalled €32 million (Q2 2017/18: €7 million).

EBITDA in Q2 2018/19 amounted to €116 million (Q2 2017/18: €118 million).

In **Germany**, EBITDA excluding earnings contributions from real estate transactions reached €46 million in H1 2018/19 (H1 2017/18: €53 million). EBITDA excluding earnings contributions from real estate transactions reached a total of €-23 million in Q2 2018/19 (Q2 2017/18: €-12 million). This decline in earnings is primarily due to the Easter shift, which resulted in lower sales.

In **Western Europe (excluding Germany)**, EBITDA excluding earnings contributions from real estate transactions reached €195 million in H1 2018/19 (H1 2017/18: €194 million). EBITDA excluding earnings contributions from real estate transactions was at €20 million in Q2 2018/19 (Q2 2017/18: €24 million).

The previous year's earnings included a positive one-off gain in the high single-digit millions.

EBITDA excluding earnings contributions from real estate transactions in **Russia** reached a total of €109 million in H1 2018/19 (H1 2017/18: €143 million). Adjusted for currency effects, the decline amounts to €-22 million and is mainly sales and margin related.

EBITDA excluding earnings contributions from real estate transactions reached a total of €30 million in Q2 2018/19 (Q2 2017/18: €35 million). This decline is also largely sales and margin related.

In **Eastern Europe (excl. Russia)**, EBITDA excluding earnings contributions from real estate transactions reached €155 million in H1 2018/19 (H1 2017/18: €167 million). This decrease is mainly attributable to the negative currency development. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions declined by €-5 million in Eastern Europe.

EBITDA excluding earnings contributions from real estate transactions was at €42 million in Q2 2018/19 (Q2 2017/18: €44 million).

EBITDA excluding earnings contributions from real estate transactions in **Asia** reached a total of €84 million in H1 2018/19 (H1 2017/18: €83 million). Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions increased by €1 million in Asia.

EBITDA excluding earnings contributions from real estate transactions remained at the previous year's level of €48 million in Q2 2018/19. Earnings contributions from real estate transactions totalled €30 million (Q2 2017/18: €3 million) especially from the real estate transaction in Bangalore, India.

The **Others** segment includes all METRO Wholesale companies and other activities that cannot be allocated to the other companies. This includes, among others, the following segments: the procurement organisation in Hong Kong, which also operates on behalf of third parties, logistics services and real estate activities of METRO PROPERTIES provided that they are not attributed to any sales lines (that is speciality stores, warehouses, head offices, etc.), and Hospitality Digital.

In the segment **Others**, EBITDA excluding earnings contributions from real estate transactions reached €-35 million (H1 2017/18: €-24 million). While the cost of digitalisation/IT rose as expected, this result also includes revenues from compensations in the low double digit millions, which were focused in the Others segment.

EBITDA excluding earnings contributions from real estate transactions was at €-34 million in Q2 2018/19 (Q2 2017/18: €-26 million). This includes revenues from compensations in the high single-digit millions, which were focused in the Others segment.

Discontinued operations

Like-for-like sales of the discontinued operations in H1 2018/19 decreased slightly by -2.7%, which was primarily due to the shift in the Easter business. Reported sales also declined by -3.7% compared H1 2018/19 due to three permanent store closures and one temporary closure.

Like-for-like sales decreased by -5.1% in Q2 2018/19 due to the Easter shift. Reported sales declined by -6.2%, also due to store closures.

The online business real.de continued to develop dynamically. GMV (Gross Merchandise Value) grew by 60% to €300 million in H1 2018/19 compared to H1 2017/18.

GMV in Q2 2018/19 amounted to €130 million, which represents a growth of 53% since Q2 2017/18.

EBITDA excluding earnings contributions from real estate transactions reached €-3 million in H1 2018/19 (H1 2017/18: €146 million). Apart from the Easter shift effect, this decrease is mainly attributable to a negative effect on earnings resulting from the termination of the future collective agreement, expenses for future store closures as well as the margin development.

EBITDA excluding earnings contributions from real estate transactions reached a total of €-55 million in Q2 2018/19 (Q2 2017/18: €-42 million). This considerable decline was also due to the Easter shift, the termination of the future collective agreement as well as the margin development.

As a result of reporting as discontinued operations and according to IFRS 5, depreciation and amortisation on fixed assets of €82 million have been suspended in H1 2018/19. In Q2 2018/19, an impairment of the hypermarket business to the sum of €385 million was recognized through profit or loss within the scope of the advanced sales process.

RISKS AND OPPORTUNITIES

Since the preparation of the consolidated financial statements, there have not been any considerable changes to the risks and opportunities for the anticipated development of the group detailed in the METRO annual report 2017/18. No present or future risks have been identified that pose a risk to the continued existence of the group.

REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

Report on events after the closing date

No reportable events took place after the quarterly closing date.

Outlook

Outlook for METRO

The outlook is based on the assumptions of stable exchange rates and no further adjustments to the portfolio and is given only for the continued operations of METRO. Our reporting also assumes a continuously complex geopolitical situation.

Sales

Despite the persistently challenging economic environment in particular in Russia, METRO expects to see an increase in overall sales in the range of 1-3% for financial year 2018/19, mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

METRO equally expects an increase in like-for-like sales in the range of 1-3% in financial year 2018/19, also mainly driven by Eastern Europe (excluding Russia) and Asia. For Russia, a measurable trend improvement is expected.

Earnings

EBITDA excluding earnings contributions from real estate transactions is expected to decrease by around 2-6% compared to financial year 2017/18 (€1,242 million), particularly driven by an expected double-digit percentage decrease in the segment Others (2017/18: €-129 million) as well as by an expected mid- to high-single-digit percentage decrease in the segment Russia. For all other segments an EBITDA around previous year level is expected.

