HALF YEAR FINANCIAL REPORT

H1/Q2 2019/20

CONTENT

METRO WITH 2.3% LIKE-FOR-LIKE SALES GROWTH AND ADJUSTED EBITDA ABOVE PREVIOUS YEAR IN Q2 2019/20

Explanation/introduction:
Unless expressly stated otherwise, all subsequent presentations refer to continuing operations. Moreover, the quarterly results are reported taking into consideration that retrospective adjustments were made due to the first-time application of the new leasing standard IFRS 16.

For financial year 2019/20, the Management Board had announced efficiency measures amounting to €60 to 80 million. For the first time in this half year financial report, the costs of these efficiency measures (mainly personnel measures at headquarters) are reported separately as transformation costs due to their advanced status and their one-off nature. Therefore, the items below are defined as follows:

- Adjusted EBITDA: EBITDA excluding transformation costs and earnings contributions from real estate transactions
- EBITDA: EBITDA as reported in the financial statements, including transformation costs and earnings contributions from real estate transactions

The sales and EBITDA outlook for financial year 2019/20 was withdrawn on 3 April 2020 due to lack of visibility on the duration of government measures in response to the COVID-19 pandemic and their impact on business development. For financial year 2019/20, METRO's original outlook included growth in total sales and like-for-like sales of 1.5% to 3% and EBITDA excluding transformation costs and earnings contributions from real estate transactions at approximately the same level as in financial year 2018/19. The outlook is based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covers METRO's continuing operations.

Based on an extrapolation of the business development from mid-March to the end of April, METRO expects that each additional month with the current level of restrictions will result in sales losses of approximately 2 percentage points of sales growth compared to previous year. The negative impact on EBITDA linked to sales losses and further crisis related earnings dilution will thereby presumably only be compensated to a small extent by counter measures.

H1:
Like-for-like sales increased by 1.5%; in local currency, sales grew by 1.5%; reported sales increased by 2.0% to €13.6 billion

Adjusted EBITDA (excluding transformation costs and earnings contributions from real estate transactions) reached €659 million (H1 2018/19: €660 million). Transformation costs of €45 million were incurred in H1 2019/20 (H1 2018/19: €0 million). Earnings contributions from real estate transactions amounted to €1 million (H1 2018/19: €34 million). EBITDA reached a total of €615 million (H1 2018/19: €694 million)

Adjusted for currency effects, the adjusted EBITDA decreased by €7 million (-1.0%)

The profit or loss for the period from continuing operations attributable to METRO shareholders amounted to €5 million (H1 2018/19: €114 million)

The profit or loss for the period from continuing and discontinued operations attributable to METRO shareholders amounted to €-121 million (H1 2018/19: €183 million). In H1 2019/20, a €303 million impairment was incurred on the hypermarket business due to the meanwhile conclusion of the purchase contract and suspended depreciation

Earnings per share from continuing operations decreased to €0.01 in H1 2019/20 (H1 2018/19: €0.31); including discontinued operations, it reached €-0.33 (H1 2018/19: €0.50)

Net debt of continuing operations amounted to €6.2 billion (31/3/2019: €6.3 billion)

Q2:
Like-for-like sales increased by 2.3%; in local currency, sales grew by 2.1%, reported sales increased by 1.8% to €6 billion

Adjusted EBITDA (excluding transformation costs and earnings contributions from real estate transactions) reached €133 million (Q2 2018/19: €130 million). Transformation costs of €45 million were incurred in Q2 2019/20 (Q2 2018/19: €0 million). Earnings contributions from real estate transactions amounted to €0 million (Q2 2018/19: €32 million). EBITDA reached a total of €87 million (Q2 2018/19: €163 million)

Earnings per share from continuing operations decreased to €-0.32 (Q2 2018/19: €-0.16); including discontinued operations, it reached €-0.24 (Q2 2018/19: €-0.11)

Events after the closing date:
Disposal of majority stake in METRO China to Wumei Technology Group for net cash proceeds of more than €1.5 billion after the closing date was successfully completed

OVERVIEW

H1/Q2 2019/20

€ million	H1 2018/19[1, 2]	H1 2019/20	Change	Q2 2018/19[1, 2]	Q2 2019/20	Change
Sales	13,286	13,555	2.0%	5,898	6,006	1.8%
Adjusted EBITDA	660	659	-0.1%	130	133	1.9%
Transformation costs	0	45	-	0	45	-
Earnings contributions from real estate transaction	34	1	-	32	0	-
EBITDA	694	615	-11.5%	163	87	-46.3%
EBIT	316	184	-	-31	-143	-
Earnings before taxes EBT	198	24	-	-86	-252	-
Profit or loss for the period from continuing operations[3]	114	5	-	-58	-116	-
Earnings per Share from continuing operations (€)[3]	0.31	0.01	-	-0.16	-0.32	-
Profit or loss for the period[3]	183	-121	-	-41	-87	-
Earnings per Share (€)	0.50	-0.33	-	-0.11	-0.24	-

1 Adjustment of previous year due to discontinued operations METRO China.
2 Adjustment of previous year due to full retroactive application of IFRS 16 (leases).
3 attributable to METRO shareholders.

INTERIM GROUP MANAGEMENT REPORT

MACROECONOMIC CONDITIONS

At the beginning of financial year 2019/20 up to and including February 2020, the trend of the previous periods continued. However, the rapid global spread of COVID-19, particularly since March 2020, in Europe and the United States, led to a number of government measures aimed at curbing new infections and avoiding overburdening healthcare systems. These measures, combined with the consequences of the virus itself, led to negative supply and demand shocks on a global scale, bringing large parts of the economy and social life to a standstill. The macroeconomic development in Q2 2019/20 thus suggests the beginning of a global recession. In the light of the dynamic spread of COVID-19 and the respective government measures economic outlooks became in general more complex. Statements in the following paragraphs are thereby based on publications of Oxford Economics from April 2020.

The government measures aimed at containing new infections are resulting in a massive decline in private consumption, with the following industry sectors being the hardest hit so far: Industries with global supply chains, hospitality industry, hotels, tourism, civil aviation and cultural and sporting events. Depending on the country, the impact on the macroeconomic development can already be seen, especially on the labour market, the number of corporate insolvencies and investments. In some countries, the consequences could be mitigated in the short term through economic policy measures such as the introduction or expansion of short-time work and relief payments.

In the course of H1 2019/20, the economy in Germany deteriorated significantly due to the spread of the virus. Government measures with considerable restrictions for the economy and society were introduced. While economic growth stagnated in Q1 2019/20, it regressed in Q2 2019/20. Private consumption, apart from food spending, and industrial production also developed negatively. By contrast, the labour market, supported by economic policy measures such as short-time work, has so far remained at a positive and stable level. The inflation rate remained at a similar, very low level throughout H1 2019/20. The measures to contain the virus continued until the end of H1 2019/20. The first gradual changes will be noticeable from April 2020 on. So far, a decline of -3.9% is expected for the macroeconomic development in 2020.

The virus also had a massive impact on social and economic development in the other Western European countries in H1 2019/20. Extensive restrictions were imposed in the social and economic spheres to slow down the spread of the virus and to ease the burden on healthcare systems. It especially applies to the countries in Europe most affected by the virus, such as Italy and Spain, as well as France. Italy, in particular, poses a challenge to the European economy, since it already had a high national deficit before the crisis and now needs urgent growth momentum through economic stimulus and assistance programmes. Spain and France have also set up assistance programmes. The negative effects of the crisis have not yet fully impacted the labour market, which is why the unemployment rate has only risen slightly. However, approximately 9 million people in France are already on short-time work, which represents around 30% of the total workforce. In the long term this could lead to high unemployment. Industrial production and private consumption are experiencing a similar negative trend. Overall, economic growth in Western Europe is currently expected to decline by more than 5% in calendar year 2020 compared to the previous year.

After a positive start in Q1 2019/20, the Russian economy also regressed in H1 2019/20, thus following the global trend of the downturn in Q2 2019/20. While private consumption followed a similar course, the unemployment rate has also only risen slightly so far. After the exchange rate of the rouble against the US dollar and the euro improved slightly in Q1 2019/20, it lost significant value again in Q2 2019/20. Here, too, developments will depend largely on how well Russia survives the pandemic, also considering the current negative trend of oil prices. Apart from that, the fact remains that trade conflicts have not been fully resolved and could weaken the economy again. Overall, a decline of -6.4% in Russia's economic growth is currently expected for 2020.

In Eastern Europe, economic growth also slowed down significantly in H1 2019/20 compared to the same period of the previous financial year. However, except for Turkey, growth has not yet slumped as much as in Western Europe. As expected, private consumption picked up in almost all countries in Q1 2019/20, but then decreased sharply in Q2 2019/20, especially in Turkey. The labour market situation developed similarly. The unemployment number increased slightly after a positive first quarter and remained at a higher level in Turkey. For the most part, inflation rates in the Eastern European countries increased slightly. Overall, a recession is currently also forecast for Eastern Europe in 2020.

The global trend is also evident in the emerging markets of Asia in H1 2019/20, especially in China, where the virus first appeared. After a pleasant Q1 2019/20, private consumption and economic growth slumped abruptly in the course of Q2 2019/20, which also affected other countries due to China's important position in the global supply chain. However, economic recovery is expected to begin as early as Q3 2019/20, although it depends largely on whether the virus has actually been contained by then. However, in other Asian countries, such as India, the virus did not appear until later, so the full impact on the economy was not yet foreseeable. Consequently, positive economic growth was recorded in H1 2019/20, but it is expected to collapse in the next quarter. Private consumption also initially grew in the first quarter of H1 2019/20, but then decreased sharply. The unemployment rate has not yet fully followed the global economic shock and has risen only moderately. Likewise, the production index for H1 2019/20 is still demonstrating a positive trend, but it is also likely to deteriorate significantly in the next quarter.

For now, the duration and long-term consequences of the global recession cannot be accurately estimated. However, it is widely expected that the recession will end for most major economies, with the exception of China, in the third or fourth quarter of our financial year 2019/20 at the earliest. In turn, the duration and course of the subsequent recovery phase depends directly on the duration and extent of the recession in the respective country. This is also based on the assumption that a second major wave of infection does not occur and that a successful strategy for easing countermeasures is found. Currently, a few countries have already published the first outlines of programmes to gradually ease measures in the third quarter of 2019/20. China already lifted the local boundary around the Wuhan area, where experts suspect that the COVID-19 pandemic originated. Consequently, the economic activity in China is picking up again.

