METRO

Q1 2019/20
RESULTS PRESENTATION

13 February 2020

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This presentation includes supplemental financial measures which are or may be non-GAAP financial or operative measures. These measures should not be viewed in isolation as alternatives to financial measures presented in accordance with IFRS. Other companies that disclose similarly titled measures may calculate them differently. All amounts are stated in million euros **(€ million)** unless otherwise indicated. Amounts below **€0.5 million** are rounded and reported as 0. Rounding differences may occur.

OUR ORIGIN IS **WHOLESALE** IS OUR FUTURE

2018/19

INTENSIFICATION

Year of Extension

2019/20

ACCELERATION

Year of advancing Wholesale agenda

RECAP: CONTINUOUS JOURNEY TO SIMPLIFY AND REPOSITION METRO AS A WHOLESALER

- **METRO** is transforming into a **fully focused Wholesale company**
- We **steadily optimize our portfolio** to further strengthen our B2B profile
- Intensified focus has lead to **rising LFL momentum,** strongly driven by **sales growth with Horeca and Trader**
- Building a **wholesaler 360°** provides the potential for even stronger **differentiation** and **further growth**
- The envisaged sale of Real and the Q1 results **show progress** and **deliver proof** across all of these dimensions

TODAY'S AGENDA

Envisaged sale of Hypermarket business

- Recap: Tuesday 11th Ad Hoc published, confirming that commercial agreement has been largely reached, transaction is subject to board approvals of both parties
- Explain the **rationale** and **cornerstones** and why the result is the **best possible solution**
- Explain **financial impacts** and why we see the need for more efficiency measures
- Reiterate our **expectations for net proceeds** from Real and METRO China and our priorities for use of these proceeds

Q1 2019/20

- First time reporting in accordance with **IFRS 16**[1]
- Focus on **continuing operations** only
- Provide our perspective on **solid Q1 trading**
- Confirm sales and EBITDA **outlook**

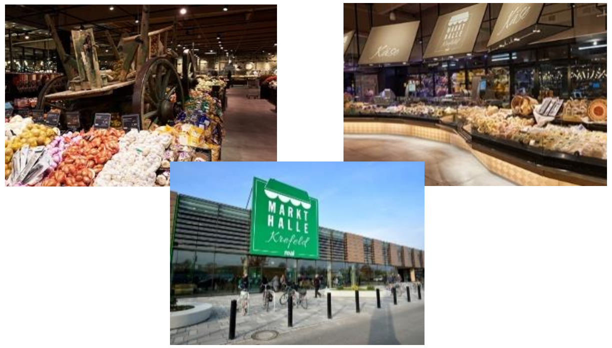
[1] IFRS 16 booklet and supporting presentation can be found on corporate website #IFRS 16

01 ENVISAGED SALE OF HYPERMARKET BUSINESS TO SCP GROUP

REAL - STRATEGIC APPROACH

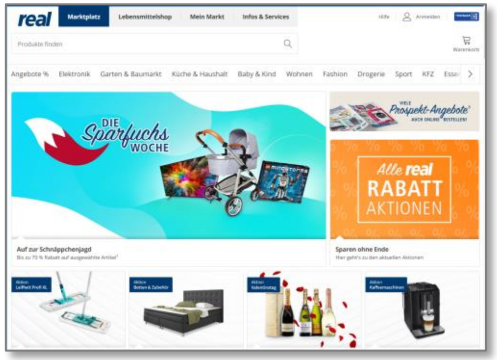
The hypermarket business is a result of acquisition of numerous formats. It has been under considerable competitive pressure for many years. In addition, Real was exposed to a cost disadvantage of around 30% due to the tariff situation. A realignment was initiated in 2015.