STORE NETWORK

STORE NETWORK BY COUNTRIES AND SEGMENTS

As of 31 March 2019

	METRO	New store openings H1 2018/19	Closures H1 2018/19	METRO
	2018			2019
Germany	103	0	0	103
Belgium	17	0	0	17
France	98	0	0	98
Italy	49	0	0	49
Netherlands	17	0	0	17
Austria	12	0	0	12
Portugal	10	0	0	10
Spain	37	0	0	37
Western Europe (excl. Germany)	240	0	0	240
Russia	93	0	0	93
Bulgaria	11	0	0	11
Kazakhstan	6	0	0	6
Croatia	9	0	0	9
Moldova	3	0	0	3
Poland	29	0	0	29
Romania	30	0	0	30
Serbia	9	0	0	9
Slovakia	6	0	0	6
Czech Republic	13	0	0	13
Turkey	33	1	0	34
Ukraine	31	0	0	31
Hungary	13	0	0	13
Eastern Europe (excl. Russia)	193	1	0	194
China	94	1	0	95
India	27	0	0	27
Japan	10	0	0	10
Pakistan	9	0	0	9
Asia	140	1	0	141
International	666	2	0	668
METRO	769	2	0	771

¹The locations and countries of the Classic Fine Foods and those of Pro à Pro and Rungis Express are not shown in the table as they relate to distribution centres and warehouses whereas this table only covers sales locations.

CONDENSED INTERIM FINANCIAL REPORT

INCOME STATEMENT

€ million	H1 2017/18 ¹	H1 2018/19	Q2 2017/18 ¹	Q2 2018/19
Sales revenues	14,803	14,769	6,737	6,752
Cost of sales	-12,304	-12,296	-5,664	-5,680
Gross profit on sales	2,499	2,473	1,073	1,072
Other operating income	574	581	278	283
Selling expenses	-2,168	-2,191	-1,082	-1,100
General administrative expenses	-414	-415	-212	-214
Other operating expenses	-150	-146	-76	-69
Result from impairment of financial assets	0	-10	0	-5
Earnings share of operating companies recognised at equity	5	13	2	5
Earnings before interest and taxes (EBIT)	347	306	-17	-29
Earnings share of non-operating companies recognised at equity	0	0	0	0
Other investment result	0	0	0	0
Interest income	18	16	6	8
Interest expenses	-79	-73	-41	-35
Other financial result	-5	-6	0	4
Net financial result	-66	-62	-35	-23
Earnings before taxes EBT	281	244	-52	-52
Income taxes	-142	-92	8	20
Profit or loss for the period from continuing operations	139	152	-45	-32
Profit or loss for the period from discontinued operations	44	-403	-8	-425
Profit or loss for the period	183	-251	-52	-457
Profit or loss for the period attributable to non-controlling interests	5	5	1	2
from continuing operations	5	5	1	2
from discontinued operations	0	0	0	0
Profit or loss for the period attributable to the shareholders of METRO	179	-257	-53	-459
from continuing operations	134	147	-45	-34
from discontinued operations	44	-403	-8	-425
Earnings per share in € (basic = diluted)	0.49 ²	-0.71	-0.15	-1.26
from continuing operations	0.37 ²	0.40	-0.13	-0.09
from discontinued operations	0.12 ²	-1.11	-0.02	-1.17

¹ Adjustment of previous year due to discontinued operations and according to explanation in notes.

² Pro forma figures.

RECONCILIATION FROM PROFIT OR LOSS FOR THE PERIOD TO TOTAL COMPREHENSIVE INCOME

€ million	H1 2017/18 ¹	H1 2018/19	Q2 2017/18 ¹	Q2 2018/19
Profit or loss for the period	183	-251	-52	-457
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	5	-20	11	-19
Remeasurement of defined benefit pension plans	5	-31	14	-28
Effects from the fair-value measurements of equity instruments	0	0	0	0
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	0	10	-2	9
Items of other comprehensive income that may be reclassified subsequently to profit or loss	-48	118	-33	106
Currency translation differences from translating the financial statements of foreign operations	-48	121	-33	105
Effective portion of gains/losses from cash flow hedges	1	2	0	1
Effects from the fair-value measurements of debt instruments	0	0	0	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	-4	0	0
Other comprehensive income	-43	98	-21	87
Total comprehensive income	140	-154	-73	-370
Total comprehensive income attributable to non-controlling interests	5	7	1	3
Total comprehensive income attributable to the shareholders of METRO AG	135	-161	-75	-373

¹ Adjustment of previous year according to explanation in notes.

BALANCE SHEET**ASSETS**

€ million	31/3/2018 ¹	30/9/2018 ¹	31/3/2019
Non-current assets	9,033	7,503	7,499
Goodwill	870	797	801
Other intangible assets	477	499	524
Property, plant and equipment	6,699	5,314	5,286
Investment properties	113	97	82
Financial assets	95	88	85
Investments accounted for using the equity method	187	178	184
Other financial assets	44	39	37
Other non-financial assets	169	163	165
Deferred tax assets	380	329	335
Current assets	6,606	7,703	7,334
Inventories	3,107	2,108	2,309
Trade receivables	597	571	536
Financial assets	1	1	3
Other financial assets	839	561	638
Other non-financial assets	445	353	455
Entitlements to income tax refunds	168	206	189
Cash and cash equivalents	1,420	1,298	849
Assets held for sale	27	2,605	2,353
	15,639	15,206	14,833

¹ Adjustment of previous year according to explanation in notes.

EQUITY AND LIABILITIES

€ million	31/3/2018 ¹	30/9/2018 ¹	31/3/2019
Equity	3,042	3,074	2,641
Share capital	363	363	363
Capital reserve	6,118	6,118	6,118
Reserves retained from earnings	-3,485	-3,449	-3,872
Non-controlling interests	45	41	32
Non-current liabilities	4,168	3,427	3,352
Provisions for post-employment benefits plans and similar obligations	552	468	493
Other provisions	249	126	127
Financial liabilities	3,090	2,590	2,485
Other financial liabilities	69	56	64
Other non-financial liabilities	107	67	68
Deferred tax liabilities	101	120	115
Current liabilities	8,430	8,705	8,839
Trade liabilities	4,371	3,993	3,754
Provisions	375	274	253
Financial liabilities	2,298	1,420	1,947
Other financial liabilities	767	744	616
Other non-financial liabilities	409	392	382
Income tax liabilities	210	191	141
Liabilities related to assets held for sale	0	1,691	1,746
	15,639	15,206	14,833

¹Adjustment of previous year according to explanation in notes.