EARNINGS, FINANCIAL AND ASSET POSITION

Key performance indicators

The first of our most important key performance indicators for our operational business is the exchange rate-adjusted sales growth (respectively as a total figure and a like-for-like figure). The like-for-like sales growth represents the sales growth measured in local currency generated on a comparable sales floor or in relation to a comparable panel of locations or merchandising concepts, such as online shopping and delivery. The figure only includes sales of locations with a comparable history of at least one year. It follows that revenues generated by locations that were affected by openings, closures, significant redevelopment works or other conceptual changes in the reporting year or the comparison year are excluded from the analysis.

The second of our most important key performance indicators, in addition to the exchange rate-adjusted sales growth, is the EBITDA excluding transformation costs and earnings contributions from real estate transactions. This key performance indicator gives transparent account of METRO's operational performance. The development of real estate assets and the proceeds from divestments nevertheless remain core components of the group's real estate strategy. In light of the strategic portfolio streamlining and the corresponding focus on the wholesale business, METRO is implementing the following changes: starting with financial year 2019/20, METRO is presenting the business result and the situation of the group without accounting for transformation costs resulting from (usually) non-recurring expenses in connection with the efficiency measures. Therefore, deviating from previous reports, the following items are posted as follows:

- Adjusted EBITDA: EBITDA excluding transformation costs and earnings contributions from real estate transactions
- EBITDA: EBITDA as reported in the financial statements, including transformation costs and earnings contributions from real estate transactions

Other important key performance indicators of METRO are the profit or loss for the period and the earnings per share. These key performance indicators ensure that the tax and net financial result are given consideration in addition to the operational result and thereby allow for a holistic assessment of METRO's earnings position from the perspective of the shareholders.

SALES, EARNINGS AND FINANCIAL POSITION

The government measures in the context of the COVID-19 pandemic are having an increasingly noticeable impact on the business development of METRO, which was particularly noticeable in the second half of Q2 2019/20. Until the end of February, the operative business developed largely unaffected by COVID-19. At the beginning of the crisis situation in Europe, triggered by COVID-19, METRO was initially able to more than compensate for the sales and earnings losses of the HoReCa customers through positive sales and earnings effects in other customer groups (especially stock up purchases from SCO customers). Since mid-March, however, the overall development in terms of sales and earnings has been clearly negative. Based on a forecast of the business development from mid-March to the end of April, METRO expects that each additional month with the current restrictions will lead to a decline in sales of approximately 2 percentage points compared to the same period of the previous year. The negative impact on EBITDA linked to sales losses and further crisis related earnings dilution will thereby presumably only be compensated to a small extent by counter measures.

The individual METRO segments are affected to varying degrees by the COVID-19 pandemic. It mainly depends on the severity and duration of the pandemic and the government measures and cuts imposed in the respective countries. The composition of the customer groups also plays an important role. In segments with a high HoReCa sales share, the restrictions on restaurants and hotels have a greater impact on business development. This is particularly the case in Western Europe (excluding Germany) with a HoReCa sales share of 65% (in FY 2018/19). By contrast, in segments with a high share of SCO sales, the increased frequency and demand of this customer group has a noticeably positive effect. This was particularly evident in Russia (54% SCO sales share in FY 2018/19) and Germany (41% SCO sales share in FY 2018/19).

Sales

Like-for-like sales at METRO rose by 1.5% in H1 2019/20. This growth is mainly attributable to the very positive like-for-like sales development in Eastern Europe (excluding Russia) and Germany as well as a significant trend improvement in Russia. Reported sales increased by 1.5% in local currency. Total sales at METRO increased by 2.0% to €13.6 billion.

In Q2 2019/20, like-for-like sales increased by 2.3%. Eastern Europe (excluding Russia), Russia and Germany made a particularly strong contribution to this increase, while sales in Western Europe (excluding Germany) declined due to the COVID-19 crisis. It should be noted that the business development since mid-March has been significantly negatively affected by COVID-19. Thanks to the good start in Q2, which also benefited from an additional day in February due to the leap year, this negative impact could still be offset in the total earnings of Q2 2019/20. Reported sales increased by 2.1% in local currency. Total sales at METRO increased by 1.8%.

Earnings

The adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) reached a total of €659 million in H1 2019/20 (H1 2018/19: €660 million). Germany, Eastern Europe (excluding Russia), Russia and the Others segment developed positively, while in Western Europe (excluding Germany) and Asia, government measures associated with the COVID-19 pandemic in particular had a negative impact. Transformation costs of €45 million were incurred in H1 2019/20 (H1 2018/19: €0 million). They were incurred without exception in the Others segment and are particularly attributable to the restructuring of the head office. Earnings contributions from real estate transactions amounted to €1 million (H1 2018/19: €34 million). Adjusted for currency effects, the adjusted EBITDA decreased by €7 million (-1.0%).
EBITDA reached a total of €615 million (H1 2018/19: €694 million).

Adjusted EBITDA reached a total of €133 million in Q2 2019/20 (Q2 2018/19: €130 million). It should be noted that the business development since mid-March has been significantly negatively affected by COVID-19. It could still be offset in the total earnings of Q2 2019/20 due to the good start. The good sales development in Germany, Russia and Eastern Europe (excluding Russia) contributed positively to earnings, as did the Others segment. As a result of declining sales due to the COVID-19 pandemic, earnings in Western Europe (excluding Germany) and Asia were down compared to the previous year. Transformation costs of €45 million were incurred in Q2 2019/20 (Q2 2018/19: €0 million). Earnings contributions from real estate transactions amounted to €0 million (Q2 2018/19: €32 million).
EBITDA reached a total of €87 million (Q2 2018/19: €163 million).

The total financial result amounted to €-160 million in H1 2019/20 (H1 2018/19: €-117 million). The other financial result changed by €-54 million compared to the previous year, mainly due to weaker exchange rates for Eastern European currencies and the Turkish lira, which had a negative effect on the valuation of foreign currency lease liabilities.
Due to favourable refinancing, €7 million had a counteracting effect on the interest result.

Earnings before taxes amounted to €24 million in H1 2019/20 (H1 2018/19: €198 million). Tax expenses in H1 2019/20 amounted to €17 million (H1 2018/19: €82 million), which corresponds to a tax rate of 71% (H1 2018/19: 41.5%). The higher tax rate compared to the previous year is mainly due to the temporarily lower earnings contributions from real estate transactions and the transformation costs in the current financial year.
Before transformation costs, the tax rate would have been 59%. The increase of around 4 percentage points compared to Q1 2019/20 (tax rate 55.2%) is attributable to a goodwill impairment in Asia. The assumptions and parameters for determining the expected tax rate are explained in the attached notes.

The profit or loss for the period from continuing operations attributable to METRO shareholders amounted to €5 million in H1 2019/20 (H1 2018/19: €114 million).
The profit or loss for the period from continuing and discontinued operations attributable to METRO shareholders amounted to €-121 million in H1 2019/20 (H1 2018/19: €183 million). In H1 2019/20, based on the meanwhile conclusion of the purchase contract as well as suspended depreciation, an impairment loss in discontinued operations amounting to €303 million was incurred on the hypermarket business.

Earnings per share from continuing operations decreased to €0.01 in H1 2019/20 (H1 2018/19: €0.31).
Earnings per share from continuing operations and discontinued operations reached €-0.33 in H1 2019/20 (H1 2018/19: €0.50).

Investments

METRO invested €302 million in H1 2019/20 (H1 2018/19: €245 million). In Q2 2019/20 METRO invested €170 million (Q2 2018/19: €138 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 20 January 2020, a due bond of €125 million was repaid with a coupon of 4.05%. By 31 March 2020, the bond issuance programme had been utilised up to €1.776 billion (31/3/2019: €1.901 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 €829 million during the reporting period. By 31 March 2020, the programme had been utilised up to €339 million (31/3/2019: €1,147 million).
Bilateral credit facilities totalling €1,470 million were used as of 31 March 2020 (31/3/2019: €633 million). A syndicated €900 million credit facility as well as a multi-year bilateral credit facility of €50 million were utilised. The overdraft amount was used to refinance maturing commercial paper. As a cash reserve, a syndicated credit facility worth €850 million and additional multi-year bilateral credit facilities worth €200 million remain available to METRO.
The reported net debt, after netting cash and cash equivalents as well as financial investments with financial liabilities (including liabilities from leases), totalled €6.2 billion as of 31 March 2020 (31/3/2019: €6.3 billion).

Balance sheet

Total assets have decreased by €0.6 billion to €17.3 billion since the end of the financial year on 30 September 2019, which was primarily due to an impairment of the hypermarket business. In year-on-year comparison as of 31 March 2019, total assets decreased by €-0.9 billion. The currency-related reduction in tangible fixed assets and the COVID-19-related decline in receivables and liabilities also contributed to this trend.
As of 31 March 2020, the METRO group balance sheet reports equity in the amount of €1.7 billion. The equity ratio has declined from 13% to 10% since 30 September 2019. In year-on-year comparison as of 31 March 2019, the equity ratio decreased from 12% to 10%.

Cash flow

Cash flow from operating activities recognises a cash outflow of €0.3 billion in H1 2019/20 (H1 2018/19: €0.1 billion cash outflow).
The cash flow from investing activities amounted to €-0.1 billion (H1 2018/19: €-0.1 billion) and is mainly attributable to investments in property, plant and equipment and investment properties. The other investments include payouts for intangible assets and financial assets.
Cash flow from financing activities amounted to €0.4 billion (H1 2018/19: €-0.1 billion).

