IFRS 16 RESTATEMENT FOR 2018/19 (CONTINUING OPERATIONS)

CONTENT

MAIN EFFECTS OF THE ADOPTION OF IFRS 16

IMPACTS ON INCOME STATEMENT 2018/19

- Sales completely unaffected in absolute terms and growth rates
- EBITDA excluding real estate transactions increases by €371 million to €1,392 million
- EBITDA margin increases by 1.4%-points to 5.1%
- Depreciation changes by €-243 million to €-774 million
- EBIT increases by €130 million to €957 million
- Net financial result decreases by €-111 million to €-230 million
- EPS increases slightly by €0.04 to €1.16

OTHER IMPACTS

- Total cash flow unchanged; only affected by underlying shift effects as cash flow from operating activities increases and cash flow from financing activities decreases to the same extent
- Net debt increases by €2.6 billion to €5.4 billion
- No impact on credit rating expected
- Outlook for the financial year 2019/20 confirmed

INTRODUCTION

METRO introduces IFRS 16, the new financial reporting standard on accounting for leases, from the beginning of its financial year 2019/20 onwards. METRO thereby adopts the fully retrospective approach. Within this IFRS 16 transition booklet METRO displays the effects of the changeover for its continuing operations per quarter and per segment for 2018/19. The first quarterly reporting prepared under IFRS 16 will be Q1 2019/20 closing, which will be published on February 13, 2020.

Basis of restatement in transition booklet
The financial year 2018/19 information, as reported, and included in the primary statements in this transition booklet is based on METRO's 2018/19 Financial Statements as included in the 2018/19 Annual Report ("the Financial Statements") published on December 11, 2019. This Annual Report has been authorized for issue. The Annual Report has been published and is subject to adoption by the annual General Meeting of Shareholders on February 14, 2020. In accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW), KPMG AG has issued an independent auditor's report on the 2018 Annual Report. The full 2018/19 Annual Report is available for download on METRO's website (www.metroag.de).

This IFRS 16 restatement has been prepared using accounting policies that are consistent with those applied in METRO's 2018/19 Financial Statements, except as otherwise indicated below, and specifically with regard to the adoption of IFRS 16 . Furthermore presentation of METRO China has been adjusted as compared to published quarterly financials, here in this booklet it is shown as discontinued operation / assets and liabilities held for sale, whereas in published quarters before September 30, 2019 it was included in continuing operations. The information in this IFRS 16 transition booklet is unaudited.

Background IFRS 16
The new leasing standard IFRS 16 replaces the formerly applicable standards IAS 17 (Leases) and IFRIC 4 (Determining whether an Arrangement Contains a Lease). IFRS 16 generally applies to contracts that convey the right to use an asset, rental contracts and leases, subleases and sale-and-leaseback transactions. The key change of IFRS 16 compared to IAS 17 concerns the lessee accounting model. IFRS 16 introduces a uniform accounting model for lessees after the recognition of a right-of-use asset for each asset transferred for use. It also references a corresponding liability in the amount of the present value of the future lease payments. For details please refer to the notes section at the end of this booklet.

Transitional overview
Applying IFRS 16 for the first time does not affect METRO's business model, the capital allocation in general or the way METRO derives specific business or investment decisions. Nevertheless, it does have a strong effect on financial statements and various key performance indicators (KPIs). This document will address those changes on quarterly and full-year level. However, METRO has decided to not change the definition of any given KPI within our regular reporting framework. As outlined in the next chapters, the application of IFRS 16 impacted several KPIs to a significant extent like EBITDA, EBIT, net financial result, investments and net debt. Most relevant thereby is the changing nature of how leases are treated from an income statement, balance sheet and cash flow statement perspective. Lease contracts for METRO predominantly refer to buildings, plots, trucks, company cars and other high value equipment.

Three major movements occur in income statements as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expenses on lease liabilities: EBITDA strongly increases (due to lower lease expense), EBIT increases (due to lower lease expenses only partially being compensated by higher depreciation) and net financial result decreases (due to additional interest expenses). Overall, as the sum of depreciation and interest is roughly on the same level as the replaced rent, the restated earnings before taxes (EBT), profit or loss for the period and earnings per share (EPS) change only slightly versus the reported figures in METRO's 2018/19 Financial Statements.

Applying IFRS 16 causes as well a significant balance sheet extension driven mainly by non-current assets and non-current liabilities. Cash flow statement is only affected by shift effects, triggered by the changes to the income statement resulting in an increased cash flow from operating activities and a lower cash flow from financing activities.

IFRS 16 RESTATED FIGURES FY 2018/19

30.09.2019 – FULL YEAR FIGURES

Key financial figures

€ million		30/9/2019 before IFRS 16	**30/9/2019 restated**	Effects of IFRS 16
Sales development (like-for-like)	%	2.1	**2.1**	0
Sales (net)		27,082	**27,082**	0
EBITDA excluding earnings contributions from real estate transactions		1,021	**1,392**	371
Earnings contributions from real estate transactions		338	**339**	1
EBITDA		1,359	**1,731**	372
Depreciation/amortisation/impairment losses/reversals		-532	**-774**	-243
EBIT		828	**957**	130
Net financial result		-119	**-230**	-111
EBT (earnings before taxes)		709	**728**	19
Profit or loss for the period		411	**427**	16
Profit or loss for the period attributable to non-controlling interests		6	**6**	0
Profit or loss for the period attributable to the shareholders of METRO AG		405	**421**	15
Earnings per share (basic = diluted)	€	1.12	**1.16**	0.04
Cash flow from operating activities		796	**1.193**	397
Cash flow from investing activities		46	**46**	0
Cash flow from financing activities		-1,122	**-1,519**	-397
Investments		499	**826**	327
Net debt (30/9/2019)		2,858	**5,419**	2,561

First time implementation of IFRS 16 and the associated restatement left METRO's sales figures completely unaffected, but causes change in a number of other key financial figures. Most pronounced changes appear with regards to EBITDA (€+372 million), Depreciation (€– 243 million), EBIT (€+130 million) and net financial result (€– 111 million). The net effect from these changes on earnings before taxes (EBT), profit or loss for the period and earnings per share (EPS) is not material. Overall, EPS increases slightly (€+0.04). This is due to the maturity of METRO's lease portfolio, with leases being slightly more than halfway expired on average.