CASH FLOW STATEMENT

€ million	H1 2017/18 ¹	H1 2018/19
EBIT	347	306
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	276	281
Change in provisions for post-employment benefits and other provisions	-92	-26
Change in net working capital	-463	-477
Income taxes paid	-112	-127
Reclassification of gains (-) / losses (+) from the disposal of fixed assets	-9	-42
Other	-165	-237
Cash flow from operating activities of continuing operations	-218	-322
Cash flow from operating activities of discontinued operations	82	44
Cash flow from operating activities	-136	-278
Acquisition of subsidiaries	0	-1
Investments in property, plant and equipment and in investment property (excl. finance leases)	-241	-150
Other investments	-66	-82
Investments in monetary assets	0	-9
Disposals of subsidiaries	34	0
Disposal of fixed assets	18	70
Gains (+) / losses (-) from the disposal of fixed assets	9	42
Disposal of financial investments	0	7
Cash flow from investing activities of continuing operations	-246	-123
Cash flow from investing activities of discontinued operations	-47	-79
Cash flow from investing activities	-293	-202
Dividends paid		
to METRO AG shareholders	-254	-254
to other shareholders	-8	-15
Redemption of liabilities from put options of non-controlling shareholders	0	0
Proceeds from new borrowings	1,555	1,830
Redemption of borrowings	-897	-1,458
Interest paid	-73	-80
Interest received	18	16
Profit and loss transfers and other financing activities	-8	4
Cash flow from financing activities of continuing operations	333	43
Cash flow from financing activities of discontinued operations	-41	-53
Cash flow from financing activities	292	-10
Total cash flows	-137	-490
Currency effects on cash and cash equivalents	-5	25
Total change in cash and cash equivalents	-142	-465
Cash and cash equivalents as of 1 October	1,562	1,396
less cash and cash equivalents reported in assets in accordance with IFRS 5	3	97
Cash and cash equivalents as of 1 October	1,559	1,298
Total cash and cash equivalents as of 31 March	1,420	931
less cash and cash equivalents reported in assets in accordance with IFRS 5	139	82
Cash and cash equivalents as of 31 March	1,281	849

¹ Adjustment of previous year due to discontinued operations.

STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Capital reserve	Reserves retained from earnings ¹	Total equity before non-controlling interests	Non-controlling interests	Total equity
01/10/2017	363	6,118	-3,366	3,115	46	3,161
Earnings after taxes	0	0	179	179	5	183
Other comprehensive income	0	0	-43	-43	0	-43
Total comprehensive income	0	0	135	135	5	140
Capital increases	0	0	0	0	1	1
Dividends	0	0	-254	-254	-8	-262
Capital transactions with a change in the participation rate	0	0	0	0	0	0
Other changes	0	0	0	0	2	2
31/03/2018	363	6,118	-3,485	2,996	45	3,042
01/10/2018	363	6,118	-3,449	3,032	41	3,074
Balance sheet changes due to IFRS 9 and IFRS 15	0	0	-8	-8	0	-8
01/10/2018 adjusted	363	6,118	-3,457	3,024	41	3,065
Earnings after taxes	0	0	-257	-257	5	-251
Other comprehensive income	0	0	96	96	2	98
Total comprehensive income	0	0	-161	-161	7	-154
Capital increases	0	0	0	0	0	0
Dividends	0	0	-254	-254	-15	-269
Capital transactions with a change in the participation rate	0	0	-1	-1	0	-1
Other changes	0	0	1	1	-1	0
31/3/2019	363	6,118	-3,872	2,609	32	2,641

¹Adjustment of previous year according to explanation in notes.

NOTES ON THE CONDENSED INTERIM FINANCIAL REPORT

SEGMENT REPORTING H1 2018/19

OPERATING SEGMENTS

€ million	Germany		Western Europe (excl. Germany)		Russia		Eastern Europe (excl. Russia)		Asia	
	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19
External sales (net)	2,437	2,376	5,225	5,253	1,534	1,374	3,359	3,410	2,227	2,328
Internal sales (net)	4	8	1	1	19	19	0	0	0	0
Sales (net)	2,441	2,384	5,227	5,255	1,553	1,392	3,359	3,410	2,227	2,328
EBITDA excluding earnings contributions from real estate transactions	53	46	194	195	143	109	167	155	83	84
Earnings contributions from real estate transactions	0	0	0	0	0	0	1	2	3	30
EBITDA	53	46	195	195	143	109	168	157	86	114
Depreciation	37	39	68	71	27	26	49	51	33	35
Reversals of impairment losses	0	0	0	4	0	0	0	0	0	0
EBIT	16	6	126	128	116	83	118	106	53	79
Investments	18	48	45	38	48	7	21	26	19	25
Non-current segment assets	871	880	1,935	1,862	1,019	979	1,474	1,418	985	1,011

OPERATING SEGMENTS

€ million	Others		Consolidation		METRO continuing operations		METRO discontinued operations	
	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19	H1 2017/18	H1 2018/19
External sales (net)	20	28	0	0	14,803	14,769	3,757	3,617
Internal sales (net)	258	302	-282	-330	0	0	0	0
Sales (net)	278	330	-282	-330	14,803	14,769	3,757	3,617
EBITDA excluding earnings contributions from real estate transactions	-24	-35	-1	0	615	553	146	-3
Earnings contributions from real estate transactions	3	2	0	0	7	34	1	0
EBITDA	-21	-34	-1	0	622	587	147	-3
Depreciation	61	63	0	1	276	285	80	385
Reversals of impairment losses	0	0	0	0	0	4	0	0
EBIT	-83	-97	-1	0	347	306	67	-388
Investments	81	76	-2	0	230	221	92	88
Non-current segment assets	783	760	-27	-16	7,039	6,894	1,332	986

SEGMENT REPORTING Q2 2018/19

OPERATING SEGMENTS

€ million	Germany		Western Europe (excl. Germany)		Russia		Eastern Europe (excl. Russia)		Asia	
	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19
External sales (net)	1,067	1,024	2,339	2,333	624	573	1,513	1,550	1,190	1,255
Internal sales (net)	2	4	0	0	8	8	0	0	0	0
Sales (net)	1,069	1,028	2,339	2,333	632	581	1,513	1,550	1,190	1,255
EBITDA excluding earnings contributions from real estate transactions	-12	-23	24	20	35	30	44	42	48	48
Earnings contributions from real estate transactions	0	0	0	0	0	0	1	0	3	30
EBITDA	-12	-23	24	20	35	30	45	42	51	79
Depreciation	19	20	34	36	13	13	25	28	16	18
Reversals of impairment losses	0	0	0	4	0	0	0	0	0	0
EBIT	-31	-42	-10	-12	22	17	20	14	34	60
Investments	12	41	28	25	25	3	12	8	8	14
Non-current segment assets	871	880	1,935	1,862	1,019	979	1,474	1,418	985	1,011