METRO SEGMENTS

METRO sales figures[1, 2]

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20
Total	13,286	13,555	-0.7%	2.0%	-2.4%	0.5%	1.6%	1.5%	1.6%	1.5%
Germany	2,376	2,421	-2.5%	1.9%	0.0%	0.0%	-2.5%	1.9%	-1.5%	1.9%
Western Europe (excl. Germany)	5,253	5,117	0.5%	-2.6%	0.0%	0.0%	0.5%	-2.6%	0.4%	-2.5%
Russia	1,374	1,459	-10.4%	6.2%	-7.9%	4.8%	-2.6%	1.4%	-3.1%	0.9%
Eastern Europe (excl. Russia)	3,410	3,677	1.5%	7.8%	-5.0%	0.0%	6.5%	7.9%	6.6%	7.8%
Asia	843	867	4.7%	2.8%	-4.0%	0.7%	8.8%	2.0%	6.3%	1.8%
Others	29	14	-	-	-	-	-	-	-	-

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20
Total	5,898	6,006	-0.4%	1.8%	-1.8%	-0.3%	1.3%	2.1%	1.0%	2.3%
Germany	1,024	1,074	-4.1%	4.9%	0.0%	0.0%	-4.1%	4.8%	-3.1%	4.8%
Western Europe (excl. Germany)	2,333	2,185	-0.3%	-6.3%	0.0%	0.0%	-0.3%	-6.3%	-0.3%	-6.3%
Russia	573	637	-8.3%	11.3%	-6.0%	1.0%	-2.3%	10.4%	-4.0%	9.8%
Eastern Europe (excl. Russia)	1,550	1,703	2.4%	9.9%	-4.4%	-1.3%	6.8%	11.2%	6.8%	11.2%
Asia	401	401	6.7%	0.0%	-0.9%	-0.4%	7.6%	0.5%	5.1%	0.2%
Others	18	7	-	-	-	-	-	-	-	-

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

In H1 2019/20, like-for-like sales in Germany rose by 1.9%. Reported sales increased by 1.9%. In Q2 2019/20, like-for-like sales in Germany increased by 4.8%. This was mainly attributable to a significant increase in sales by SCO customers as a result of the Covid-19 situation. Reported sales increased by 4,9%.

In H1 2019/20, like-for-like sales in Western Europe (excluding Germany) decreased by -2.5%. Reported sales decreased by -2.6% to €5.1 billion. Like-for-like sales decreased by -6.3% in Q2 2019/20. The effects of temporary restaurant closures in the context of the COVID-19 pandemic in

Italy, Spain and France were particularly noticeable here. Reported sales decreased by -6.3% to €2.2 billion.

In Russia, like-for-like sales in H1 2019/20 developed positively with 0.9% and the trend improvement of Q1 2019/20 could be continued and accelerated. In local currency, sales increased by 1.4%. Reported sales rose significantly by 6.2%. In Q2 2019/20, like-for-like sales increased by 9.8%. In local currency, sales increased by 10.4% and reported sales by 11.3%. The increase is to a significant extent driven by the strategic measures introduced. In addition, the increased demand and frequency of SCO customers due to the COVID-19 pandemic had a positive effect.

In Eastern Europe (excluding Russia), like-for-like sales in H1 2019/20 were clearly positive at a growth of 7.8%. This is predominantly attributable to the performance in Turkey, Romania and Ukraine. In local currency, sales grew by 7.9%. Reported sales increased by 7.8%. Like-for-like sales in Q2 2019/20 were clearly positive at 11.2%. Nearly all countries in the segment contributed to this. In local currency, sales also grew by 11.2%. Due to negative currency effects, especially in Turkey, reported sales increased by only 9.9%.

Like-for-like sales in Asia increased in H1 2019/20 by 1.8%, mainly attributable to Pakistan and India. Sales increased by 2.0% in local currency. Supported by positive exchange rate effects, reported sales increased by 2.8%. In Q2 2019/20, like-for-like sales remained at previous year's level. This was mainly due to the weaker sales trend of Classic Fine Foods and in Japan as a result of the COVID-19 pandemic. Sales increased by 0.5% in local currency. Reported sales were at previous year's level.

The delivery business of METRO increased by about 2.8% to €2.2 billion in H1 2019/20. As a result, share of sales accounts for 16.3% of delivery sales (H1 2018/19: 16.2%).
In Q2 2019/20, delivery sales declined by -5.3% and reached a sales share of 16.3% (Q2 2018/19: 17.6%).

As of 31 March 2020, the store network included 679 stores, 3 stores more than on the same date in the previous year. One store was opened in H1 2019/20 (Ukraine).

METRO key figures[1, 2]

	Adjusted EBITDA			Transformation costs		Earnings contributions from real estate transaction		EBITDA	
	H1 2018/19	H1 2019/20	Change (€)	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20	H1 2018/19	H1 2019/20
Total	660	659	-1	0	45	34	1	694	615
Germany	62	72	11	0	0	0	0	62	72
Western Europe (excl. Germany)	262	227	-34	0	0	0	1	262	228
Russia	117	124	8	0	0	0	0	116	124
Eastern Europe (excl. Russia)	175	181	6	0	0	2	0	178	181
Asia	26	11	-14	0	0	30	0	56	11
Others	20	42	22	0	45	2	0	21	-4
Consolidation	0	1	2	0	0	0	0	0	1

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

	Adjusted EBITDA			Transformation costs		Earnings contributions from real estate transaction		EBITDA	
	Q2 2018/19	Q2 2019/20	Change (€)	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20	Q2 2018/19	Q2 2019/20
Total	130	133	2	0	45	32	0	163	87
Germany	-15	-4	11	0	0	0	0	-15	-4
Western Europe (excl. Germany)	54	23	-32	0	0	0	0	54	23
Russia	34	37	3	0	0	0	0	34	37
Eastern Europe (excl. Russia)	54	64	10	0	0	0	0	54	64
Asia	8	-1	-9	0	0	30	0	38	-1
Others	-4	14	18	0	45	2	0	-2	-31
Consolidation	-1	0	1	0	0	0	0	-1	0

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

In Germany, the adjusted EBITDA reached €72 million in H1 2019/20 (H1 2018/19: €62 million). Adjusted EBITDA reached a total of €-4 million in Q2 2019/20 (Q2 2018/19: €-15 million). This improvement is mainly due to the good sales development of SCO customers.

In Western Europe (excluding Germany), adjusted EBITDA reached €227 million in H1 2019/20 (H1 2018/19: €262 million). Adjusted EBITDA was at €23 million in Q2 2019/20 (Q2 2018/19: €54 million). This decline is mainly a consequence of the drop in sales and margins in Italy, Spain, France and at Pro à Pro, where the government restrictions on the hospitality industry in the wake of the COVID-19 crisis had a significant negative impact.

Adjusted EBITDA in Russia reached a total of €124 million in H1 2019/20 (H1 2018/19: €117 million). The improvement is mainly due to the positive sales trend in Q2 and is also supported by currency effects of €6 million. Adjusted EBITDA reached a total of €37 million in Q2 2019/20 (Q2 2018/19: €34 million).

In Eastern Europe (excluding Russia), adjusted EBITDA reached €181 million in H1 2019/20 (H1 2018/19: €175 million). The increase is mainly attributable to the good sales development. Adjusted for currency effects, the adjusted EBITDA in Eastern Europe increased by €6 million. Adjusted EBITDA was at €64 million in Q2 2019/20 (Q2 2018/19: €54 million). This increase is mainly attributable to the good development in Turkey, Ukraine and Poland.

Adjusted EBITDA in Asia reached a total of €11 million in H1 2019/20 (H1 2018/19: €26 million). This is mainly a result of the worse development of Classic Fine Foods and Japan. Adjusted for currency effects, adjusted EBITDA in Asia declined by €14 million.
Adjusted EBITDA was at €-1 million in Q2 2019/20 (Q2 2018/19: €8 million). Earnings contributions from real estate transactions totalled €0 million (Q2 2018/19: €30 million).

Adjusted EBITDA in the Others segment amounted to €42 million (H1 2018/19: €20 million). Income from damage compensation in the low double-digit millions included in the previous year, which was mainly generated in the Others segment, was offset to a large extent due to an improved result of the logistics. Moreover, cost savings, among other things resulting from the communicated efficiency measures at the head office, also had a positive impact. Adjusted EBITDA was at €14 million in Q2 2019/20 (Q2 2018/19: €-4 million). The Others segment incurred transformation costs of €45 million for efficiency measures in Q2 2019/20. As a result, EBITDA in Q2 2019/20 amounted to €-31 million.

Discontinued operations

Like-for-like sales of discontinued operations in H1 2019/20 increased by 3.9%. Reported sales increased by 3.1% compared to the previous year. Like-for-like sales increased by 7.7% in Q2 2019/20. The good sales development at Real particularly contributed to this trend. Reported sales increased by 6.3% to €2.6 billion.
Adjusted EBITDA reached a total of €254 million (H1 2018/19: €192 million). The increase is mainly attributable to the good earnings development at Real, which was supported by the COVID-19 pandemic and the stockpiling behaviour it caused. EBITDA increased to a total of €135 million in Q2 2019/20 (Q2 2018/19: €50 million).

As a result of disclosure as discontinued operations and according to IFRS 5, depreciation and amortisation on fixed assets of €196 million (H1 2018/19: €136 million) have been suspended. In H1 2019/20 based on the selling agreement, which in the meantime has been concluded, as well as paused depreciation of fixed assets an impairment of the hypermarket business amounting to €303 million incurred.

OPPORTUNITIES AND RISKS

Since the preparation of the consolidated financial statements, there have been two significant changes to the opportunities and risks for the anticipated development of the group detailed in the METRO annual report 2018/19.

The loss potential of consolidated risk #9 (‘Risks associated with the disposal of Real’) presented in the 2018/19 annual report has declined from significant to major compared to the 2018/19 annual report. This reflects the lower remaining loss potential resulting from the advanced sales process.

Compared to the 2018/19 annual report, a consolidated risk has also been added to the risks associated with COVID-19. This risk is assessed as significant and probable. The following potential effects of the COVID-19 pandemic were taken into account in this risk assessment: Risks related to employee and customer health, reduced consumer demand due to the economic downturn and political measures for the HoReCa sector, liability and credit risks for business partners such as customers and tenants, as well as from completed M&A transactions, foreign currency risks in foreign currency lease contracts, potential loss of efficiency due to COVID-19 infections among employees or gaps in child care among employed parents, shortage of inventory, irregularities in the supply chain and the potential interruption or limited operation of stores, for example in non-food segments.
The development of new business models or acceleration of digitalisation due to the COVID-19 pandemic may have a counteracting but not fully compensating effect.

No present or future risks have been identified that pose a risk to the continued existence of the group.

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.

The sales and EBITDA outlook for the financial year 2019/20, which was approved on 11 December 2019, was withdrawn on 3 April 2020. This was due to lack of visibility on the duration of government measures in response to the COVID-19 pandemic and their impact on business development. Based on an extrapolation of the business development from mid-March to the end of April, METRO expects that each additional month with the current level of restrictions will result in sales losses of approximately 2 percentage points of sales growth compared to previous year. The negative impact on EBITDA linked to sales losses and further crisis related earnings dilution will thereby presumably only be compensated to a small extent by counter measures.