Under IFRS 16, the reported investments increase significantly by €327 million to €826 million in 2018/19 restated. This is mainly due to the recognition of right-of-use assets for new lease contracts. A relevant part of those new contracts can thereby be linked to real estate transactions METRO executed in financial year 2018/19. net debt significantly increases (€2.6 billion) after adopting IFRS 16 following the capitalization of leases. The increase is driven purely by higher non-current and current financial liabilities as IFRS 16 is not affecting cash and cash equivalents. For details please refer to the restated balance sheet tables in this transition booklet.

Additionally, the first time application of IFRS 16 also impacts a number of relative KPIs not shown in the table above, like earnings to sales ratios or net debt to earnings multipliers. Underlying EBITDA margin (excluding earnings contributions from real estate transactions), for example, increased by 1.4 percentage points to 5.1% for financial year 2018/19.

Income statement - 30.09.2019

€ million	30/9/2019 before IFRS 16	**30/9/2019** restated	Effects of IFRS 16
Sales revenues	**27,082**	**27,082**	**0**
Cost of sales	-22,476	**-22,466**	10
Gross profit on sales	**4,606**	**4,617**	**10**
Other operating income	1,405	**1,376**	-30
Selling expenses	-4,092	**-3,955**	137
General administrative expenses	-822	**-811**	11
Other operating expenses	-279	**-279**	0
Earnings from impairment of financial assets	-14	**-14**	0
Earnings share of operating companies recognised at equity	24	**24**	0
Earnings before interest and taxes EBIT	**828**	**957**	**130**
Earnings share of non-operating companies recognised at equity	0	**0**	0
Other investment result	-1	**-1**	0
Interest income	29	**45**	16
Interest expenses	-148	**-285**	-137
Other financial result	1	**12**	11
Net financial result	**-119**	**-230**	**-111**
Earnings before taxes EBT	**709**	**728**	**19**
Income taxes	-298	**-301**	-3
Profit or loss for the period	**411**	**427**	**16**
Profit or loss for the period attributable to non-controlling interests	6	**6**	0
Profit or loss for the period attributable to the shareholders of METRO AG	405	**421**	15
Earnings per share in € (basic = diluted)	1.12	**1.16**	0.04

The IFRS 16 restatement of METRO's income statement leads to a significant decrease of selling expenses by €137 million to a restated figure for FY 2018/19 of €-3,955 million. This represents the majority of the overall net effect of lower lease expense and higher depreciation, which translates into an EBIT increase of €130 million. The remaining impact is driven by cost of sales, other operating income and general administrative expenses. Reasons for those effects vary: METRO, for example, generates a smaller portion of income from finance subleases, which under IFRS 16 is removed from other operating income and partially shifted towards interest income. In consequence, those positions show opposite tendencies to the significant trend of IFRS 16 to increase EBITDA and EBIT, while lowering net financial result.

Financial result is coming down by €-111 million as additional interest expenses of €-137 million exceed additional interest income of €16 million. Furthermore, IFRS 16 also changes other financial result. This is related to currency developments applied to lease liabilities, where the transaction currency differs from the functional currency of the country (e.g. Euro based rent contracts in Eastern European countries). As lease liabilities have increased significantly, this generally leads to a higher exposure to currency fluctuations within financial result.

On EBT level, an increase of €19 million to €728 million for FY 2018/19 remains with the IFRS 16 restatement. Income taxes increase slightly by €-3 million. This increase relates exclusively to deferred taxes on temporary differences as a result of the introduction of IFRS 16. The relatively small tax effect is mainly due to the fact that the temporary differences were generally capitalized at a low tax rate in many countries. Earnings per share after IFRS 16 restatement increase slightly to €1.16 (+€0.04).

Balance Sheet as of 01.10.2018

ASSETS

€ million	01/10/2018 before IFRS 16	**01/10/2018** restated	Effects of IFRS 16
Non-current assets	**6,877**	**8,893**	**2,016**
Goodwill	778	**778**	0
Other intangible assets	496	**496**	0
Property, plant and equipment	4,892	**6,723**	1,831
Investment properties	97	**135**	38
Financial assets	88	**88**	0
Investments accounted for using the equity method	178	**178**	0
Other financial assets	39	**164**	125
Other non-financial assets	47	**24**	-23
Deferred tax assets	262	**308**	46
Current assets	**8,329**	**9,364**	**1,035**
Inventories	1,905	**1,905**	0
Trade receivables	496	**496**	0
Financial assets	1	**1**	0
Other financial assets	533	**551**	18
Other non-financial assets	262	**263**	1
Entitlements to income tax refunds	202	**202**	0
Cash and cash equivalents	906	**906**	0
Assets held for sale	4,024	**5,040**	1,016
	15,206	**18,257**	**3,051**

Application of IFRS 16 causes a significant balance sheet extension. Non-current assets increase due to capitalisation of operating leases by €2,016 million, mainly reflected in the line of property, plant and equipment. Out of the overall increase of €1,831 million in property, plant and equipment, the biggest part falls into land and buildings.