New commercial model



>10% frequency and sales[1]

Marketplace launch



10x GMV in 5 years

Competitive cost structure

RTG Retail Trade Group

~~ZTV~~

- **Significant improvements** in purchasing conditions since 2017
- **No agreement** on implementation of the house tariff solution with ZTV

Negative financial development

[1] FY2018/19 Actual

REAL – ENVISAGED SALE TO SCP GROUP WITH SUBSEQUENT DISTRIBUTION OF STORE NETWORK

Key transaction highlights

- METRO to sell **100% of hypermarket business** to SCP Group, a private investment firm
- Transaction is subject to board approvals of both parties
- Hypermarket business valued at an attractive **€1.0 bn implied total enterprise value**
- **Closing** expected in mid 2020 with **net proceeds of ~€0.3 bn**[1]
- After Closing, SCP plans to maintain a core of 50 stores for 24 months and to sell the remaining stores to other retailers in a **transition period**
- SCP Group plans to reposition the real estate properties and has established a strategic partnership with x+bricks, a German retail real estate investor, to facilitate this

Impact on METRO service companies

- METRO service companies to continue to **provide services to Real** during the transition period, however, to a decreasing extent over time
- Resulting excess capacity in METRO service companies will be addressed by **proactive efficiency measures**, which will lead to **recurring savings**
- These measures are estimated to cause **approx. €0.2 bn cumulated one-off costs** in the financial years **2019/20 to 2021/22**

Non-cash impacts on discontinued operations

- Transaction valuation (together with IFRS 5-related effects) triggered **€0.2 bn non-cash impairment in Q1 19/20**[2]
- IFRS 5-related effect likely to repeat at quarterly reporting until transaction is closed

[1] preliminary, net of transaction costs (taxes, advisors), based on 30 September 2019, subject to closing accounts [2] Impairment reflects late status of negotiation and paused depreciation under IFRS 5

REAL – BEST POSSIBLE TRANSACTION ACHIEVED

Clean exit of a business under pressure

100% sale to SCP

Real with cash loss in 2018/19

Financial impact of transaction optimized

€0.3 bn net proceeds at Closing[2]

Transition period with additional €0.2 bn cumulative one-off costs over ~three years

Transaction certainty maximized

No anti-trust risk for METRO from store network distribution

Employment conditions secured

Existing conditions transferred to acquirer

Further works council agreement for store distribution

[1] Annual report 2018/19, page 265. Cash flow from operating, investing and financing activities
[2] preliminary, net of transaction costs (taxes, advisors), based on 30 September 2019, subject to closing accounts

METRO – ADVANCING OUR WHOLESALE AGENDA

Real

METRO China

+0.6%-pts
EBITDA-margin[1]

~-€1.6 bn
Reduction of net debt, excl. proceeds[2]

Horeca
+3.5%

Trader[3]
+5.6%

We **simplify the portfolio…**

…build a more **profitable, cash-generative** and less levered company…

…and use proceeds to **accelerate growth in the core business**

[1] EBITDA-margin post IFRS 16 and excl. gains from real estate transactions [2] net debt post IFRS 16 [4] Q1 19/20 [3] Trader countries excl. Russia: Bulgaria, Czech Republic, India, Pakistan, Poland, Romania, Serbia, Slovakia.

METRO – PRIORITIZE REINVESTING INTO BUSINESS AND MAXIMIZING RETURNS TO SHAREHOLDERS

Capital allocation

1. **Investment in business**
Reshaping the portfolio, accelerating organic growth and complementary strategic M&A
Goal: accelerate sales growth, drive sustainable EBITDA growth

2. **Returns to shareholders**
Ongoing dividends (45-55% of EPS payout ratio)
Goal: sound shareholder return in balance with operational needs

3. **Deleverage**
Ensure investment grade rating
Goal: funds from operations (FFO) / Adj. net debt ≥ 21%[1]

Enriched by additional cash sources

Real
Expected Closing
mid 2020

+

METRO China
Expected Closing
Q2 2020

> €1.5bn expected net cash[2] proceeds

[1] S&P threshold; at minimum required to be in line with expectations to maintain credit rating.
Funds from operations (FFO) as per S&P methodology mainly includes: EBITDA + fictitious depreciation share of operating lease expense + interest expense + income taxes + minor further adjustments
Adjusted net debt as per S&P methodology mainly includes: financial debt – cash & cash equivalents (after a haircut on trapped cash) + NPV of operating leases (at 7.0%) + pensions (net of deferred taxes applicable) + minor further adjustments
[2] Expected net proceeds for the sale of both Real (as per Sep-19 accounts) and METRO China (as per Jun-19 accounts) after taxes