CONDENSED INTERIM FINANCIAL REPORT

INCOME STATEMENT

€ million	H1 2018/19 [1,2]	H1 2019/20	Q2 2018/19 [1,2]	Q2 2019/20
Sales Revenues	13,286	13,555	5,898	6,006
Cost of sales	-11,060	-11,262	-4,965	-5,053
Gross profit on sales	2,226	2,293	933	954
Other operating income	569	473	279	225
Selling expenses	-1,981	-1,990	-989	-994
General administrative expenses	-359	-411	-186	-222
Other operating expenses	-144	-173	-68	-97
Earnings from impairment of financial assets	-9	-18	-5	-15
Earnings share of operating companies recognised at equity	13	10	5	5
Earnings before interest and taxes (EBIT)	316	184	-31	-143
Earnings share of non-operating companies recognised at equity	0	0	0	0
Other investment result	0	1	0	0
Interest income	19	15	9	7
Interest expenses	-141	-126	-70	-62
Other financial result	4	-50	5	-54
Financial result	-117	-160	-55	-109
Earnings before taxes EBT	198	24	-86	-252
Income taxes	-82	-17	28	135
Profit or loss for the period from continuing operations	116	7	-58	-117
Profit or loss for the period from discontinued operations	72	-121	19	33
Profit or loss for the period	188	-114	-39	-84
Profit or loss for the period attributable to non-controlling interests	5	7	2	3
from continuing operations	2	2	-1	-1
from discontinued operations	3	6	3	4
Profit or loss for the period attributable to the shareholders of METRO AG	183	-121	-41	-87
from continuing operations	114	5	-58	-116
from discontinued operations	69	-126	16	29
Earnings per share in € (basic = diluted)	0.50	-0.33	-0.11	-0.24
from continuing operations	0.31	0.01	-0.16	-0.32
from discontinued operations	0.19	-0.35	0.05	0.08

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

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

€ million	H1 2018/19 [1,2]	H1 2019/20	Q2 2018/19 [1,2]	Q2 2019/20
Profit or loss for the period	188	-114	-39	-84
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	-20	54	-19	37
Remeasurement of defined benefit pension plans	-31	73	-28	48
Effects from the fair value measurement 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	10	-19	9	-12
Items of other comprehensive income that may be reclassified subsequently to profit or loss	113	-358	105	-328
Currency translation differences from translating the financial statements of foreign operations	115	-319	105	-309
Effective portion of gains/losses from cash flow hedges	2	-39	1	-19
Effects from the fair value measurement 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	-4	0	0	0
Other comprehensive income	92	-304	86	-291
Total comprehensive income	281	-418	47	-375
Total comprehensive income attributable to non-controlling interests	7	7	3	3
Total comprehensive income attributable to the shareholders of METRO AG	273	-425	44	-379

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

BALANCE SHEET

ASSETS

€ million	31/3/2019[1, 2]	30/9/2019[2]	31/3/2020
Non-current assets	8,791	8,850	8,347
Goodwill	781	785	742
Other intangible assets	521	562	569
Property, plant and equipment	6,620	6,652	6,219
Investment properties	113	127	119
Financial assets	85	97	96
Investments accounted for using the equity method	184	179	177
Other financial assets	155	150	136
Other non-financial assets	21	20	18
Deferred tax assets	311	279	271
Current assets	9,363	8,992	8,907
Inventories	2,103	1,946	2,074
Trade receivables	464	482	351
Financial assets	3	4	3
Other financial assets	581	622	502
Other non-financial assets	351	279	416
Entitlements to income tax refunds	184	190	186
Cash and cash equivalents	528	500	606
Assets held for sale	5,150	4,970	4,769
	18,153	17,842	17,254

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

EQUITY AND LIABILITIES

€ million	31/3/2019[1, 2]	30/9/2019[2]	31/3/2020
Equity	2,255	2,357	1,678
Share capital	363	363	363
Capital reserve	6,118	6,118	6,118
Reserves retained from earnings	-4,257	-4,155	-4,834
Non-controlling interests	31	31	31
Non-current liabilities	5,356	5,652	5,515
Provisions for post-employment benefits plans and similar obligations	493	543	503
Other provisions	95	108	108
Financial liabilities	4,573	4,766	4,658
Other financial liabilities	63	55	53
Other non-financial liabilities	22	25	25
Deferred tax liabilities	109	155	168
Current liabilities	10,542	9,832	10,062
Trade liabilities	3,245	3,572	2,951
Provisions	162	158	171
Financial liabilities	2,299	1,164	2,129
Other financial liabilities	583	728	610
Other non-financial liabilities	241	228	305
Income tax liabilities	134	169	95
Liabilities related to assets held for sale	3,878	3,813	3,802
	18,153	17,842	17,254

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

CASH FLOW STATEMENT

€ million	H1 2018/19 [1,2]	H1 2019/20
EBIT	316	184
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	378	431
Change in provisions for pensions and other provisions	-25	13
Change in net working capital	-437	-571
Income taxes paid	-117	-86
Reclassification of gains (–) / losses (+) from the disposal of fixed assets	-42	-2
Other	-206	-256
Cash flow from operating activities of continuing operations	-132	-288
Cash flow from operating activities of discontinued operations	169	290
Cash flow from operating activities	37	3
Acquisition of subsidiaries	-1	0
Investments in property, plant and equipment and in investment property (excluding right-of-use assets)	-135	-106
Other investments	-81	-77
Investments in monetary assets	-9	0
Disposals of subsidiaries	0	0
Divestments	111	110
Disposal of financial investments	7	0
Cash flow from investing activities of continuing operations	-108	-73
Cash flow from investing activities of discontinued operations	-95	-30
Cash flow from investing activities	-203	-103
Dividends paid		
to METRO AG shareholders	-254	-254
to other shareholders	-7	-7
Redemption of liabilities from put options of non-controlling interests	0	0
Proceeds from new borrowings	1,829	5,294
Redemption of borrowings	-1,589	-4,520
Interest paid	-148	-130
Interest received	19	15
Other financing activities	5	-6
Cash flow from financing activities of continuing operations	-145	390
Cash flow from financing activities of discontinued operations	-180	-178
Cash flow from financing activities	-325	212
Total cash flows	-491	111
Currency effects on cash and cash equivalents	26	-24
Total change in cash and cash equivalents	-465	88
Cash and cash equivalents as of 1 October	1,396	1,044

less cash and cash equivalents reported in assets in accordance with IFRS 5	489	544
Cash and cash equivalents as of 1 October	906	500
Total cash and cash equivalents as of 31 March	931	1,131
less cash and cash equivalents reported in assets in accordance with IFRS 5	403	525
Cash and cash equivalents as of 31 March	528	606

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Capital reserve	Reserves retained from earnings	Total equity before non-controlling interests	Non-controlling interests	Total equity
1/10/2018	363	6,118	-3,457	3,024	41	3,065
Balance sheet changes due to IFRS 16	0	0	-819	-819	-1	-820
1/10/2018 adjusted	363	6,118	-4,276	2,205	40	2,245
Earnings after taxes	0	0	183	183	5	188
Other comprehensive income	0	0	90	90	2	92
Total comprehensive income	0	0	273	273	7	281
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	-4,257	2,224	31	2,255
1/10/2019	363	6,118	-4,155	2,326	31	2,357
Earnings after taxes	0	0	-121	-121	7	-114
Other comprehensive income	0	0	-304	-304	0	-304
Total comprehensive income	0	0	-425	-425	7	-418
Capital increases	0	0	0	0	0	0
Dividends	0	0	-254	-254	-7	-261
Capital transactions with a change in the participation rate	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
31/3/2020	363	6,118	-4,834	1,647	31	1,678

NOTES ON THE CONDENSED INTERIM FINANCIAL REPORT

SEGMENT REPORTING H1 2019/20

OPERATING SEGMENTS[1, 2]

€ million	Germany H1 2018/19	Germany H1 2019/20	Western Europe (excl. Germany) H1 2018/19	Western Europe (excl. Germany) H1 2019/20	Russia H1 2018/19	Russia H1 2019/20	Eastern Europe (excl. Russia) H1 2018/19	Eastern Europe (excl. Russia) H1 2019/20	Asia H1 2018/19	Asia H1 2019/20
External sales (net)	2,376	2,421	5,253	5,117	1,374	1,459	3,410	3,677	843	867
Internal sales (net)	8	8	1	1	19	18	0	0	0	0
Sales (net)	2,384	2,430	5,255	5,118	1,392	1,476	3,410	3,677	843	867
Adjusted EBITDA	62	72	262	227	117	124	175	181	26	11
Transformation costs	0	0	0	0	0	0	0	0	0	0
Earnings contributions from real estate transactions	0	0	0	1	0	0	2	0	30	0
EBITDA	62	72	262	228	116	124	178	181	56	11
Depreciation	53	53	118	128	30	32	63	67	19	45
Reversals of impairment losses	0	0	4	0	0	0	0	0	0	0
EBIT	9	19	147	100	87	92	114	114	37	-34
Investments	37	50	61	76	8	4	34	53	18	10
Non-current segment assets	1,058	1,014	2,632	2,532	1,039	841	1,548	1,539	612	558

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

OPERATING SEGMENTS[1, 2]

€ million	Others H1 2018/19	Others H1 2019/20	Consolidation H1 2018/19	Consolidation H1 2019/20	METRO continuing operations H1 2018/19	METRO continuing operations H1 2019/20	METRO discontinued operations H1 2018/19	METRO discontinued operations H1 2019/20
External sales (net)	29	14	0	0	13,286	13,555	5,100	5,259
Internal sales (net)	302	415	-329	-442	0	0	0	0
Sales (net)	330	429	-329	-442	13,286	13,555	5,100	5,259
Adjusted EBITDA	20	42	0	1	660	659	192	254
Transformation costs	0	45	0	0	0	45	0	0
Earnings contributions from real estate transactions	2	0	0	0	34	1	0	-1
EBITDA	21	-4	0	1	694	615	192	253
Depreciation	98	106	1	0	382	431	52	303
Reversals of impairment losses	0	0	0	0	4	0	0	0
EBIT	-77	-109	-1	1	316	184	139	-50
Investments	87	109	0	0	245	302	82	76
Non-current segment assets	1,337	1,310	-16	7	8,210	7,802	2,940	2,575