Other financial assets also show a strong increase of €125 million in non-current assets and €18 million in current assets, respectively. This increase reflects additions to finance lease receivables of subleases. Triggered by IFRS 16, deferred tax assets also increase by €46 million.

The increase in assets held for sale (€1,016) relates to IFRS 16 impact for METRO China and the hypermarket business Real. Both are reported as assets held for sale under IFRS 5 already as per October 1, 2018.

EQUITY AND LIABILITIES

€ million	01/10/2018 before IFRS 16	**01/10/2018** restated	Effects of IFRS 16
Equity	**3,074**	**2,253**	**-820**
Non-current liabilities	**3,426**	**5,560**	**2,134**
Provisions for post-employment benefits plans and similar obligations	468	**468**	0
Other provisions	126	**88**	-38
Financial liabilities	2,590	**4,812**	2,222
Other financial liabilities	56	**56**	-1
Other non-financial liabilities	67	**24**	-43
Deferred tax liabilities	119	**112**	-7
Current liabilities	**8,706**	**10,443**	**1,737**
Trade liabilities	3,503	**3,503**	0
Provisions	203	**191**	-12
Financial liabilities	1,420	**1,726**	306
Other financial liabilities	699	**698**	-1
Other non-financial liabilities	255	**250**	-5
Income tax liabilities	188	**188**	0
Liabilities related to assets held for sale	2,438	**3,887**	1,449
	15,206	**18,257**	**3,051**

Application of IFRS 16 causes a significant balance sheet extension due to the first time recognition of operating lease liabilities. Thereby, a decrease in equity is being overcompensated by increasing non-current and current liabilities.

The decrease in equity is linked to the opening balance sheet adjustment relating to the adoption of IFRS 16 using the full retrospective approach. The opening balance sheet adjustment is the net difference between the right-of-use assets (net of any other reclassifications, such as intangibles among others) and the lease liabilities (net of reversal of step rent accruals and reclassification of unfavourable lease rights, among others) recognized on October 1, 2018. As the right-of-use assets are depreciated on straight-line basis compared to the reduction in the lease liabilities on an annuity basis, equity decreased on transition. Equity always includes both effects, continuing and discontinued business. Of the €-820 million decrease, €387 million relate to the continuing operations. The remaining €433 million relate to discontinued operations, mainly in hypermarket business due to the high number of leased Real stores.

The increase in non-current financial liabilities (€2,134 million) and current financial liabilities (€306 million) is coming from the first time recognition of operating lease liabilities under IFRS 16.

The increase in liabilities related to assets held for sale (€1,449 million) relates to IFRS 16 impact for METRO China and the hypermarket business Real. Both are reported as assets held for sale under IFRS 5 already as per October 1, 2018.

Balance Sheet as of 30.09.2019

ASSETS

€ million	30/9/2019 before IFRS 16	**30/9/2019 restated**	Effects of IFRS 16
Non-current assets	**6,736**	**8,850**	**2,114**
Goodwill	785	**785**	0
Other intangible assets	562	**562**	0
Property, plant and equipment	4,760	**6,652**	1,892
Investment properties	82	**127**	45
Financial assets	97	**97**	0
Investments accounted for using the equity method	179	**179**	0
Other financial assets	37	**150**	113
Other non-financial assets	43	**20**	-23
Deferred tax assets	191	**279**	88
Current assets	**7,761**	**8,992**	**1,231**
Inventories	1,946	**1,946**	0
Trade receivables	482	**482**	0
Financial assets	4	**4**	0
Other financial assets	603	**622**	19
Other non-financial assets	279	**279**	1
Entitlements to income tax refunds	190	**190**	0
Cash and cash equivalents	500	**500**	0
Assets held for sale	3,758	**4,970**	1,212
	14,497	**17,842**	**3,345**

For the balance sheet as per September 30, 2019, the IFRS 16 effects on both, non-current and current assets are similar in terms of magnitude and reasoning as those described with the opening balance sheet as of October 1, 2018. Please refer to the section “Balance Sheet as of 01.10.2018” for further details.

EQUITY AND LIABILITIES

€ million	30/9/2019 before IFRS 16	**30/9/2019** restated	Effects of IFRS 16
Equity	**2,735**	**2,357**	**-377**
Non-current liabilities	**3,419**	**5,653**	**2,234**
Provisions for post-employment benefits plans and similar obligations	543	**543**	0
Other provisions	132	**108**	-24
Financial liabilities	2,498	**4,766**	2,268
Other financial liabilities	56	**55**	0
Other non-financial liabilities	71	**25**	-46
Deferred tax liabilities	119	**155**	36
Current liabilities	**8,343**	**9,832**	**1,489**
Trade liabilities	3,572	**3,572**	0
Provisions	168	**158**	-10
Financial liabilities	871	**1.164**	293
Other financial liabilities	728	**728**	-1
Other non-financial liabilities	233	**228**	-6
Income tax liabilities	169	**169**	0
Liabilities related to assets held for sale	2,601	**3,813**	1,212
	14,497	**17,842**	**3,345**

The IFRS 16 effects on both, non-current and current liabilities are driven by basically the same reasons described for the opening balance sheet as of October 1, 2018. Please refer to the section “Balance Sheet as of 01.10.2018” for further details.