02 Q1 2019/20

Q1 IN A NUTSHELL

Robust sales and earnings against headwinds	• 1% LfL growth against political and regulatory headwinds; adjusted for this, in guidance range • EBITDA at constant FX ~-2% against low double-digit one-time gain in PY
EBITDA to EPS	• Earnings per share reach 0.33 € (PY: 0.47 €) • Net financial result benefits from lower financing costs • Temporarily lower expected real estate gains drive tax rate increase to 55%
Cash flow and net debt	• Free Cash Flow[1] in Q1 at €511 m • Continuous stock optimization drive repeated inflow from NWC • Lower net debt level than PY carried over from FY 18/19
FY 19/20 outlook	• Sales and EBITDA outlook confirmed • YTD sales[2] are well within guidance range; trend improvement in Russia

[1] simplified definition; [2] 6 weeks into Q2 sales trading

SALES TO EBITDA

€m / %	Q1 2018/19	Q1 2019/20
Like-for-like growth	**2.1%**	**1.0%**
thereof Food	2.8%	2.0%
Reported growth	**-1.0%**	**2.2%**
Growth in local currency	**1.9%**	**1.0%**
Delivery Sales Share	15%	16%
EBITDA excl. RE gains	**530**	**526**
thereof FX		9
thereof Transformation costs		0
EBITDA margin excl. RE gains	**7.2%**	**7.0%**
Real estate gains	2	1
Total EBITDA	**532**	**527**

Like-for-like sales growth

- Like-for-like sales growth driven by most regions and key customers (Horeca 3.5%, Trader[1] 5.6%)
- Growth weighed down by macroeconomic headwinds and regulatory impacts; adjusted growth in line with guidance range
- YTD current trading[2] well within guidance range
    - Horeca growth acceleration in most regions
    - Noticeable sales trend improvement in Russia

EBITDA and EBITDA margin excl. real estate

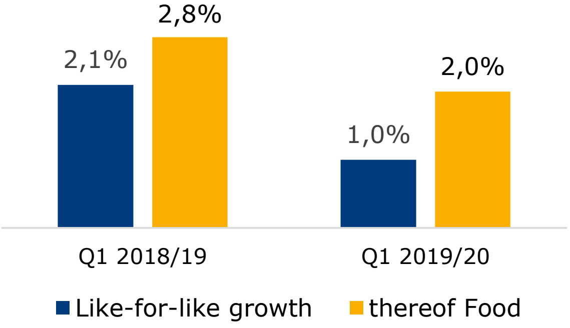
- EBITDA excl. real estate transactions roughly on PY level
- Adjusted for currency effects, decrease of -2.2% against low double-digit technical headwind[3]
- Segments mainly on PY level, Eastern Europe affected by cost inflation; Others compensated PY one-time gain
- No transformation costs, execution progressing as planned

[1] Trader countries excl. Russia (Bulgaria, Czech Republic, India, Pakistan, Poland, Romania, Serbia, Slovakia) [2] YTD including 6 weeks into Q2 sales trading [3] Q1 18/19 benefitted from one-time damage compensation

REGIONAL PERFORMANCE

Germany

€m / %	Q1 2019/20
Sales	**1,347**
Like-for-like growth	-0.3%
Reported growth	-0.4%
EBITDA excl. RE gains	**76**
EBITDA margin	5.7%
Constant FX to PY	0



Western Europe

€m / %	Q1 2019/20
Sales	**2,932**
Like-for-like growth	0.5%
Reported growth	0.4%
EBITDA excl. RE gains	**205**
EBITDA margin	7.0%
Constant FX to PY	-3

Russia

€m / %	Q1 2019/20
Sales	**821**
Like-for-like growth	-5.3%
Reported growth	2.5%
EBITDA excl. RE gains	**87**
EBITDA margin	10.6%
Constant FX to PY	-2

Eastern Europe

€m / %	Q1 2019/20
Sales	**1,975**
Like-for-like growth	5.0%
Reported growth	6.1%
EBITDA excl. RE gains	**117**
EBITDA margin	5.9%
Constant FX to PY	-6