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

SEGMENT REPORTING Q2 2019/20

OPERATING SEGMENTS[1, 2]

€ million	Germany Q2 2018/19	Germany Q2 2019/20	Western Europe (excl. Germany) Q2 2018/19	Western Europe (excl. Germany) Q2 2019/20	Russia Q2 2018/19	Russia Q2 2019/20	Eastern Europe (excl. Russia) Q2 2018/19	Eastern Europe (excl. Russia) Q2 2019/20	Asia Q2 2018/19	Asia Q2 2019/20
External sales (net)	1,024	1,074	2,333	2,185	573	637	1,550	1,703	401	401
Internal sales (net)	4	4	0	0	8	8	0	0	0	0
Sales (net)	1,028	1,078	2,333	2,185	581	645	1,550	1,703	401	401
Adjusted EBITDA	-15	-4	54	23	34	37	54	64	8	-1
Transformation costs	0	0	0	0	0	0	0	0	0	0
Earnings contributions from real estate transactions	0	0	0	0	0	0	0	0	30	0
EBITDA	-15	-4	54	23	34	37	54	64	38	-1
Depreciation	26	27	60	66	15	16	34	33	10	35
Reversals of impairment losses	0	0	4	0	0	0	0	0	0	0
EBIT	-41	-31	-2	-43	19	21	20	30	28	-36
Investments	30	41	33	49	3	2	11	27	11	5
Non-current segment assets	1,058	1,014	2,632	2,532	1,039	841	1,548	1,539	612	558

1 Adjustment of previous year due to discontinued operations METRO China.
2 Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

OPERATING SEGMENTS[1, 2]

€ million	Others Q2 2018/19	Others Q2 2019/20	Consolidation Q2 2018/19	Consolidation Q2 2019/20	METRO continuing operations Q2 2018/19	METRO continuing operations Q2 2019/20	METRO discontinued operations Q2 2018/19	METRO discontinued operations Q2 2019/20
External sales (net)	18	7	0	0	5,898	6,006	2,460	2,616
Internal sales (net)	148	197	-160	-209	0	0	0	0
Sales (net)	166	204	-160	-209	5,898	6,006	2,460	2,616
Adjusted EBITDA	-4	14	-1	0	130	133	50	135
Transformation costs	0	45	0	0	0	45	0	0
Earnings contributions from real estate transactions	2	0	0	0	32	0	0	0
EBITDA	-2	-31	-1	0	163	87	50	135
Depreciation	51	54	0	0	197	230	36	66
Reversals of impairment losses	0	0	0	0	4	0	0	0
EBIT	-53	-85	-1	0	-31	-143	14	69
Investments	50	46	0	0	138	170	23	40
Non-current segment assets	1,337	1,310	-16	7	8,210	7,802	2,940	2,575

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

NOTES

Group accounting principles and methods

The condensed interim financial report as of 31 March 2020 has been prepared in accordance with IAS 34 (Interim Financial Reporting), which governs interim financial reports as required by the International Financial Reporting Standards (IFRS). As it is a condensed interim financial report, it does not contain all the information required by IFRS for a full consolidated financial statement at the end of a financial year.
This interim financial report is unaudited but has been reviewed in line with Section 115 Paragraph 5 WpHG.
The condensed interim financial report was prepared in euros.
All amounts are stated in million euros (€ million), unless indicated otherwise. 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.
Revenue-based and cyclical issues within a financial year are anticipated or deferred, if material.
The present interim financial report has been prepared in accordance with all published and applicable standards and interpretations of the International Accounting Standards Board (IASB) provided that the European Union has adopted them. With the exception of IFRS 16 (Leases), which was applied for the first time, in general the same accounting policies were applied as in the consolidated financial statements as of 30 September 2019. The notes to the consolidated financial statements as of 30 September 2019 contain further information about the accounting and measurement policies applied. This also includes amended IFRS used for the first time in financial year 2019/20, which do not have a significant impact on the condensed interim financial report.
Reported tax expenses are determined in accordance with the requirements for interim financial reporting applying the integral approach. The current company plans as at the end of the financial year are the basis of the calculation. The comparison of the tax expenses with the pre-tax income yields the applicable group estimated average annual effective income tax rate.
Departing from the requirements of IAS 34, METRO China is classified as 'held for sale' in the comparative balance sheet as of 31 March 2019, although the investment has only been reported as discontinued operation or a disposal group since 30 September 2019. Assets in the amount of €1.7 billion and liabilities in the amount of €1.0 billion were reclassified to the respective 'held for sale' line items. This approach allows the current carrying amounts in this interim financial report to be compared in a meaningful way with those as of 31 March 2019.

Accounting standards recently adopted into European law

The information about new or amended standards that are applicable for the first time as given in the consolidated financial statements as of 30 September 2019 are updated to include the following changes to IFRS which have been adopted by the European Union since. METRO will start applying them from the next financial year:

- amendments to references to the Conceptual Framework in IFRS Standards,
- amendments to IAS 1 and IAS 8: Definition of Material, and
- amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

These amendments to IFRS are not expected to have a material impact on the group's net assets, financial position and results of operations.

COVID-19

Until the end of February 2020, the operating business developed largely unaffected by COVID-19. At the beginning of the crisis situation in Europe triggered by COVID-19, METRO was initially able to overcompensate the sales and earnings losses of some customer groups (especially hospitality customers) due to positive sales and earnings effects in other customer groups (in particular stock ups from SCO customers). Since mid-March 2020, however, the overall trend in terms of sales and earnings has clearly been negative due to the pandemic and the regulatory measures taken in many countries. Public life in many of the countries in which METRO operates is significantly restricted as a result of these measures. In particular, they have had a significant negative impact on some of our key customer groups (especially hospitality customers) and therefore also on our business. Currently, it cannot be reliably estimated how long the pandemic and the associated restrictions on public life will last and how long it will take to return to normal.

In order to prepare this condensed interim financial report estimates and assumptions were made taking into account the changes in the corporate environment described above and having an impact on the measurement and presentation of the assets and liabilities recognised as well as income and expenses reported. Estimates and underlying assumptions with major effects have been made particularly with respect to the following issues:

- indicator-based impairment testing of assets with finite and indefinite useful lives including goodwill,
- recoverability of receivables – in particular trade receivables and receivables due from suppliers,
- measurement of inventories,
- assessment of the tax rate in the course of the integral approach pursuant to IAS 34,
- calculation of provisions for performance-based remuneration components.

Although great care has been taken in making these estimates and assumptions, actual measurements may deviate from them in individual cases, especially taking into account the COVID-19-related uncertainties.

For the measurement of receivables, increased specific bad debt allowances were earmarked, particularly in units with longer payment terms and strong ties to the HoReCa sector. Furthermore, adjustments to the forward looking element led to an increased loss allowance in accordance with IFRS 9.

Inventories were particularly examined to determine whether fresh goods could still be sold during existing shutdown phases, and additional write downs were recognised where necessary.

Due to unstable political developments and regulatory restrictions as a result of the COVID-19 infection, the indicator-based goodwill impairment test particularly for the Classic Fine Food Group resulted in the recognition of an impairment loss. Apart from that, possible short-term adverse effects on the earnings position had no impact on the existing carrying amounts of goodwill.

Income tax expenses are calculated in accordance with IAS 34 based on the estimated average annual effective income tax rate (integral approach). That estimated average annual rate is based on corporate planning. Since the effects of the governmental shutdown due to COVID-19 and related to the end of the financial year cannot yet be predicted reliably, the corporate planning from the first quarter was used as the starting point for determining the estimated average annual income tax rate, adjusted for the facts that have been substantiated in the meantime and are expected to have an influence on the total tax expense for the full financial year. In the current reporting period, this particularly was the case for transformation costs in connection with the efficiency measures announced by the Management Board to be incurred in the current financial year.

Provisions for performance-based remuneration components were also calculated based on the corporate planning from the first quarter, however, adjusted for current market parameters such as the development of the share price and comparative indices.

IFRS 16 (Leases)

The company adopted IFRS 16 on 1 October 2019 and applied the full retrospective transition approach, which is why the comparative figures for financial year 2018/19 have been adjusted.

The key change of IFRS 16 compared to IAS 17 is the introduction of a uniform accounting model for lessees. The lessee must recognise 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.
The lease expenses from operating leases previously reported in the income statement in accordance with IAS 17 have been replaced with disclosure of depreciation and interest expenses in accordance with IFRS 16.

While transitioning to IFRS 16, METRO determines whether an agreement contains a lease. During this assessment, the company could choose whether to apply the IFRS 16 definition of a lease to all its contracts or to apply the practical simplicity allowed by IFRS 16 rather than reassessing whether a contract is a lease or contains one. The company chose to apply the practical simplicity at the transition date. This means that it will apply IFRS 16 to all contracts entered into before 1 October 2018 and identified as leases in accordance with IAS 17 and IFRIC 4.

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 exercised the option of not applying the right-of-use approach to low-value assets in connection with the object class of the asset (mainly business and office equipment) and short-term leases (maximum terms of 12 months). 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 components are included in the right-of-use assets to be recognised.

METRO as lessee
The company recognises an asset with a right-of-use and a lease liability at the inception of the lease. The right-of-use is initially assessed at cost, which is the initial amount of the lease liability, adjusted for all lease payments made on or before the commencement date, plus any direct costs incurred initially, less any incentives received. The right-of-use is then depreciated using the straight-line method over the shorter lease term or the expected useful life of the underlying asset. Furthermore, the right-of-use is reduced by any impairment loss and adjusted for certain remeasuring of the lease liabilities. The lease liability is initially measured at the present value of the lease payments, which is discounted at the interest rate implicit in the lease or, if this interest rate cannot be readily determined, at the company’s marginal interest expense on borrowings.
The lease payments included in the measurement of the lease liability can be broken down as follows:

- Fixed payments, including substantial fixed payments;
- variable lease payments that depend on an index or instalment initially valued using the index or instalment on the starting date;
- amounts expected to be paid under a residual value guarantee;
- the exercise price of a purchase option that the company expects with reasonable certainty to be exercised

- lease payments in an optional extension period, if the company exercises an extension option with sufficient certainty
- and penalties for early termination of a lease unless the company is reasonably certain that it will not terminate the lease prematurely.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if future lease payments are adjusted due to a change in an index or interest rate, if the company's estimate of the amount expected to be payable under a residual value guarantee changes, or if the company changes its assessment of whether it will exercise a purchase, renewal or termination option. If the lease liability is remeasured in this manner, a corresponding adjustment to the carrying amount of the right of use is made or is recognised in the income statement, if the carrying amount of the right of use is reduced to zero. Rights of use are reported separately as a single line in the balance sheet, but rights of use that fall under the definition of investment property are included under 'investment property' and are reported separately in the respective financial statements. The leasing liabilities are included in 'Other current financial liabilities' and 'Other non-current financial liabilities'.