Furthermore, it needs to be considered that under IFRS 16 the net book values of the hypermarket business (total assets less total liabilities after IFRS 16 transition) have been significantly lower already in the opening balance sheet as of October 1, 2018 compared to the reported pre-IFRS 16 figures. In 2018/19, a significant impairment was recorded to reflect the reduced fair value less cost to sell of the disposal group. However, due to the already lower net book values under IFRS 16, the impairment amount post-IFRS 16 was also lower in order to end up with the same net book value of the disposal group as at September, 30 2019. Consequently, the net effect on equity from the IFRS 16 transition partly reversed during fiscal year 2018/19, the remaining effect is much lower on September 30, 2019 as compared to October 1, 2018 and almost fully related to continued business.

Cash Flow Statement for the financial year from 1 October 2018 to 30 September 2019

€ million	2018/19 before IFRS 16	**2018/19 restated**	Effects of IFRS 16
EBIT	828	**957**	130
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	532	**774**	243
Change in provisions for post-employment benefits and other provisions	-47	**-31**	17
Change in net working capital	27	**27**	0
Income taxes paid	-215	**-215**	0
Reclassification of gains (-)/losses (+) from the disposal of fixed assets	-356	**-357**	-1
Other	28	**37**	9
Cash flow from operating activities of continuing operations	**796**	**1,193**	**397**
Acquisition of subsidiaries	-1	**-1**	0
Investments in property, plant and equipment and in investment property (excluding right-of-use assets)	-258	**-258**	0
Other investments	-198	**-198**	0
Investments in monetary assets	-9	**-9**	0
Disposals of subsidiaries	0	**0**	0
Disposal of fixed assets	505	**505**	0
Disposal of financial investments	7	**7**	0
Cash flow from investing activities of continuing operations	**46**	**46**	**0**
Dividends paid			
to METRO AG shareholders	-254	**-254**	0
to other shareholders	-7	**-7**	0
Redemption of liabilities from put options of non-controlling interests	-2	**-2**	0
Proceeds from new borrowings	6,122	**6,122**	0
Redemption of borrowings	-6,844	**-7,119**	-275
Interest paid	-161	**-299**	-138
Interest received	28	**44**	16
Profit and loss transfers and other financing activities	-4	**-4**	0
Cash flow from financing activities of continuing operations	**-1,122**	**-1,519**	**-397**

The cash flow statement is mainly affected by shift effects resulting in an increased cash flow from operating activities and lower cash flow from financing activities. The shift effect amount to €397 million due to rental expenses being excluded from operating activities and a corresponding increase in redemption of borrowings and interests paid. Total cash flow stays completely unchanged, underlining the nature of the standard which addresses how leases are accounted for, but obviously not change the cash outflow related to the respective leases.

Segment information

€ million	EBITDA excluding earnings contributions from real estate transactions			EBITDA		
	FY 2018/19 before IFRS 16	FY **2018/19** restated	Effects of IFRS 16	FY 2018/19 before IFRS 16	FY **2018/19** restated	Effects of IFRS 16
METRO	**1,021**	**1,392**	**371**	**1,359**	**1,731**	**372**
Germany	95	**128**	33	95	**128**	33
Western Europe (excluding Germany)	499	**636**	137	529	**665**	137
Russia	220	**235**	16	220	**235**	16
Eastern Europe (excluding Russia)	344	**385**	41	524	**567**	42
Asia	11	**43**	32	119	**150**	32
Others/Consolidation	-148	**-35**	113	-127	**-13**	113

€ million	EBIT			Investments		
	FY 2018/19 before IFRS 16	FY **2018/19** restated	Effects of IFRS 16	FY 2018/19 before IFRS 16	FY **2018/19** restated	Effects of IFRS 16
METRO	**828**	**957**	**130**	**499**	**826**	**327**
Germany	14	**20**	7	69	**63**	-6
Western Europe (excluding Germany)	390	**432**	42	128	**215**	88
Russia	164	**171**	7	35	**38**	3
Eastern Europe (excluding Russia)	426	**441**	15	63	**261**	198
Asia	94	**113**	19	26	**29**	4
Others/Consolidation	-260	**-221**	39	178	**220**	42

€ million	Non-current segment assets		
	30/9/2019 before IFRS 16	**30/9/2019** restated	Effects of IFRS 16
METRO	**6,268**	**8,295**	**2,027**
Germany	859	**1,027**	168
Western Europe (excluding Germany)	1,820	**2,597**	777
Russia	1,006	**1,052**	46
Eastern Europe (excluding Russia)	1,354	**1,658**	304
Asia	441	**613**	172
Others/Consolidation	788	**1,348**	560

The impact of the first time application of IFRS 16 differs within the respective segments and the reported KPIs. Effects depend largely on the composition of underlying lease portfolios. Relevant drivers are e.g. freehold ratios (10% in Germany to 96% in Russia), duration of the lease contracts and the interest rates used for discounting. The interest rates themselves vary measurably, depending on the market and the date on which the contract was concluded.

In general, effects from IFRS 16 can only arise from lease contracts or, more precisely, from lease contracts which have not been capitalised before, e.g. operating leases. Consequently, segments with low ownership ratios are generally more likely to face higher IFRS 16 impacts. Exceptions arise when the leases were already capitalised as finance leases before implementing IFRS 16. Within operating leases the respective impact on a company's KPIs is thereby driven by duration of lease contracts and interest rates used for discounting the present value of a right-of-use asset. To instance an example, the higher the interest rates used are and the longer a contract runs, the stronger an EBIT increase will be compared to the initial EBITDA increase under IFRS 16. In the following the relevant drivers on group level and per segment are explained for FY 2018/19.