Asia

€m / %	Q1 2019/20
Sales	**466**
Like-for-like growth	3.2%
Reported growth	5.2%
EBITDA excl. RE gains	**12**
EBITDA margin	2.6%
Constant FX to PY	-5

EBITDA TO EPS

€m / %	Q1 2018/19	Q1 2019/20
EBITDA	**532**	**527**
D&A	-185	-200
EBIT	**347**	**327**
Interest and investment result	*-61*	*-56*
Other financial result	*0*	*4*
Net financial result	-62	-51
EBT	**285**	**276**
Tax rate (3M)	39%	55%
Net income	172	121
EPS in €	**0.47**	**0.33**

EBIT

- Reduction mainly attributable to an increase in depreciation due to higher share of software capex and other assets with shorter useful life

Net financial result

- Improvement in the interest and investment result due to lower financing costs
- IFRS 16 accounting increases FX volatility risk in Other financial result

Tax

- Increase of tax rate to 55% due to temporarily lower expected income from real estate transactions

EPS

- Higher tax rate and depreciation negatively affected EPS

METRO

FCF IN Q1 2019/20

€m / %	Q1 2018/19	Q1 2019/20
EBITDA	**532**	**527**
Change in NWC	140	47
Cash Investments[1]	-77	-63
FCF	**595**	**511**
Net debt (31 Dec)	**5,214**	**5,012**

Change in NWC

- Positive contribution driven by continued stock optimization

Cash Investments

- Lower cash investments partially driven by investments in financial assets in 18/19

FCF

- Decrease driven mainly by lower NWC contribution, partially compensated by lower capex

Net debt

- Net debt improvement driven by continuously strong result from last year as a result of higher real estate gains

[1] Cash Investments = Capex (excl. M&A) - Right of Use Assets + Financial Assets + Down payments/Prepayments. Cash investments definition has been changed due to IFRS 16 to reflect the cash view.

03 SUMMARY OF TODAY'S UPDATE

SUMMARY OF TODAY'S UPDATE

Envisaged sale of Hypermarket business

- Real's commercial model had been modernized, but progress was **held back by tariff** system, leading to **financial decline** and METRO's decision to exit
- Transaction: sale of Real to SCP Group for €1.0 bn EV, **€0.3 bn net proceeds**[1] expected
- **~€0.2 bn cum. one-off costs** expected (19/20-21/22) to adjust service company capacity to changing needs
- **Best possible solution** for all stakeholders with immediate **financial benefits for METRO**
- With **>€1.5 bn expected net proceeds**[2], transactions Real & METRO China generate the **financial optionality to accelerate growth**, while respecting capital allocation policies

Q1 2019/20

- **Robust sales and earnings** against political and regulatory headwinds
- Key customer groups with **continuous growth momentum**
- EPS affected by transformation effects
- FY 2019/20 sales and EBITDA outlook confirmed on the back of strong **YTD sales**; also driven by marked **trend improvement in Russia**

[1] preliminary, net of transaction costs (taxes, advisors), based on 30 September 2019, subject to closing accounts [2] Expected net proceeds for the sale of both Real (as per Sep-19 accounts) and METRO China (as per Jun-19 accounts) after taxes

EVENTS AND FINANCIAL CALENDAR

Upcoming events

17 Feb 2020	Roadshow London (CEO) – Jefferies

Financial calendar 2019/20

14 Feb 2020	AGM
7 May 2020	Quarterly report H1
7 Aug 2020	Quarterly statement Q3

Conferences 2019/20

9-10 Jun 2020	Deutsche Bank conference – Paris

Q&A

Olaf Koch, CEO

Christian Baier, CFO

APPENDIX

SALES TO EBITDA
(1/3)

METRO Germany

€m / %	Q1 2018/19	Q1 2019/20
Sales	**1,352**	**1,347**
Like-for-like growth	-0.2%	-0.3%
Reported growth	-1.3%	-0.4%
EBITDA excl. RE gains	**77**	**76**
EBITDA margin	5.7%	5.7%
Real estate gains	0	0
Total EBITDA	**77**	**76**

- Sales impacted by tobacco regulation
- Strong Horeca growth supported by sales force approach
- EBITDA is largely flat