OPERATING SEGMENTS

€ million	Others		Consolidation		METRO continuing operations		METRO discontinued operations	
	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19	Q2 2017/18	Q2 2018/19
External sales (net)	3	18	0	0	6,737	6,752	1,712	1,606
Internal sales (net)	126	148	-136	-161	0	0	0	0
Sales (net)	129	166	-136	-161	6,737	6,752	1,712	1,606
EBITDA excluding earnings contributions from real estate transactions	-26	-34	-1	0	111	83	42	-55
Earnings contributions from real estate transactions	3	2	0	0	7	32	1	0
EBITDA	-23	-32	-1	0	118	116	42	-55
Depreciation	28	33	0	0	136	148	43	385
Reversals of impairment losses	0	0	0	0	0	4	0	0
EBIT	-51	-65	-1	0	-17	-29	0	-440
Investments	45	40	0	0	130	131	61	24
Non-current segment assets	783	760	-27	-16	7,039	6,894	1,332	986

GROUP ACCOUNTING PRINCIPLES AND METHODS UNDERLYING THE CONDENSED INTERIM FINANCIAL REPORT

The present condensed interim financial report dated 31 March 2019 has been produced in accordance with the International Accounting Standard (IAS) 34 (“interim financial reporting”), which governs interim financial reports as per the International Financial Reporting Standards (IFRS). As it is a condensed interim financial report, it does not contain all the information required by the IFRS for a full consolidated financial statement at the end of a financial year. This interim financial report is unaudited but underwent an audit review as per Section 115 Paragraph 5 WpHG.

The consolidated financial statements have been prepared in euros. All amounts are stated in million euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as €0 million. Individual figures may not add up to the stated sum precisely due to rounding.

Sales-related and cyclical topics are marked as such throughout the year wherever they are relevant.

The present interim financial report has been produced in compliance with all published, valid standards and interpretations of the International Accounting Standards Board (IASB) provided that the European Union has approved them. With the exception of the significant changes described as follows, we used the same accounting and measurement methods as for the last consolidated financial statements dated 30 September 2018. The notes to the consolidated financial statements of 30 September 2018 contain further information about the accounting and measurement methods used. This also includes the changed IFRS used for the first time in financial year 2018/19, which do not have a significant impact on the interim financial report (cf. annual report 2017/18, pp. 141-150).

The Turkish government issued a decree in September 2018 under which business contracts may only be concluded in Turkish lira and no longer in other currencies such as Euros or US dollars. At METRO, predominantly real estate lease contracts will be affected. The leases contracts of Metro Properties Gayrimenkul Yatirim A.Ş that were previously based on Euros have been converted accordingly to Turkish lira. As a result, as of 1 October 2018, the functional currency of the company will also change from Euro to Turkish Lira. The deferred taxes calculated from the differences between the tax carrying amount previously translated at historical rates and the IFRS values carried in Euros were adjusted retrospectively. As of 1 October 2017 deferred tax assets had been reduced by €30 million, deferred tax liabilities had been increased by €16 million, the effect on income taxes in financial year 2017/18 amounts to €11 million (thereof in H1 2017/18 €2 million) expenses from deferred taxes. For the financial year 2018/19 onwards no further currency related effects on income taxes are expected, as

the functional currency of Metro Properties Gayrimenkul Yatirim A.Ş. will not differ from the local currency anymore.

Reported tax expenses are determined in accordance with the regulations for interim financial reporting using the integral approach. The current company plans as at the end of the financial year constitute the basis of the calculation. The comparison of the tax expenses with the pre-tax result yields the applicable anticipated group tax rate.

Accounting standards recently adopted into European law

The information about new standards that are applicable for the first time and amendments to existing standards provided in the consolidated financial statements dated 30 September 2018 must be amended to include the following changes to IFRS which have been approved by the European Union since. METRO will start applying them in the next financial year:

- Amendments as a result of the annual improvements cycle 2015–2017,
- clarifications relating to IAS 19 with plan changes, settlements and curtailments and
- amendments to IAS 28 on non-current investments in associates and joint ventures.

IFRS 9 (Financial Instruments)

As of financial year 2018/19, the new IFRS 9 (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement) covering the classification and measurement of financial instruments. In particular, IFRS 9 introduces new regulations for

- the classification and measurement of financial assets,
- the determination and reporting of impairments of specific financial assets,
- the balance sheet reporting of hedging relationships.

Changeover effects

METRO has made use of the option pertaining to a modified retrospective application and recognised the effect of the first-time application of IFRS 9 of the standard as an adjustment to the opening balance of the reserves retained from earnings with effect on 1 October 2018. The first-time application of the new subsequent measurement regulations leads to an equity-reducing value adjustment of financial assets and the adjustment of impairments of financial assets, which was reported to the sum of €4 million. Both adjustments were made in consideration of contrary income-tax effects. As METRO exercises the option to continue the accounting of hedging transactions in accordance with IAS 39, the first-time application of IFRS 9 does not require any adjustments in this respect.

METRO has implemented the consequential amendment applied to IAS 1 (Presentation of Financial Statements) due to the passing of IFRS 9, which stipulates that impairments of financial assets must be reported as a separate item in the income statement. For

reporting periods after the start of financial year 2018/19, the separate item "Result from impairment of financial assets" will be included in the EBIT (Earnings Before Interest and Taxes).

€ million	Categories as per IAS 39	Categories as per IFRS 9	Carrying amount as	Carrying amount as	Change
			per IAS 39	per IFRS 9	
			30/09/2018	01/10/2018	
Loans and advance credit granted	Loans and receivables	Amortised cost	29	29	0
Loans and advance credit granted	Loans and receivables	at fair value through profit or loss	4	3	0
Receivables due from suppliers	Loans and receivables	Amortised cost	328	327	-1
Trade receivables	Loans and receivables	Amortised cost	571	568	-3
Miscellaneous financial assets	Loans and receivables	Amortised cost	238	238	0
Derivative financial instruments not in a hedging relationship	Held for trading	at fair value through profit or loss	7	7	0
Investments	Available for sale	at fair value through profit or loss	48	47 ¹	-2
Securities	Available for sale	at fair value through other comprehensive income	1	1	0
Securities	Available for sale	at fair value through profit or loss	0	2	2
Derivative financial instruments in a hedging relationship	No category	Not classified	4	4	0
Cash and cash equivalents	No category	Amortised cost	1,298	1,298	0

¹Contains investments to the sum of €0 million (rounded) which are recognised at fair value through other comprehensive income.