On group level, EBITDA excluding earnings contributions from real estate transactions increases by €371 million to €1,392 million for FY 2018/19 restated and reported EBITDA by €372 million to €1.731 million for FY 2018/19 restated. This translates into an EBIT increase of €130 million to €957 million for FY 2018/19 restated. Across segments, the respective adjustment and the EBITDA to EBIT increase ratio vary. The increase in investments and non-current assets in the segment reporting is due to the recognition of right-of-use assets under IFRS 16.

The increase in EBITDA in Germany amounts to €33 million. While most of the stores in Germany are third-party owned (93 out of 103; freehold ratio of 10%), many of them had been already classified as finance lease and are therefore not affected by implementation of IFRS 16. On EBIT level, a positive effect of €7 million remains. Compared to EBITDA this is a relatively small increase driven by lower interest rates on average (resulting in higher present values of future lease payments on the balance sheet and consequently in higher depreciation). Unlike the overall trend, investments in Germany decrease with the IFRS 16 restatement by €-6 million to €63 million for FY 2018/19 restated. This development reflects the execution of lease extension options of former finance leases in FY 2018/19. Those lease prolongations were previously accounted as investments under IAS 17. However, in the IFRS 16 restatement the extension options were recognised as right-of-use assets already at the lease commencement date, as the company was reasonably certain to exercise those options. Therefore, the present value of lease payments stemming from the lease extension was not classified as an investment in FY 2018/19 anymore, leading to a decrease in investments.

EBITDA in Western Europe (excluding Germany) increases by €137 million, based on a freehold ratio of 35% (84 out of 240 stores are owned). On EBIT level, an increase of €42 million remains. Investments increase by €88 million, mainly driven by the sale & leaseback transactions in Q3 2018/19. Operating lease additions have been recognised as right-of-use assets under IFRS 16.

In Russia, the EBITDA increase amounts to €16 million. The freehold ratio is 96% (90 out of 94 stores are owned). Despite the high ownership of buildings, there are several land use rights for the plots on which the buildings, usually METRO stores, stand. These contracts have leasing terms of 50 years or longer and cause an impact under IFRS 16. On EBIT level a, compared to the EBITDA effect, relatively high increase of €7 million remains, which is driven by higher interest rates and a usually longer duration of the land use rights leasing contracts lowering the annual depreciation amount. Investments increase by €3 million.

In Eastern Europe (excluding Russia) the EBITDA effect amounts to €41 million. While 153 out of 195 stores are owned (equalling a freehold ratio of 78%), a larger sale & leaseback portfolio transaction has been concluded in Q4 2018/19. Therefore, those lease agreements are at the beginning of their term and hence have a lager balance sheet impact. On EBIT level, an increase of €15 million remains. Investments increase significantly by €198 million due to the sale & leaseback transaction in Q4 2018/19 as operating lease additions are recognised as right-of-use assets under IFRS 16.

The increase in EBITDA in Asia amounts to €32 million. 18 out of 46 stores are owned (freehold ratio of 39%). On EBIT level, an increase of €19 million remains driven by higher interest rates on average. Investments increase by €4 million.

In the segment Others, the positive EBITDA effect amounts to €113 million driven mainly by METRO PROPERTIES, METRO LOGISTICS and METRO Campus Services. On EBIT level, an increase of €39 million remains. Investments increase by €42 million due to recognition of operating lease contracts as right-of-use assets under IFRS 16, mainly at METRO-nom, METRO PROPERTIES and METRO LOGISTICS.

IFRS 16 RESTATED FIGURES Q1 – Q4

31.12.2018 – Q1

Key financials

€ million		Q1 2018/19 before IFRS 16	**Q1 2018/19 restated**	Effects of IFRS 16
Sales development (like-for-like)	%	2.1	**2.1**	0
Sales (net)		7,388	**7,388**	0
EBITDA excluding earnings contributions from real estate transactions		444	**530**	86
Earnings contributions from real estate transactions		2	**2**	0
EBITDA		446	**532**	86
Depreciation/amortisation/impairment losses/reversals		-126	**-185**	-59
EBIT		320	**347**	26
EBT (earnings before taxes)		278	**285**	7
Profit or loss for the period		171	**175**	4
Profit or loss for the period attributable to non-controlling interests		3	**3**	0
Profit or loss for the period attributable to the shareholders of METRO AG		168	**172**	4
Earnings per share (basic = diluted)	€	0.46	**0.47**	0.01
Investments		85	**107**	22
Net debt (31/12/2018)		2,719	**5,214**	2,496

Segment information

€ million	EBITDA excluding earnings contributions from real estate transactions			EBITDA		
	Q1 2018/19 before IFRS 16	**Q1 2018/19** restated	Effects of IFRS 16	Q1 2018/19 before IFRS 16	**Q1 2018/19** restated	Effects of IFRS 16
METRO	**444**	**530**	**86**	**446**	**532**	**86**
Germany	68	**77**	8	68	**77**	8
Western Europe (excluding Germany)	175	**207**	32	175	**207**	32
Russia	79	**83**	4	79	**83**	4
Eastern Europe (excluding Russia)	113	**122**	8	116	**124**	8
Asia	10	**17**	8	10	**17**	8
Others/Consolidation	-2	**24**	25	-2	**24**	25