In the cash flow statement, the company has classified the redemption of lease payments and the interest portion within financing activities. The lease payments are divided into a redemption and an interest portion and are included in the cash flow statement within the 2 line items 'Redemption of financial liabilities' and 'Interest expense'. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

METRO as lessor
The accounting policies that applied to METRO as lessor pursuant to IAS 17 do not differ materially from the new regulations according to IFRS 16. However, subleases classified under IFRS 16 by reference to the right-of-use instead of by referencing underlying asset, as it was previously done under IAS 17. Consequently, the number of subleases classified as finance leases has increased and the receivables to be shown in the balance sheet have risen accordingly.

If the company acts as lessor in the scope of a sublease, it determines at the inception of the lease whether each lease is a finance lease or an operating lease. To classify each lease, the company makes an overall assessment of whether the lease substantially transfers all the risks and benefits incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the enterprise considers certain indicators, such as whether the lease covers most of the term of the main lease of the asset.
If the company is an intermediate lessor, it accounts separately for its interest in the main lease and in the sublease. If a main lease is a short-term lease to which the company applies the exception described above, the company classifies the sublease as an operating lease. The company recognises lease payments it receives under operating leases as rental income.

The Group has classified cash flows from operating leases as operating activities. Cash flows from the capital share of received finance lease receivables have also been classified as operating activities, while cash flows from the interest portion of received finance lease receivables have been classified as financing activities and are recognised in the cash flow statement in the line item 'Interest received'.

Discretionary scope in the context of initial and ongoing accounting under IFRS 16 lies in particular in the assessment of the exercise probability of renewal options and individual parameters for determining the relevant discount rate.

Restatements

METRO has applied IFRS 16 for the first time with full retrospective effect as of 1 October 2019 (FY 1/10/2019 – 30/9/2020). As a result, previous year's figures have been adjusted for financial year 2018/19. The effects on the income statement, the balance sheet, the statement of comprehensive income and the cash flow statement are presented below.

Detailed information on the changes resulting from IFRS 16 can be found in the published 'IFRS 16 Transition Booklet'.

https://www.metroag.de/~/assets/metro/documents/investor-relations/metro-ifrs-16-restatement-2018-19-booklet_en.pdf?dl=1

Income statement

€ million	H1 2018/19 as reported[1]	IFRS 16 change	H1 2018/19[1, 2]	Q2 2018/19 as reported[1]	IFRS 16 change	Q2 2018/19[1, 2]
Sales Revenues	13,286	0	13,286	5,898	0	5,898
Cost of sales	-11,065	5	-11,060	-4,968	3	-4,965
Gross profit on sales	2,221	5	2,226	930	3	933
Other operating income	589	-19	569	288	-8	279
Selling expenses	-2,048	67	-1,981	-1,023	35	-989
General administrative expenses	-365	6	-359	-189	3	-186
Other operating expenses	-144	0	-144	-68	0	-68
Earnings from impairment of financial assets	-9	0	-9	-5	0	-5
Earnings share of operating companies recognised at equity	13	0	13	5	0	5
Earnings before interest and taxes (EBIT)	257	59	316	-63	32	-31
Earnings share of non-operating companies recognised at equity	0	0	0	0	0	0
Other investment result	0	0	0	0	0	0
Interest income	12	7	19	6	4	9
Interest expenses	-73	-68	-141	-35	-34	-70
Other financial result	-7	12	4	3	2	5
Financial result	-68	-49	-117	-26	-29	-55
Earnings before taxes EBT	189	10	198	-89	3	-86
Income taxes	-79	-4	-82	29	-1	28
Profit or loss for the period from continuing operations	110	6	116	-60	2	-58
Profit or loss for the period from discontinued operations	-362	434	72	-397	416	19
Profit or loss for the period	-251	440	188	-457	418	-39
Profit or loss for the period attributable to non-controlling interests	5	0	5	2	0	2
from continuing operations	2	0	2	-1	0	-1
from discontinued operations	3	0	3	2	0	3
Profit or loss for the period attributable to the shareholders of METRO AG	-256	439	183	-459	417	-41
from continuing operations	108	6	114	-60	2	-58
from discontinued operations	-365	434	69	-399	416	16
Earnings per share in € (basic = diluted)	-0.71	1.21	0.50	-1.26	1.15	-0.11
from continuing operations	0.30	0.02	0.31	-0.16	0.01	-0.16
from discontinued operations	-1.00	1.19	0.19	-1.10	1.14	0.05

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

Reconciliation from profit or loss for the period to total comprehensive income

€ million	H1 2018/19 as reported[1]	IFRS 16 change	H1 2018/19[1, 2]	Q2 2018/19 as reported[1]	IFRS 16 change	Q2 2018/19[1, 2]
Profit or loss for the period	-251	440	188	-457	418	-39
Other comprehensive income						
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	-20	0	-20	-19	0	-19
Remeasurement of defined benefit pension plans	-31	0	-31	-28	0	-28
Effects from the fair value measurement of equity instruments	0	0	0	0	0	0
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	10	0	10	9	0	9
Items of other comprehensive income that may be reclassified subsequently to profit or loss	118	-5	113	106	-1	105
Currency translation differences from translating the financial statements of foreign operations	121	-5	115	105	-1	105
Effective portion of gains/losses from cash flow hedges	2	0	2	1	0	1
Effects from the fair value measurement of debt instruments	0	0	0	0	0	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	-4	0	-4	0	0	0
Other comprehensive income	98	-5	92	87	-1	86
Total comprehensive income	-154	434	281	-370	417	47
Total comprehensive income attributable to non-controlling interests	7	0	7	3	0	3
Total comprehensive income attributable to the shareholders of METRO AG	-161	434	273	-373	417	44

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

Balance sheet

ASSETS

€ million	31/3/2019 as reported[1]	IFRS 16 change	31/3/2019[1,2]	30/9/2019 as reported	IFRS 16 change	30/9/2019[2]
Non-current assets	6,858	1,933	8,791	6,736	2,114	8,850
Goodwill	781	0	781	785	0	785
Other intangible assets	521	0	521	562	0	562
Property, plant and equipment	4,855	1,765	6,620	4,760	1,892	6,652
Investment properties	82	31	113	82	45	127
Financial assets	85	0	85	97	0	97
Investments accounted for using the equity method	184	0	184	179	0	179
Other financial assets	37	118	155	37	113	150
Other non-financial assets	46	-24	21	43	-23	20
Deferred tax assets	267	44	311	191	88	279
Current assets	7,975	1,388	9,363	7,761	1,231	8,992
Inventories	2,103	0	2,103	1,946	0	1,946
Trade receivables	464	0	464	482	0	482
Financial assets	3	0	3	4	0	4
Other financial assets	562	18	581	603	19	622
Other non-financial assets	352	-1	351	279	1	279
Entitlements to income tax refunds	184	0	184	190	0	190
Cash and cash equivalents	528	0	528	500	0	500
Assets held for sale	3,780	1,370	5,150	3,758	1,212	4,970
	14,833	3,320	18,153	14,497	3,345	17,842

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

EQUITY AND LIABILITIES

€ million	31/3/2019 as reported[1]	IFRS 16 change	31/3/2019[1, 2]	30/9/2019 as reported	IFRS 16 change	30/9/2019[2]
Equity	2,641	-386	2,255	2,735	-377	2,357
Share capital	363	0	363	363	0	363
Capital reserve	6,118	0	6,118	6,118	0	6,118
Reserves retained from earnings	-3,872	-386	-4,257	-3,778	-377	-4,155
Non-controlling interests	32	-1	31	32	-1	31
Non-current liabilities	3,353	2,003	5,356	3,419	2,234	5,652
Provisions for post-employment benefits plans and similar obligations	493	0	493	543	0	543
Other provisions	127	-32	95	132	-24	108
Financial liabilities	2,485	2,088	4,573	2,498	2,268	4,766
Other financial liabilities	64	0	63	56	0	55
Other non-financial liabilities	68	-46	22	71	-46	25
Deferred tax liabilities	116	-7	109	119	36	155
Current liabilities	8,838	1,703	10,542	8,343	1,489	9,832
Trade liabilities	3,245	0	3,245	3,572	0	3,572
Provisions	173	-11	162	168	-10	158
Financial liabilities	1,947	352	2,299	871	293	1,164
Other financial liabilities	585	-1	583	728	-1	728
Other non-financial liabilities	246	-6	241	233	-6	228
Income tax liabilities	134	0	134	169	0	169
Liabilities related to assets held for sale	2,509	1,369	3,878	2,601	1,212	3,813
	14,833	3,320	18,153	14,497	3,345	17,842

[1] Adjustment of previous year due to discontinued operations METRO China.
[2] Adjustment of previous year due to full retroactive application of IFRS 16 (leases).

Balance sheet

ASSETS

€ million	1/10/2018 as reported[1]	IFRS 16 change	1/10/2018
Non-current assets	7,505	2,248	9,753
Goodwill	797	0	797
Other intangible assets	499	0	499
Property, plant and equipment	5,314	2,173	7,487
Investment properties	97	38	135
Financial assets	86	0	86
Investments accounted for using the equity method	178	0	178
Other financial assets	39	125	164
Other non-financial assets	163	-133	30
Deferred tax assets	332	46	377
Current assets	7,699	803	8,502
Inventories	2,108	0	2,108
Trade receivables	568	0	568
Financial assets	2	0	2
Other financial assets	560	18	578
Other non-financial assets	353	-3	349
Entitlements to income tax refunds	206	0	206
Cash and cash equivalents	1,298	0	1,298
Assets held for sale	2,604	788	3,393
	15,204	3,051	18,255

[1] Includes the adjustment of previous year's IFRS 9 and IFRS 15.