Classification and measurement of financial assets

Under IFRS 9, the classification and (subsequent) measurement of financial assets depends on the business model within which a financial asset is held and the characteristics of the individual cash flows of a financial asset.

On this basis, the individual financial assets is characterised in one of the following ways at initial recognition:

- measured at amortised cost (AC),
- measured at fair value through other comprehensive income under reporting of the subsequent measurement amendments in the other result (FVOCI)
- measured at fair value through profit or loss under reporting of the subsequent measurement amendments in the income statement (FVPL).

As these classification differ from the previously applicable rules of IAS 39, there are corresponding differences in the classification and measurement of financial assets. The majority of debt instruments, loans and advance credit granted, trade receivables and other financial assets (with the exception of equity instruments) held by METRO meet the criteria for reporting at amortised cost (AC) as per IFRS 9. Selected financial assets, such as certain loans and derivative financial instruments not designated part of a hedging transaction, must under the new standard be measured at fair value through profit or loss (FVPL). METRO has classified its financial assets as laid out in the preceding table, based on the underlying business models and the contractually determined cash flow characteristics. This has not resulted in any changes to carrying amounts due to reclassification.

The implementation of IFRS 9 does not cause any major changes to the classification and subsequent measurement regulations for financial liabilities.

According to the new accounting and measurement methods pursuant to IFRS 9, METRO will classify the majority of equity instruments held by it as measured at fair value through profit or loss with effect on 1 October 2018. Commencing on 1 October 2018, METRO will decide for each new equity instrument whether the instrument is measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income without recycling (without subsequent reclassification as profit or loss, FVOCIoU).

Impairments of financial assets

In accordance with the new accounting and measurement methods, METRO will apply the general impairment requirements stipulated in IFRS 9 to financial assets in the AC categories (with the exception of trade receivables). The credit risk is in these cases evaluated on the basis of the customer's credit quality - which METRO assesses using external ratings, previous experience with the respective customer and credit risk rating grades. METRO minimises credit risk by exclusively investing in first-class debt capital instruments from issuers with a good to very good rating (investment grade). For these kinds of assets, the credit worthiness of the issuers is also monitored continuously. This allows METRO to identify any probable significant increase in the credit risk and to swiftly respond to any potential changes. METRO uses borrower-specific information to monitor loans advanced and other financial assets. The introduction of the impairment models could in subsequent years lead to a higher fluctuation in the income statement, since the level of risk provisions also depends on economic conditions.

As of the start of financial year 2018/19, METRO recognises credit losses expected for trade receivables over the entire term of these financial instruments. METRO will elect to apply the simplified procedure available under the IFRS 9 standard and ascertain the expected losses on the basis of impairment tables. The outstanding receivables are continuously monitored by the individual METRO companies.

IFRS 15 (Revenue from Contracts with Customers)

The new IFRS 15 will replace IAS 18 (net sales) and IAS 11 (Construction Contracts) and related interpretations. It stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a 5-step model to determine the amount of revenue and the date of realisation. Revenues are recognized at the point in time the performance obligation is satisfied. The performance obligation is satisfied when the control of the good or service is transferred to the customer. The performance obligation can be satisfied at a point in time or over a period of time. If the performance obligation is satisfied over a period of time, the net sales are recognised over the period in such a way that, on the basis of the selected method, the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

METRO applied IFRS 15 as of 1 October 2018 (beginning of financial year 2018/19) by applying the modified retrospective transition approach, under which no adjustments were made to the previous year's figures. During the transition, METRO elected to make use of the simplified process by which IFRS 15 is only applied retrospectively to contracts that have not been fully performed at the date of the first-time application. As per the modified retrospective transitional approach, the effects of the first-time application were cumulatively reported in equity outside of profit or loss as at the day of the first-time application (1/10/2018).

The first-time application of IFRS 15 has led to changes in the following significant topics in the METRO Group, which have recorded an increase of the contractual assets to be activated (€1 million) and the contractual liabilities (€6 million) in the opening statement dated 1 October 2018. This caused a reduction of reserves retained from earnings to the sum of €5 million before deferred taxes (€4 million after deferred taxes).

Essential rights from customer loyalty programmes

As part of discount campaigns or customer loyalty programmes, the customer is regularly granted the option of acquiring additional goods or services at a discounted price in the future. The part of the transaction price corresponding to the relative stand-alone selling price must be allocated to the resulting 'essential right'. Revenue recognition for the essential right occurs at the time the right is redeemed or expired, leading to a later recognition of revenue.

Multi-component contracts in relation to franchise agreements

Some of METRO's franchise models make use of multi-component contracts that provide for customers purchasing a package of franchise products and services from METRO at the time of entering into the contract, with selected contractual components being subsidised by METRO. In such cases, the total consideration of the contract shall be divided into the identifiable performance obligations in accordance with the relative individual selling prices and, in comparison to the previous accounting, a potentially larger part of the total compensation is attributable to the previously subsidised component, so that in the future net sales for those products must be reported earlier.

Compared to the previous regulation, net sales from these topics have not changed significantly during H1 2018/19.

The following transitional topics led to a revised disclosure on 31 March 2019:

Principal/agent relationship

The acknowledgement of whether METRO AG acts as principal or agent must be reassessed based on the indicator changes in IFRS 15. This results in a reduction of sales to the sum of €20 million and of the cost of sales to the sum of €20 million as of 31 March 2019 as a result of the switch from being treated as a principal (recognition of gross sales and separate recognition of cost of sales) to being treated as an agent (recognition of net sales and cost of sales).

Transport services in store-based retail

Product sales are allocated to service revenues (transport revenues) due to discounted or free delivery. This results in a changed disclosure within sales to the sum of €4 million.