€ million	EBIT			Investments		
	Q1 2018/19 before IFRS 16	**Q1 2018/19** restated	Effects of IFRS 16	Q1 2018/19 before IFRS 16	**Q1 2018/19** restated	Effects of IFRS 16
METRO	**320**	**347**	**26**	**85**	**107**	**22**
Germany	49	**50**	1	7	**6**	0
Western Europe (excluding Germany)	140	**149**	9	13	**29**	16
Russia	66	**68**	2	5	**5**	0
Eastern Europe (excluding Russia)	92	**95**	2	18	**23**	5
Asia	4	**8**	4	7	**8**	1
Others/Consolidation	-31	**-24**	8	36	**37**	1

€ million	Non-current segment assets		
	31/12/2018 before IFRS 16	**31/12/2018** restated	Effects of IFRS 16
METRO	**6,265**	**8,202**	**1,937**
Germany	862	**1,057**	195
Western Europe (excluding Germany)	1,870	**2,657**	787
Russia	905	**961**	56
Eastern Europe (excluding Russia)	1,446	**1,582**	136
Asia	424	**598**	174
Others/Consolidation	757	**1,347**	589

31.03.2019 – Q2

Key financials

€ million		Q2 2018/19 before IFRS 16	**Q2 2018/19 restated**	Effects of IFRS 16
Sales development (like-for-like)	%	1.0	**1.0**	0
Sales (net)		5,898	**5,898**	0
EBITDA excluding earnings contributions from real estate transactions		38	**130**	92
Earnings contributions from real estate transactions		32	**32**	0
EBITDA		70	**163**	92
Depreciation/amortisation/impairment losses/reversals		-133	**-193**	-60
EBIT		-63	**-31**	32
EBT (earnings before taxes)		-89	**-86**	3
Profit or loss for the period		-60	**-58**	2
Profit or loss for the period attributable to non-controlling interests		-1	**-1**	0
Profit or loss for the period attributable to the shareholders of METRO AG		-60	**-58**	2
Earnings per share (basic = diluted)	€	-0.16	**-0.16**	0.01
Investments		128	**138**	10
Net debt (31/3/2019)		3,893	**6,333**	2,440

Segment information

€ million	EBITDA excluding earnings contributions from real estate transactions			EBITDA		
	Q2 2018/19 before IFRS 16	**Q2 2018/19** restated	Effects of IFRS 16	Q2 2018/19 before IFRS 16	**Q2 2018/19** restated	Effects of IFRS 16
METRO	**38**	**130**	**92**	**70**	**163**	**92**
Germany	-23	**-15**	8	-23	**-15**	8
Western Europe (excluding Germany)	20	**54**	34	20	**54**	34
Russia	30	**34**	4	30	**34**	4
Eastern Europe (excluding Russia)	42	**54**	12	42	**54**	12
Asia	0	**8**	8	30	**38**	8
Others/Consolidation	-31	**-5**	26	-29	**-3**	26

€ million	EBIT			Investments		
	Q2 2018/19 before IFRS 16	**Q2 2018/19** restated	Effects of IFRS 16	Q2 2018/19 before IFRS 16	**Q2 2018/19** restated	Effects of IFRS 16
METRO	**-63**	**-31**	**32**	**128**	**138**	**10**
Germany	-42	**-41**	1	41	**30**	-11
Western Europe (excluding Germany)	-12	**-2**	10	25	**33**	8
Russia	17	**19**	2	3	**3**	0
Eastern Europe (excluding Russia)	14	**20**	6	8	**11**	3
Asia	23	**28**	5	10	**11**	0
Others/Consolidation	-63	**-54**	8	40	**50**	10

€ million	Non-current segment assets		
	31/3/2019 before IFRS 16	**31/3/2019** restated	Effects of IFRS 16
METRO	**6,321**	**8,210**	**1,889**
Germany	880	**1,058**	178
Western Europe (excluding Germany)	1,862	**2,632**	770
Russia	979	**1,039**	60
Eastern Europe (excluding Russia)	1,418	**1,548**	130
Asia	438	**612**	174
Others/Consolidation	744	**1,321**	578

30.06.2019 – Q3

Key financials

€ million		Q3 2018/19 before IFRS 16	**Q3 2018/19 restated**	Effects of IFRS 16
Sales development (like-for-like)	%	3.1	**3.1**	0
Sales (net)		6,940	**6,940**	0
EBITDA excluding earnings contributions from real estate transactions		279	**373**	94
Earnings contributions from real estate transactions		32	**32**	0
EBITDA		310	**404**	94
Depreciation/amortisation/impairment losses/reversals		-129	**-192**	-63
EBIT		181	**212**	31
EBT (earnings before taxes)		155	**153**	-2
Profit or loss for the period		93	**92**	-1
Profit or loss for the period attributable to non-controlling interests		1	**1**	0
Profit or loss for the period attributable to the shareholders of METRO AG		92	**90**	-1
Earnings per share (basic = diluted)	€	0.25	**0.25**	0,00
Investments		100	**192**	92
Net debt (30/6/2019)		3,722	**6,164**	2,442

Segment information

€ million	EBITDA excluding earnings contributions from real estate transactions Q3 2018/19 before IFRS 16	Q3 2018/19 restated	Effects of IFRS 16	EBITDA Q3 2018/19 before IFRS 16	Q3 2018/19 restated	Effects of IFRS 16
METRO	**279**	**373**	**94**	**310**	**404**	**94**
Germany	31	**40**	9	31	**40**	9
Western Europe (excluding Germany)	154	**186**	32	183	**215**	32
Russia	56	**60**	4	56	**60**	4
Eastern Europe (excluding Russia)	86	**96**	10	86	**96**	10
Asia	1	**9**	8	1	**9**	8
Others/Consolidation	-50	**-19**	32	-48	**-17**	32