EQUITY AND LIABILITIES

€ million	1/10/2018 as reported[1]	IFRS 16 change	1/10/2018
Equity	3,065	-820	2,245
Share capital	363	0	363
Capital reserve	6,118	0	6,118
Reserves retained from earnings	-3,457	-819	-4,276
Non-controlling interests	41	-1	40
Non-current liabilities	3,427	2,377	5,804
Provisions for post-employment benefits plans and similar obligations	468	0	468
Other provisions	126	-38	88
Financial liabilities	2,590	2,465	5,055
Other financial liabilities	56	-1	56
Other non-financial liabilities	67	-43	24
Deferred tax liabilities	121	-7	114
Current liabilities	8,712	1,494	10,206
Trade liabilities	3,993	0	3,993
Provisions	273	-43	230
Financial liabilities	1,420	322	1,742
Other financial liabilities	745	-1	744
Other non-financial liabilities	395	-5	390
Income tax liabilities	191	0	191
Liabilities related to assets held for sale	1,694	1,221	2,915
	15,204	3,051	18,255

[1] Includes the adjustment of previous year's IFRS 9 and IFRS 15.

Cash flow statement

€ million	H1 2018/19 as reported	IFRS 16 change	H1 2018/19
EBIT	257	59	316
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	259	119	378
Change in provisions for pensions and other provisions	-32	7	-25
Change in net working capital	-437	0	-437
Income taxes paid	-117	0	-117
Reclassification of gains (–) / losses (+) from the disposal of fixed assets	-42	0	-42
Other	-212	6	-206
Cash flow from operating activities of continuing operations	-324	191	-132
Acquisition of subsidiaries	-1	0	-1
Investments in property, plant and equipment and in investment property (excl. finance leases)	-135	0	-135
Other investments	-81	0	-81
Investments in monetary assets	-9	0	-9
Disposals of subsidiaries	0	0	0
Divestments	111	0	111
Disposal of financial investments	7	0	7
Cash flow from investing activities of continuing operations	-108	0	-108
Dividends paid			
to METRO AG shareholders	-254	0	-254
to other shareholders	-7	0	-7
Redemption of liabilities from put options of non-controlling interests	0	0	0
Proceeds from new borrowings	1,829	0	1,829
Redemption of borrowings	-1,458	-131	-1,589
Interest paid	-80	-68	-148
Interest received	12	7	19
Other financing activities	4	1	5
Cash flow from financing activities of continuing operations	46	-191	-145

NOTES ON THE INCOME STATEMENT

Sales

Since financial year 2018/19, METRO has been applying IFRS 15 (Revenue from Contracts with Customers). The recognised sales revenues relate exclusively to revenues from contracts with customers.
Sales revenues are allocated to the following categories:

€ million	H1 2018/19[1]	H1 2019/20
Store-based and other business	11,136	11,346
METRO Germany	2,056	2,118
METRO Western Europe (excl. Germany)	4,372	4,220
METRO Russia	1,257	1,329
METRO Eastern Europe (excl. Russia)	2,885	3,108
METRO Asia	542	562
Others	25	9
Delivery sales	2,149	2,209
METRO Germany	320	303
METRO Western Europe (excl. Germany)	881	897
METRO Russia	117	130
METRO Eastern Europe (excl. Russia)	526	569
METRO Asia	302	305
Others	4	5
Total sales	13,286	13,555
METRO Germany	2,376	2,421
METRO Western Europe (excl. Germany)	5,253	5,117
METRO Russia	1,374	1,459
METRO Eastern Europe (excl. Russia)	3,410	3,677
METRO Asia	843	867
Others	29	14

[1] Adjustment of previous year due to discontinued operations METRO China.

Depreciation

Depreciation/amortisation/impairment losses amount to €432 million (H1 2018/19: €384 million) and include impairment losses totalling €28 million (H1 2018/19: €11 million).
Depreciation/amortisation/impairment losses mainly relate to property, plant and equipment in the amount of €178 million (H1 2018/19: €181 million), rights of use in the amount of €161 million (H1 2018/19: €138 million) and other intangible assets in the amount of €61 million (H1 2018/19: €52 million). The depreciation/amortisation includes impairment losses of €25 million (H1 2018/19: €3 million) on goodwill, €2 million (H1 2018/19: €4 million) on property, plant and

equipment and €0 million (H1 2018/19: €3 million) on other intangible assets. In addition, €1 million (H1 2018/19: €2 million) in impairment losses are attributable to financial assets.

The impairment of goodwill relates to the full impairment of the goodwill of Classic Fine Foods. Due to unstable political developments and regulatory restrictions resulting from the COVID-19 infection, the delivery business to professional customers is currently reduced.

NOTES ON 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 14 February 2020, 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 €266 million reported for financial year 2018/19. The remaining sum was carried forward to the new account. The payout took place on 19 February 2020.

Effects from the remeasurement of defined benefit pension plans

Within the scope of the reporting of actuarial gains and losses, a total increase in equity of €73 million (H1 2018/19: €31 million decrease in equity) from the remeasurement of defined benefit pension plans was recognised as impairments to equity in the other comprehensive income in the first 6 months of financial year 2019/20 outside of profit or loss. Deferred tax expenses in equity had a contrary effect to the sum of €19 million (H1 2018/19: €-10 million).
The country-specific actuarial interest rates and pension trend have developed as follows in significant locations:

	31/3/2019				31/3/2020			
%	Germany	Italy	United Kingdom	Austria	Germany	Italy	United Kingdom	Austria
Actuarial interest rate	1.70	1.90	2.40	1.70	1.80	2.00	2.30	1.80
Pension trend	1.50	0.90	2.50	2.00	1.50	0.70	1.90	2.00

Carrying amounts and fair values according to measurement categories

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

	31/3/2019	
€ million	Carrying amount	Fair value
Receivables from leases (carrying amount according to IFRS 16)	165	177
Borrowings excl. leases (incl. hedged items in hedging relationships according to IAS 39)	3,788	3,815

€ million	31/3/2020 Carrying amount	Fair value
Receivables from leases (carrying amount according to IFRS 16)	149	170
Borrowings excl. leases (incl. hedged items in hedging relationships according to IAS 39)	3,643	3,620

Assets recognised at fair value amount to €95 million (31/3/2019: €73 million), thereof €67 million from investments (31/3/2019: €54 million) as well as equity and liabilities from real estate totalling €79 million (31/3/2019: €6 million). There were no significant changes in the measurement methods or input parameters.
The measurement of investments recognised at fair value in the amount of €67 million (31/3/2019: €54 million) is recognised through profit or loss in the amount of €63 million (31/3/2019: €52 million) and outside of profit or loss in the amount of €4 million (31/3/2019: €1 million).
In order to hedge the currency risks arising from the expected purchase price for the operations and related real estate of METRO China, a forward currency contract, which was previously subject to the closing of the transaction, was concluded once the transaction was completed. It was designated as a cash flow hedge and was recognised with a market value of €-38 million on the closing date. The valuation effect is recognised in other comprehensive income. The accounting was based on a bank valuation, which was performed using standard currency parameters observable on the market.
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.

Real estate held for sale

There were no changes in individual properties held for sale during financial year 2019/20 (H1 2018/19: €48 million). In the previous year, this was attributable to a reclassification from investment properties.

Other provisions

The other provisions increased by €22 million compared to 31/3/2019. This was mainly due to the recognition of a provision for transformation costs amounting to €40 million as of 31/3/2020, which will largely be due for payment in the current and the following financial year.

EVENTS AFTER THE CLOSING DATE

On 23 April 2020, the disposal of the majority stake in the operating business and the associated real estate of METRO China to Wumei Technology Group was completed. The purchase contract was signed on 11 October 2019 and was subject to customary transaction conditions such as competition approval and other official approvals. After receiving these approvals, the transaction has now been successfully completed and resulted in a net cash inflow of more than €1.5 billion. METRO will retain a 20% stake in METRO China in order to maintain its presence in this highly attractive market and to participate in further growth.

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:

¾ External sales represent sales of the operating segments to third parties outside the group.

¾ Internal sales represent sales between the group's operating segments. These transactions are settled at normal market conditions.

¾ Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.

¾ The adjusted EBITDA comprises the EBITDA excluding transformation costs and earnings contributions from real estate transactions.

¾ The term transformation costs refers to non-recurring expenses in connection with efficiency measures and mainly relate to personnel measures in the head office.

¾ 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.

¾ 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.

¾ 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.

¾ 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.

¾ In principle, transfers between segments are made based on the costs incurred from the group's perspective.

Discontinued operations

Disposal of the hypermarket business

The Management Board of METRO AG decided in its meeting on 13 September 2018 to sell the hypermarket business including 80 real estate properties that are being used for this and are owned by Real or group companies.

The decision was made with the intention to focus exclusively on wholesale trade in the future. In addition to all Real locations, the hypermarket business also includes companies providing procurement and online services for Real as well as real estate and a supplier. Together, the assets and liabilities have been treated as discontinued operations within the meaning of IFRS 5 since September 2018. In February 2020, the notarised purchase contract between METRO and The SCP Group for the disposal of the hypermarket business with the related real estate was concluded. In view of the progress of the divestment process and the expected completion of the sale in the near future, the hypermarket business as of 31 March 2020 will continue to be classified as a discontinued operation until its deconsolidation.

Profit or loss for the period from discontinued operations after taxes

The current result of the hypermarket business, together with all related consolidation entries recognised in the income statement through profit or loss, was shown in a separate section in the consolidated income statement as ‘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 measurement of the hypermarket business disposal group at fair value was based on an analysis of the purchase contract and the agreed purchase price mechanism. Since the influencing factors cannot be observed on an active market and are subject to uncertainties, the valuation in the fair value hierarchy is assigned to level 3.

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €-196 million (H1 2018/19: €30 million). Non-controlling interests account for €0 million of earnings (H1 2018/19: €0 million).

In connection with the divestment process, expenses in the 1-digit million euros range have been incurred in the current financial year.