Licences in relation to franchise agreements

Product sales are allocated to service revenues due to the issuance of franchise licences at discounted prices under multi-component contracts for franchising agreements. This results in a changed disclosure within sales to the sum of €0 million.

Right of return

Sales in some METRO Wholesale business models regularly result in redemption or conversion rights. These may be legally binding or arise from active business practice. Refunds represent a form of variable consideration in the determination of the transaction

price. The disclosure of the return obligations is made in the liabilities section under the item 'return liability'. In addition, an asset is recognised for the company's right to recover products upon settlement of the return obligation (return asset).

IFRS 16 (Leases)

The new leasing standard IFRS 16 will replace the currently applicable standard IAS 17 (Leases) and IFRIC 4 (wetermining whether an arrangement contains a lease).

The key change of IFRS 16 compared to IAS 17 concerns the lessee accounting model. Lessees no longer have to classify leases as operating or finance. Instead, the lessee recognises a right-of-use asset and a lease liability upon commencement of the lease when the lessor makes an underlying asset available for use by the lessee.

Exercising of options

Lessees can elect to make use of several policy options. For accounting and measurement, they have the option to build a portfolio of leases with similar characteristics of which METRO is not availing itself. METRO AG will exercise the option of not applying the right-of-use approach to low-value assets (mainly business and office equipment) and short-term leases (12 months maximum terms). Rental expenses for these assets must therefore be recognised directly in the income statement.

The option to separate lease and non-lease components (service) is not exercised and the non-lease component is included in the right-of-use assets to be recognised.

IFRS 16 is applicable for reporting periods beginning on or after 1 January 2019.

METRO AG will apply these regulations for the first time on 1 October 2019.

Transitional arrangements

METRO will apply IFRS 16 for the first time with full retrospective effect. The figures from the previous year will be adapted in consideration of the applicable transitional rules.

The new leasing standard IFRS 16 has a significant impact on the true and fair view of the asset, financial and earnings position of METRO AG.

While future payment obligations for operating leases had previously only been disclosed in the notes, the resulting rights and payment obligations are to be accounted for in future as rights of use and lease liabilities. This mainly affects the leasing of real estate.

METRO expects a significant increase in total assets at the time of initial application in the amount of €3 to €4 billion (of which approximately €1 billion is attributable to the discontinued operations) due to the increase in fixed assets based on the addition of the right of use to be capitalised. Additional impairment losses and interest expenses will be recognised in the income statement in the future instead of leasing expenses. This leads to an annual improvement in EBITDA in an amount in the mid 3-digit million euro range (which includes a low 3-digit million amount attributable to the discontinued operations) and an EBIT improvement at the expense of the financial result of a low 3-digit million euro range (of which a high 2-digit million amount is attributable to the discontinued operations).

METRO has decided to implement a central software that will be used to document and evaluate all leases throughout the entire group.

NOTES TO THE INCOME STATEMENT

Depreciation

Depreciation losses reached €287 million (H1 2017/18: €276 million) and include impairments of €11 million (H1 2017/18: €7 million).

Depreciation losses primarily affect tangible assets to the sum of €228 million (H1 2017/18: €226 million) and other intangible assets to the sum of €53 million (H1 2017/18: €46 million). This includes impairment losses in the amount of €4 million (H1 2017/18: €7 million) in tangible assets and €3 million (H1 2017/18: €0 million) in other intangible assets and €3 million (H1 2017/18: €0 million) in goodwill. Impairment losses in the amount of €2 million (H1 2017/18: €0 million) related to financial assets.

Income taxes

The reported tax expenses totalled €92 million (H1 2017/18: €142 million), yielding a tax rate of 37.9% (H1 2017/18: 51%). The tax rate of the previous year was higher than the originally anticipated rate of 40% due to the adjusted earnings expectations (ad-hoc notice dated 20/4/2018) and the corresponding tax implications.

NOTES TO THE BALANCE SHEET

Dividends paid

Dividend distribution of METRO AG is based on METRO AG's Annual Financial Statements prepared under German commercial law.

As resolved by the Annual General Meeting on 15 February 2019, a dividend of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – was paid from the balance sheet profit of €283 million reported for financial year 2017/18. The remaining sum was carried forward to the new account. The payout took place on 20 February 2019.

Effects from the remeasurement of defined benefit pension plans

Within the scope of the reporting of actuarial gains and losses, a total of €31 million (H1 2017/18: €5 million outside of profit or loss) from the remeasurement of defined benefit pension plans in the first 6 months of financial year 2018/19 was recognised as impairments to equity in the other results. Reported tax expenses in equity had a contrary effect to the sum of €10 million (H1 2017/18: €0 million).

The country-specific actuarial interest rates and inflation rates have developed as follows in significant locations:

	31/3/2018				31/3/2019			
	Germany	Netherlands	United Kingdom	Belgium	Germany	Netherlands	United Kingdom	Belgium
%								
Actuarial interest rate	2.10	2.30	2.60	2.10	1.70	1.90	2.40	1.70
Inflation rate	1.50	1.80	2.40	2.00	1.50	1.80	2.40	2.00

Carrying amounts and fair values according to measurement categories

Overall, the fair values of financial assets correspond to the reported carrying amounts with the exceptions of the following items:

€ million	31/3/2018	
	Carrying amount	Fair value
Receivables from finance leases (amount according to IAS 17)	30	41
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	4,254	4,311
Liabilities from finance leases (amount according to IAS 17)	1,133	1,398

€ million	31/3/2019	
	Carrying amount	Fair value
Receivables from finance leases (amount according to IAS 17)	28	35
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,788	3,815
Liabilities from finance leases (amount according to IAS 17)	644	830

Assets recognised at fair value amount to €73 million (31/3/2018: €32 million), thereof €54 million from investments (31/3/2018: €26 million) as well as equity and liabilities from real estate totalling €6 million (31/3/2018: €14 million). There were no significant changes in the measurement methods or input parameters.

The measurement of investments recognised at fair value amounting to €54 million (31/3/2018: €26 million) is reported to the sum of €54 million (31/3/2018: €0 million) through profit or loss and to the sum of €0 million (31/3/2018: €26 million) outside of profit or loss.

The fair-value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. No transfers between levels 1 and 2 were effected during the reporting period.

REPORT ON EVENTS AFTER THE CLOSING DATE

No reportable events took place after the quarterly closing date.