€ million	EBIT Q3 2018/19 before IFRS 16	Q3 2018/19 restated	Effects of IFRS 16	Investments Q3 2018/19 before IFRS 16	Q3 2018/19 restated	Effects of IFRS 16
METRO	**181**	**212**	**31**	**100**	**192**	**92**
Germany	10	**12**	2	7	**7**	0
Western Europe (excluding Germany)	148	**156**	8	26	**83**	57
Russia	43	**45**	2	6	**6**	1
Eastern Europe (excluding Russia)	62	**65**	3	12	**14**	3
Asia	-4	**1**	5	3	**4**	2
Others/Consolidation	-78	**-67**	11	47	**76**	29

€ million	Non-current segment assets 30/6/2019 before IFRS 16	30/6/2019 restated	Effects of IFRS 16
METRO	**6,166**	**8,064**	**1,898**
Germany	866	**1,037**	171
Western Europe (excluding Germany)	1,797	**2,593**	796
Russia	988	**1,044**	56
Eastern Europe (excluding Russia)	1,332	**1,457**	125
Asia	428	**597**	169
Others/Consolidation	755	**1,336**	581

30.09.2019 – Q4

Key financials

€ million		Q4 2018/19 before IFRS 16	**Q4 2018/19 restated**	Effects of IFRS 16
Sales development (like-for-like)	%	2.1	**2.1**	0
Sales (net)		6,856	**6,856**	0
EBITDA excluding earnings contributions from real estate transactions		261	**359**	99
Earnings contributions from real estate transactions		273	**274**	1
EBITDA		533	**633**	100
Depreciation/amortisation/impairment losses/reversals		-144	**-204**	-60
EBIT		389	**429**	40
EBT (earnings before taxes)		365	**377**	11
Profit or loss for the period		208	**219**	11
Profit or loss for the period attributable to non-controlling interests		2	**2**	0
Profit or loss for the period attributable to the shareholders of METRO AG		206	**216**	11
Earnings per share (basic = diluted)	€	0.57	**0.60**	0.03
Investments		186	**389**	203
Net debt (30/9/2019)		2,858	**5,419**	2,561

Segment information

€ million	EBITDA excluding earnings contributions from real estate transactions			EBITDA		
	Q4 2018/19 before IFRS 16	**Q4 2018/19** restated	Effects of IFRS 16	Q4 2018/19 before IFRS 16	**Q4 2018/19** restated	Effects of IFRS 16
METRO	**261**	**359**	**99**	**533**	**633**	**100**
Germany	18	**26**	8	18	**26**	8
Western Europe (excluding Germany)	150	**188**	38	150	**188**	38
Russia	55	**58**	3	55	**58**	3
Eastern Europe (excluding Russia)	102	**113**	11	281	**293**	12
Asia	0	**9**	8	77	**85**	8
Others/Consolidation	-65	**-35**	30	-48	**-18**	30

€ million	EBIT			Investments		
	Q4 2018/19 before IFRS 16	**Q4 2018/19** restated	Effects of IFRS 16	Q4 2018/19 before IFRS 16	**Q4 2018/19** restated	Effects of IFRS 16
METRO	**389**	**429**	**40**	**186**	**389**	**203**
Germany	-3	**-1**	2	14	**19**	4
Western Europe (excluding Germany)	113	**129**	16	64	**71**	7
Russia	38	**39**	1	22	**24**	2
Eastern Europe (excluding Russia)	258	**261**	3	25	**213**	188
Asia	71	**76**	5	5	**6**	1
Others/Consolidation	-88	**-76**	12	55	**57**	2

€ million	Non-current segment assets		
	30/9/2019 before IFRS 16	30/9/2019 restated	Effects of IFRS 16
METRO	**6,268**	**8,295**	**2,027**
Germany	859	1,027	168
Western Europe (excluding Germany)	1,820	2,597	777
Russia	1,006	1,052	46
Eastern Europe (excluding Russia)	1,354	1,658	304
Asia	441	613	172
Others/Consolidation	788	1,348	560

OUTLOOK

METRO published the outlook for the financial year 2019/20 in the chapter Outlook in the annual report. This outlook did not reflect the first time application of IFRS 16. With this transition booklet METRO confirms its guidance and adjusts previous year's figures according to the IFRS 16 restatement.

Sales are completely unaffected in absolute terms and growth rates, therefore sales outlook remains unchanged and needs no adjustment of previous year's values. EBITDA excluding contributions from real estate transactions increases significantly on group and segment level. METRO reflects that through adjusting its previous year's figures to IFRS 16 restatement figures while the expected development stays unchanged.

OUTLOOK AS PUBLISHED IN 2018/19 ANNUAL REPORT

OUTLOOK

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. The main opportunities and risks that could influence our outlook are explained in the opportunity and risk report. The achievement of our sales and earnings outlook is further based on our assumptions for 2019/20 regarding macroeconomic developments.

SALES

Due to the advancing and successful focus on the HoReCa and Traders customer groups, the Management Board expects total sales and like-for-like sales to grow by 1.5% to 3% in financial year 2019/20 (2018/19: 2.2% growth to total sales and 2.1% growth of like-for-like sales). As a consequence of this focus, a further trend improvement is expected in Russia. Germany is expected to show a flat sales development, while the Western Europe (excluding Germany), Eastern Europe (excluding Russia) and Asia segments are expected to grow at the previous year's level. Across all segments, the Management Board sees the delivery business in particular and the synergetic interaction of the various channels as well as the focus on HoReCa and Traders customers as growth drivers.