As a result, profit or loss for the period from discontinued operations after taxes for the hypermarket business is made up as follows:

€ million	H1 2018/19	H1 2019/20
Sales	3,494	3,542
Expenses	-3,444	-3,435
Current earnings from discontinued operations before taxes	49	107
Income taxes on gains/losses on the current result	0	0
Current earnings from discontinued operations after taxes	49	107
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	-19	-303
Income taxes on gains/losses from remeasurement or disposal	0	0
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	-19	-303
Profit or loss for the period from discontinued operations after taxes	30	-196

Effects of other comprehensive income

Of the other comprehensive income for financial year 2020 attributable to the shareholders of METRO AG, €3 million (H1 2018/19: €-1 million) is attributable to the discontinued operations of the hypermarket business. Of that amount, €0 million (H1 2018/19: €0 million) is attributable to components that will be recognised in income in the future and €4 million (H1 2018/19: €-1 million) is attributable to components that will not be recognised in income in the future.

Assets held for sale/liabilities

As a result of the classification as discontinued operation and after consolidation measures were carried out, €3,030 million (30/9/2019: €3,177 million) were reclassified in the consolidated balance sheet as of 31/3/2020 (30/9/2019) into item ‘assets held for sale’ and €2,796 million (30/9/2019: €2,716 million) into item ‘liabilities related to assets held for sale’. The respective asset and liability items to be consolidated were recognised in the corresponding balance sheet items of both the continued and the discontinued segment. In the purchase contract for the hypermarket business it was agreed that all pension claims of pensioners and similar non-forfeitable claims of former employees remain with METRO and are not transferred to the purchaser. Therefore, the disposal group was adjusted as of 31/3/2020 and the relevant pension provisions of approximately €30 million were allocated to continuing operations. As of 31/3/2020, the assets held for sale and the liabilities of the hypermarket business to be disposed of are comprised as follows:

ASSETS

€ million	30/9/2019	31/3/2020
Non-current assets	2,066	1,811
Goodwill	0	0
Other intangible assets	34	41
Property, plant and equipment	1,987	1,718
Investment properties	11	12
Financial assets	21	27
Investments accounted for using the equity method	0	0
Other financial assets	4	5
Other non-financial assets	3	3
Deferred tax assets	6	6
Current assets	1,111	1,218
Inventories	749	753
Trade receivables	17	26
Financial assets	0	0
Other financial assets	242	337
Other non-financial assets	35	34
Entitlements to income tax refunds	0	0
Cash and cash equivalents	68	68
	3,177	3,030

LIABILITIES

€ million	30/9/2019	31/3/2020
Non-current liabilities	1,584	1,439
Provisions for post-employment benefits plans and similar obligations	47	12
Other provisions	45	45
Financial liabilities	1,464	1,354
Other financial liabilities	1	1
Other non-financial liabilities	27	27
Deferred tax liabilities	0	0
Current liabilities	1,132	1,357
Trade liabilities	688	865
Provisions	97	105
Financial liabilities	197	198
Other financial liabilities	123	116
Other non-financial liabilities	27	72
Income tax liabilities	0	2
	2,716	2,796

Effects of other comprehensive income

The components of the other comprehensive income of the hypermarket business attributable to the shareholders of METRO AG as of 31/3/2020 amounted to €-13 million (30/9/2019: €-17 million). This includes components that will be recognised as income in the future in the amount of €0 million (30/9/2019: €0 million) and components that will not be recognised as income in the future amounting to €-14 million (30/9/2019: €-17 million).

Cash flow from discontinued operations

The cash flows of the hypermarket business are as follows:

€ million	H1 2018/19	H1 2019/20
Cash flow from operating activities of discontinued operations	147	287
Cash flow from investing activities of discontinued operations	-79	-53
Cash flow from financing activities of discontinued operations	-158	-169

Other disclosures

Contingent liabilities from guarantee and warranty contracts in the amount of €45 million (31/3/2019: €45 million) relate in particular to contractual obligations from bank guarantees for claims from retailers from the Real online marketplace business.

Disposal of METRO China

On 11 October 2019, METRO AG entered into an agreement with Wumei Technology Group, a leading Chinese retailer, to form a strategic partnership for METRO China's operations and the related real estate. This partnership includes the disposal of the entire indirect majority interest of METRO AG in METRO China to a subsidiary of Wumei Technology Group for a company value (enterprise value, 100%) of approximately €1.9 billion. The transaction was completed on 23 April 2020 after receiving the usual competitive and regulatory approvals and resulted in a net cash inflow of more than €1.5 billion. METRO will retain a stake of approximately 20% in the activities of METRO China. As of the closing date of 31 March 2020, the transaction had not yet been completed and METRO China is thus still presented as a discontinued operation.

Profit or loss for the period from discontinued operations after taxes

The current result of METRO China was reclassified in the consolidated income statement under the item 'profit or loss for the period from discontinued operations after taxes', taking into account necessary consolidation measures. 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.

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €70 million (H1 2018/19: €39 million). Non-controlling interests account for €5 million of earnings (H1 2018/19: €3 million).

In connection with the divestment process, expenses in the 1-digit million euros range have been incurred in the current financial year.

As a result, profit or loss for the period from discontinued operations after taxes is made up as follows for METRO China:

€ million	H1 2018/19	H1 2019/20
Sales	1,481	1,604
Expenses	-1,425	-1,504
Current earnings from discontinued operations before taxes	56	99
Income taxes on gains/losses on the current result	-14	-24
Current earnings from discontinued operations after taxes	42	75
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	0
Income taxes on gains/losses from remeasurement or disposal	0	0
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	0	0
Profit or loss for the period from discontinued operations after taxes	42	75

Effects of other comprehensive income

Of the other comprehensive income for financial year 2020 attributable to the shareholders of METRO AG, €-1 million (H1 2018/19: €34 million) is attributable to the discontinued operations of METRO China. Of that amount, €-1 million (H1 2018/19: €34 million) is attributable to components that will be recognised in income in the future and €0 million (H1 2018/19: €0) is attributable to components that will not be recognised in income in the future.

Assets held for sale/liabilities

As a result of the classification as discontinued operation and after consolidation measures were carried out, €1,740 million (30/9/2019: €1,793 million) were reclassified in the consolidated balance sheet as of 31/3/2020 into item 'assets held for sale' and €1,005 million (30/9/2019: €1,097 million) into item 'liabilities related to assets held for sale'. The respective asset and liability items to be consolidated were recognised in the corresponding balance sheet items of both the continued and the discontinued segment.

As of 31/3/2020, the assets held for sale and the liabilities of METRO China to be disposed of are comprised as follows:

ASSETS

€ million	30/9/2019	31/3/2020
Non-current assets	863	851
Goodwill	19	19
Other intangible assets	5	5
Property, plant and equipment	759	772
Investment properties	0	0
Financial assets	0	0
Investments accounted for using the equity method	0	0
Other financial assets	0	0
Other non-financial assets	5	0
Deferred tax assets	75	54
Current assets	930	889
Inventories	220	202
Trade receivables	89	74
Financial assets	0	0
Other financial assets	64	73
Other non-financial assets	80	83
Entitlements to income tax refunds	0	0
Cash and cash equivalents	476	457
	1,793	1,740

LIABILITIES

€ million	30/9/2019	31/3/2020
Non-current liabilities	268	269
Provisions for post-employment benefits plans and similar obligations	0	0
Other provisions	0	0
Financial liabilities	265	265
Other financial liabilities	0	0
Other non-financial liabilities	0	0
Deferred tax liabilities	3	4
Current liabilities	829	737
Trade liabilities	546	522
Provisions	43	42
Financial liabilities	12	10
Other financial liabilities	62	33
Other non-financial liabilities	137	128
Income tax liabilities	29	1
	1,097	1,005

Effects of other comprehensive income
The components of the other comprehensive income of METRO China attributable to the shareholders of METRO AG as of 31/3/2020 amounted to €13 million (30/9/2019: €13 million). This includes components that will be recognised as income in the future in the amount of €13 million (30/9/2019: €13 million) and components that will not be recognised as income in the future amounting to €0 million (30/9/2019: €0 million).

Cash flow from discontinued operations
The cash flows of METRO China from discontinued operations are as follows:

€ million	H1 2018/19	H1 2019/20
Cash flow from operating activities of discontinued operations	23	3
Cash flow from investing activities of discontinued operations	-15	22
Cash flow from financing activities of discontinued operations	-21	-10

Contingent liabilities

€ million	31/3/2019	31/3/2020
Liabilities from suretyships and guarantees	18	18
Contingent liabilities from the provision of collateral for third-party liabilities	10	10
Other contingent liabilities	1	1
	28	29

Contingent 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

Successful completion of 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, such as action for annulment, rescission and/or declaratory action, including 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 complaint in its entirety. All plaintiffs have filed appeals against all these decisions with the Düsseldorf Higher Regional Court. On 4 April 2019, the Düsseldorf Higher Regional Court (OLG Düsseldorf) rejected all appeals. In the appeal judgement in the rescission proceedings concerning the resolutions of the Annual General Meeting, the appeal was admitted and lodged with the German Federal Court of Justice (BGH). The Higher Regional Court of Düsseldorf did not allow the appeal in the proceedings for a declaration of invalidity or pending ineffectiveness of the spin-off and demerger agreement. In one of these assessment proceedings, the plaintiffs filed an appeal against denial of leave to appeal with the Federal Court of Justice. The judgement in the other assessment proceedings is final. METRO AG maintains its position that all of these legal challenges are inadmissible and/or unfounded and has therefore not recognised corresponding risk provisions in its accounts.

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 disposal of Galeria Kaufhof in 2015. METRO AG had initially retained minority interests in individual real estates 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. HBC has filed a counterclaim in the proceedings.

Further remaining legal issues

Companies of the METRO group form a party to judicial or arbitration proceedings as well as antitrust law proceedings in various European 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 convicted of illegal competition 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 in the remaining financial year.

Düsseldorf, 5 May 2020
The Management Board

OLAF KOCH | CHRISTIAN BAIER | ANDREA EUENHEIM | RAFAEL GASSET | ERIC POIRIER

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-yearly financial report as per Section 115 WpHG, for the period from 1 October 2019 until 31 March 2020. 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 WpHG 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 WpHG regulations for interim corporate management reports.

Düsseldorf, 5 May 2020

KPMG AG
Auditing company

Dr. Hain	Klaaßen
Auditor	Auditor

FINANCIAL CALENDAR

Quarterly Statement 9M/Q3 2019/20	Wednesday	5 August 2020	6.30 p.m.
Trading statement financial year 2019/20	Thursday	22 October 2020	7.30 a.m.

All time specifications are CET

IMPRINT

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DISCLAIMER

This half year 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 earnings. 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.