OTHER NOTES

Segment reporting

The segmentation corresponds to the group's internal controlling and reporting structures. Operating segments are aggregated to form reporting segments based on the division of the business into individual regions.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
 - Internal sales represent sales between the group's operating segments. These transactions are settled at normal market conditions.
 - Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
 - The earnings contributions from real estate transactions include the EBITDA-effective earnings from the disposal of land and land usage rights and/or buildings as part of a disposal transaction. Earnings from the disposal of dedicated real estate companies or the disposal of shares in such companies capitalised at-equity are, as a result of their commercial substance, also included in the earnings contributions from real estate transactions. The earnings have been reduced by cost components incurred in relation to real estate transactions.
 - All earnings contributions from real estate transactions are adjusted in the EBITDA excluding earnings contributions from real estate transactions.
- EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The rental takes place at normal market conditions. The properties are leased at market terms. In principle, store-related risks and impairment risks related to non-current assets are only shown in the segments where they represent group risks. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
 - Segment investments include additions (including additions to the consolidation groups) to goodwill, other intangible assets and property, plant and equipment and investment properties. Exceptions to this are additions due to the reclassification of 'Assets held for sale' as non-current assets.
 - The non-current segment assets include non-current assets. They are exclusive of most financial assets, investments accounted for using the equity method, tax items, inventories, trade receivables, receivables due from suppliers, cash and cash equivalents.
 - In principle, transfers between segments are made based on the costs incurred from the group's perspective.

Change in segment reporting in the Management report of METRO

Due to the reporting of the hypermarket business as discontinued operations, the segment reporting of METRO has been adjusted slightly. The 5 Wholesale regions continue to represent reportable segments according to IFRS 8. All remaining entities have been bundled in "Others", whereby no separate disclosure of individual companies as "Wholesale Others" as well as total METRO Wholesale will be shown in the management report.

Disposal of the hypermarket business

Profit or loss for the period from discontinued operations after taxes

In its meeting on 13 September 2018, the Management Board of METRO AG decided to sell the hypermarket business including about 80 real estate properties that are being used for this and are owned by Real or other METRO companies belonging to the Others segment. The decision was made against the backdrop of METRO focussing exclusively on wholesale trade in the future. The hypermarket business consists of 277 stores of the Real segment and their subsidiaries, most of which render procurement and online services for the Real segment. With the exception of 18 real estate companies and individual properties and a supplier, which are currently included in the Others segment, all assets and liabilities affected by the resolution form part of the Real segment. As a result of IFRS 5, they are collectively treated as a discontinued operations segment since 30 September 2018 and will be treated as such until their deconsolidation.

The current result of the hypermarket business together with all relevant net-income affecting consolidation elements in the group's income statement were reclassified under item 'Profit or loss for the period from discontinued operations after taxes'. To increase the economic meaningfulness of the earnings statement of the continued sector, its shares in the consolidation effects were also included in the discontinued section of the earnings statement as far as they were related to business relations that are to be upheld in the long term even after the planned disposal. The previous year's figures of the income statement were adjusted accordingly.

The measurement of the disposal group at a lower value composed of the recognized fair value and carrying amount yields an impairment requirement to the sum of €385 million, which has been recognized through profit or loss.

€ million	H1 2017/18	H1 2018/19
Sales	3,618	3,495
Expenses	-3,566	-3,513
Current earnings from discontinued operations before taxes	52	-18
Income taxes on gains/losses on the current result	-7	0
Current earnings from discontinued operations after taxes	44	-18
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	-385
Income taxes on gains/losses from remeasurement or disposal	0	0
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	0	-385
Profit or loss for the period from discontinued operations after taxes	44	-403

Assets held for sale/liabilities related to assets held for sale

As of 31 March 2019, the assets held for sale and the liabilities of the hypermarket business to be disposed of are comprised as follows:

€	30/9/2018	31/3/2019
Assets		
Other intangible assets	19	17
Property, plant and equipment	1,253	959
Investment properties	11	8
Financial assets (non-current)	23	24
Other financial assets (non-current)	2	0
Other non-financial assets (non-current)	4	3
Deferred tax assets	70	70
Inventories	747	822
Trade receivables	30	27
Financial assets (current)	1	0
Other financial assets (current)	280	254
Other non-financial assets (current)	43	39
Cash and cash equivalents	97	82
	2,580	2,305
Liabilities		
Provisions for post-employment benefits plans and similar obligations	42	45
Other provisions	34	35
Financial liabilities (non-current)	498	509
Other financial liabilities (non-current)	1	1
Other non-financial liabilities (non-current)	47	43
Trade liabilities	741	791
Provisions (current)	93	103
Financial liabilities (current)	60	50
Other financial liabilities (current)	146	116
Other non-financial liabilities (current)	28	47
Income tax liabilities	0	3
	1,691	1,746

The effects of the other comprehensive income from assets held for sale and liabilities included in the METRO's equity include an amount of €10 million (30/9/2018: €9 million) for components without future income effect as well as €0 million (30/9/2018: €0 million) for components with a potential income effect.

Cash flow from discontinued operations

The cash flow from discontinued operations is derived as follows:

€ million	H1 2017/18	H1 2018/19
EBIT	67	-388
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	80	385
Change in provisions for post-employment benefits and other provisions	-16	15
Change in net working capital	-82	7
Income taxes paid	0	0
Reclassification of gains (-) / losses (+) from the disposal of fixed assets	-4	-1
Other	37	26
Cash flow from operating activities of discontinued operations	82	44

€ million	H1 2017/18	H1 2018/19
Acquisition of subsidiaries	-1	0
Investments in property, plant and equipment and in investment property (excl. finance leases)	-56	-75
Other investments	-3	-8
Acquisition of short-term financial investments	-1	0
Disposal of fixed assets	10	3
Gains (+) / losses (-) from the disposal of fixed assets	4	1
Cash flow from investment activities of discontinued operations	-47	-79

€ million	H1 2017/18	H1 2018/19
Proceeds from new borrowings	0	0
Redemption of borrowings	-28	-39
Interest paid	-13	-14
Interest received	0	0
Profit and loss transfers and other financing activities	0	0
Cash flow from financing activities of discontinued operations	-41	-53

Real estate held for sale

The sum of individual real estate properties held for sale changed from €26 million to €48 million during financial year 2018/19. This comprises €48 million attributable to assets reclassified from fixed assets. To a contrary effect, it includes assets from the disposal of individual investment properties.