METRO Western Europe

€m / %	Q1 2018/19	Q1 2019/20
Sales	**2,921**	**2,932**
Like-for-like growth	1.0%	0.5%
Reported growth	1.2%	0.4%
EBITDA excl. RE gains	**207**	**205**
EBITDA margin	7.1%	7.0%
Real estate gains	0	1
Total EBITDA	**207**	**206**

- Like-for-like growth was impacted by national strikes in France
- Solid Horeca growth in all countries, coming predominantly from higher sales per visit and increased frequency
- EBITDA is largely flat

SALES TO EBITDA
(2/3)

METRO Russia

€m / %	Q1 2018/19	Q1 2019/20
Sales	**801**	**821**
Like-for-like growth	-2.4%	-5.3%
Reported growth	-11.9%	2.5%
EBITDA excl. RE gains	**83**	**87**
thereof FX		6
EBITDA margin	10.4%	10.6%
Real estate gains	0	0
Total EBITDA	**83**	**87**

- Like-for-like slight trend improvement from Q4 in line with expectations. Reported sales supported by positive FX
- EBITDA at €-2 m at constant FX, cost savings compensating for most of price investment

METRO Eastern Europe

€m / %	Q1 2018/19	Q1 2019/20
Sales	**1,861**	**1,975**
Like-for-like growth	6.4%	5.0%
Reported growth	0.8%	6.1%
EBITDA excl. RE gains	**122**	**117**
thereof FX		1
EBITDA margin	6.5%	5.9%
Real estate gains	2	0
Total EBITDA	**124**	**117**

- Like-for-like growth driven by majority of countries, with biggest growth coming from Turkey, Ukraine, Romania and Poland
- EBITDA decrease is mainly due to the general cost inflation in the region

SALES TO EBITDA
(3/3)

METRO Asia

€m / %	Q1 2018/19	Q1 2019/20
Sales	**443**	**466**
Like-for-like growth	7.4%	3.2%
Reported growth	3.0%	5.2%
EBITDA excl. RE gains	**17**	**12**
thereof FX		0
EBITDA margin	3.9%	2.6%
Real estate gains	0	0
Total EBITDA	**17**	**12**

- Like-for-like was supported by Trader development in India and Pakistan, which partially offset demonstrations in Hong Kong affecting Classic Fine Food
- EBITDA is affected by political headwinds and typhoon in Japan

Others

€m	Q1 2018/19	Q1 2019/20
Sales	**11**	**7**
EBITDA excl. RE gains	**24**	**27**
thereof FX		1
Real estate gains	0	0
Total EBITDA	**23**	**27**

- EBITDA increase due to an improved result in logistics, as well as initial non-pex savings coming from efficiency measures
- Previous year benefited from one-time gains

CASH FLOW STATEMENT

€ million	Q1 18/19	Q1 19/20
EBIT	347	327
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	185	200
Change in provisions for post-employment benefits plans and other provisions	-22	-15
Change in net working capital	140	47
Income taxes paid	-80	-59
Reclassification of gains (-) / losses (+) from the disposal of fixed assets	-9	-2
Other	-79	-47
Cash flow from operating activities of continuing operations	**482**	**452**
Cash flow from operating activities of discontinued operations	227	197
Cash flow from operating activities	**709**	**649**
Acquisition of subsidiaries	0	0
Investments in property, plant and equipment and in investment property (excl.usufructuary rights from leases)	-74	-64
Other investments	-51	-35
Investments in monetary assets	-11	0
Disposals of subsidiaries	0	0
Divestments	40	19
Disposal of financial investments	7	0
Cash flow from investing activities of continuing operations	**-88**	**-81**
Cash flow from investing activities of discontinued operations	-60	-3
Cash flow from investing activities	**-148**	**-83**
Dividends paid	-7	-7
Redemption of liabilities from put options of non-controlling interests	0	0
Proceeds from new borrowings	116	1,128
Redemption of borrowings	-589	-1,415
Interest paid	-70	-64
Interest received	9	8
Other financial activities	3	-9
Cash flow from financing activities of continuing operations	**-536**	**-359**
Cash flow from financing activities of discontinued operations	-79	-108
Cash flow from financing activities	**-615**	**-468**
Total cash flows	**-55**	**98**

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