EARNINGS

An important focus of METRO is on increasing operating performance and portfolio simplification. Against this background, the Management Board announced to adopt efficiency measures on 19 November 2019. In financial year 2019/20, the Management Board expects this to result in one-time transformation costs of €60 million to €80 million. Before transformation costs for these efficiency measures, the Management Board expects EBITDA excluding earnings contributions from real estate transactions to be roughly at the level of the past financial year (2018/19: € 1,021 million). Earnings in Russia are expected to decline by between €20 million and €30 million as a result of the ongoing repositioning. Earnings growth in Germany and Western Europe (excluding Germany) is expected to compensate for this. For the remaining segments, EBITDA is expected to remain roughly at the previous year's level.

OUTLOOK ADJUSTED FOR IFRS 16

	FY 2018/19[1] before IFRS 16	FY 2018/19[1] restated	Effects of IFRS 16	Outlook 2019/20[1] before IFRS 16	Outlook 2019/20[1] including IFRS 16
Sales trend (like-for-like)	**2.1%**	no change		1.5 %–3 % growth	Outlook confirmed
METRO Germany	**0.3%**			Stable sales development	
METRO Western Europe (excl. Germany)	**1.3%**			Previous year's level	
METRO Russia	**-4.3%**			Trend improvement	
METRO Eastern Europe (excl. Russia)	**6.3%**			Previous year's level	
METRO Asia	**5.3%**			Previous year's level	
Sales trend in local currency	**2.2%**	no change		1.5 %–3 % growth	
METRO Germany	**-0.6%**			Stable sales development	
METRO Western Europe (excl. Germany)	**1.3%**			Previous year's level	
METRO Russia	**-3.3%**			Trend improvement	
METRO Eastern Europe (excl. Russia)	**6.4%**			Previous year's level	
METRO Asia	**7.3%**			Previous year's level	
EBITDA excluding earnings contributions from real estate transactions in € million	**1,021**	1,392	371	Previous year's level	
METRO Germany	**95**	128	33	Earnings growth	
METRO Western Europe (excl. Germany)	**499**	636	137	Earnings growth	
METRO Russia	**220**	235	16	Decline between €20 million and €30 million	
METRO Eastern Europe (excl. Russia)	**344**	385	41	Previous year's level	
METRO Asia	**11**	43	32	Previous year's level	
Others	**-148**	-34	113	Previous year's level	

[1] At constant exchange rates, excluding further portfolio adjustments and transformation costs.

NOTES TO THE IFRS 16 RESTATEMENT AND ITS FINANCIAL INFORMATION

The Company adopted IFRS 16 on October 1, 2019, and applied the full retrospective transition approach, and therefore the comparative figures for the 2018/19 financial year have been restated. The two capitalization exemptions proposed by the standard are used – lease contracts with a lease term of less than 12 months and lease contracts for which the underlying asset has a low value (on acquisition) that has been defined by the Company depending by the object class of the asset. The payments for such leases will be recognized in the income statement on a straight-line basis over the lease term. On transition to IFRS 16, the Company determined whether an arrangement contains a lease. When performing this assessment, the Company could choose whether to apply the IFRS 16 definition of a lease to all its contracts or apply the practical expedient allowed under IFRS 16 and not reassess whether a contract is, or contains, a lease. The Company chose to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it applies IFRS 16 to all contracts entered into before October 1, 2018, and identified as leases in accordance with IAS 17 and IFRIC 4.

METRO as lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset for acquired leases is adjusted for any favorable or unfavorable lease rights recognized as part of the purchase price allocation. The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected not to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

¾ fixed payments, including in-substance fixed payments;
¾ variable lease payments that depend on an index or a rate, which are initially measured using the index or rate as at the commencement date;
¾ amounts expected to be payable under a residual value guarantee;
¾ the exercise price of a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is
¾ reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are separately disclosed as a line in the balance sheet, but right-of-use assets that meet the definition of investment property are included in "Investment property", and separately disclosed in the respective financial statements. The lease liability is included in "Other current financial liabilities" and "Other non-current financial liabilities."

The Company has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are split between principal and interest portions and are consequently shown in the two lines "Redemption of borrowings" and “Interest paid” respectively in the cash flow statement. 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

When the Company acts as a lessor, it determines at lease inception 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 transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the lease term of the head lease of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "Rent expenses and income - net". The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the subleases were classified with reference to the underlying asset. The Company has classified cash flows from operating leases as operating activities. Cash flows from the principal portion of finance lease receivables received have also been classified as operating activities, while cash flows from the interest portion of finance lease receivables received are classified as financing activities, disclosed in the cash flow statement in the line "Interest received".

FINANCIAL CALENDAR

Quarterly Statement Q1 2019/20	Thursday	13 February 2020	7.30 am
Annual General Meeting 2020	Friday	14 February 2020	10.00 am
Half-Year Financial Report H1/Q2 2019/20	Thursday	7 May 2020	7.30 am
Quarterly Statement 9M/Q3 2019/20	Friday	7 August 2020	7.30 am

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IMPRESSUM

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DISCLAIMER

This IFRS 16 transition booklet contains forward-looking statements. These statements are based on certain assumptions and expectations held at the time this booklet 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.