Contingent liabilities

€ million	31/3/2018	31/3/2019
Liabilities from suretyships and guarantees	12	10
liabilities from guarantee and warranty contracts	24	63
	36	73

Liabilities from guarantee and warranty contracts comprise €45 million (31/3/2018: €0 million), which are attributable to the discontinued operations. These concern a bank guarantee for claims from retailers in relation to business on the Real online marketplace.

Liabilities from guarantee and warranty contracts are primarily rent guarantees with terms of up to 10 years if utilisation is not considered entirely unlikely.

Remaining legal issues

Legal proceedings associated with the demerger

In connection with the demerger of the group, several shareholders took legal action against CECONOMY AG by seeking various legal remedies at the Düsseldorf district court (Landgericht), such as action for annulment, rescission and/or declaratory action, inter alia against the resolution passed by the Annual General Meeting of CECONOMY AG on 6 February 2017 concerning the Meeting's approval of the demerger and spin-off agreement (demerger agreement) as well as partially against the agreement itself. Pursuant to the provisions of the demerger agreement, METRO AG has to bear the costs of the litigation and proceedings relating to the demerger. On 24 January 2018, the Düsseldorf district court rejected the complaints in its entirety. All plaintiffs filed appeals against all these decisions with the Düsseldorf Higher Regional Court (OLG Düsseldorf). On 4 April 2019, the OLG Düsseldorf

rejected all appeals. The OLG Düsseldorf merely permitted the revision appeal to the Federal Court of Justice (Bundesgerichtshof) in the rescission proceedings. For the remaining proceedings, it is possible that the plaintiffs will file a non-admission complaint with the Federal Court of Justice. METRO AG maintains its position that the appeals are inadmissible and/or unfounded and has therefore not recognised corresponding risk provisions in its accounts.

Legal action against credit card companies

Companies of the METRO Group had submitted complaints against credit card companies. The complaints claimed damages based on the EU Commission's ban on credit card companies setting multilateral interchange fees on an EU level. The European Court of Justice confirmed the decision of the EU Commission against one credit card company in the final instance. Settlements reached during the first half of financial year 2018/19 with respect to the claimed damages contributed a sum in the low double-digit millions to earnings. As a result, METRO abandoned its complaints against the credit card companies.

Arbitration proceedings against Hudson's Bay Company

METRO AG is a plaintiff in arbitration proceedings against the Canadian department store group Hudson's Bay Company (HBC). The background of the arbitration proceedings is an outstanding purchase price claim of METRO AG against HBC, resulting from the sale of Galeria Kaufhof in 2015. METRO AG had initially retained minority interests in individual properties and granted HBC call options. In January 2016, HBC exercised its call options and paid a preliminary purchase price. METRO AG believes that the paid preliminary purchase price was insufficient and disputes the applied valuation basis.

Further remaining legal issues

Companies of METRO Group are a party to and/or participant in judicial or arbitration and antitrust law proceedings in various countries. Insofar as the liability has been sufficiently specified, appropriate risk provisions have been formed for these proceedings. METRO AG and its group companies respectively have also filed claims for damages against companies that have been fined for illegal anti-competitive agreements (including truck and sugar cartel).

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial report ensures a true and fair view of the asset, financial and earnings position of the group, and the interim management report includes a fair review 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.

Düsseldorf, 7 May 2019
The Management Board



OLAF KOCH CHRISTIAN BAIER HEIKO HUTMACHER PHILIPPE PALAZZI

AUDIT REVIEW REPORT

to METRO AG, Düsseldorf

We have carried out a review of the condensed interim financial report – consisting of the balance sheet, income statement, reconciliation from profit or loss for the period to total comprehensive income, condensed statement of changes in equity, cash flow statement and select explanatory notes – and the interim corporate management report of METRO AG, Düsseldorf, all of which form the half-year financial report as per Section 115 WpHG, for the period from 1 October 2018 until 31 March 2019. The preparation of the condensed interim financial report in accordance with the IFRS for interim financial reporting as applicable in the EU and the interim corporate management report in accordance with the WpHG regulations for interim corporate management reports is the responsibility of the legal representatives of the group. It is our responsibility to submit a certificate for the condensed interim financial report and interim corporate management report on the basis of our review.

We have conducted our review of the condensed interim financial report and the interim corporate management report in accordance with the German standards for the audit of financial statements as promulgated by the German Institute of Public Auditors (IDW). These standards stipulate that the review must be planned and carried out in a way that a critical evaluation is reasonably unlikely to find any significant non-compliance of our condensed interim financial report with the IFRS for interim financial reporting as applicable in the EU and any significant non-compliance of our interim corporate management report with the EpHG regulations for interim corporate management reports. A review is largely limited to interviews with group employees and analytical evaluations. It does not offer the security provided by a full audit. As ordered, we did not carry out a full audit and are therefore unable to issue an audit certificate.

Our review has not found any circumstances that suggest any significant non-compliance of our condensed interim financial report with the IFRS for interim financial reporting as applicable in the EU and any significant non-compliance of our interim corporate management report with the EpHG regulations for interim corporate management reports.

Düsseldorf, 7 May 2019

KPMG AG
Auditing company

Dr. Hain

Klaaßen

Auditor

Auditor

FINANCIAL CALENDAR

Quarterly Statement 9M/Q3 2018/19	Thursday	1 August 2019	7.30 a.m.
Annual Report 2018/19	Thursday	12 December 2019	8.00 a.m.

All time specifications are CET

IMPRINT

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DISCLAIMER

This half-yearly financial report contains forward-looking statements. These statements are based on certain assumptions and expectations held at the time this statement is published. Forward-looking statements are therefore subject to risks and uncertainties and may significantly deviate from the actual results. With regard to forward-looking statements in particular, risks and uncertainties are to a large extent determined by factors that are outside of METRO's sphere of influence and that can currently not be estimated with an adequate degree of certainty. These factors include, among others, future market conditions and economic developments, the actions of other market participants, the full utilisation of anticipated synergy effects as well as legislative and political decisions.

METRO does not consider itself obligated to publish any corrections to these forward-looking statements for the purpose of adjusting them to events or circumstances that eventuate after the publishing date.