ANNUAL REPORT
2019/20

Consolidated financial statements of METRO AG

#NEW GETHER

TIME FOR A NEW TOGETHERNESS

METRO

METRO IN FIGURES

€ million		2018/19[1]	**2019/20**	Change in %
Key financial figures for continuing operations				
Sales development (like-for-like)	%	2.1	**−3.9**	–
Sales development in local currency	%	2.2	**−4.0**	–
Sales (net)		27,082	**25,632**	−5.4
Adjusted EBITDA		1,392	**1,158**	−16.8
Transformation costs		0	**47**	–
Earnings contributions from real estate transactions		339	**3**	−99.2
EBITDA		1,731	**1,113**	−35.7
EBIT		957	**257**	−73.1
EBT (earnings before taxes)		728	**−32**	–
Profit or loss for the period[2]		421	**−146**	–
Earnings per share (basic = diluted)	€	1.16	**−0.40**	–
Dividend per ordinary share		0.70	**0.70**[3]	–
Dividend per preference share		0.70	**0.70**[3]	–
Cash flow from operating activities		1,209	**646**	−46.6
Investments		826	**627**	−24.1
Net debt		5,419	**3,771**	−30.4
Employees (annual average by headcount)		101,654	**97,639**	−3.9

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

[2] Attributable to METRO shareholders.

[3] Subject to the resolution of the Annual General Meeting.

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#NEWGETHER

Newgether is our word for a new togetherness and collaboration, a new consideration for one another, but also new strength and energy. A kind of cooperation that we at METRO have long experienced and that is expressed in everything we do – and that is now receiving renewed attention. This year's annual report therefore bears the title #NEWGETHER.

TO OUR SHARE-HOLDERS

LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

The past year has been a very important and challenging year for METRO AG. It was the last year of our transformation from a diversified conglomerate to a focused wholesale company. With the disposal of Real, this process has been successfully completed despite all challenges. Today, your company is one of the leading international wholesalers with a clearly focused business model, a robust balance sheet, strong customer centricity and great innovative power.

However, the past year has also been heavily impacted by the **Covid-19 pandemic**. Our first encounter with it was in China, where we reacted quickly to protect our employees, customers and partners – with great success. This allowed us to effectively stabilise the business and to complete the disposal of METRO China's majority stake to Wumei. The knowledge and experience gained during the coronavirus crisis in that region helped us enormously in responding quickly to the outbreak of the pandemic in Europe. We set 3 priorities: protect, preserve, grow. What does that mean in concrete terms?

- Protect: our employees, customers and partners are our top priority, which is why we rapidly implemented high safety and hygiene standards in our stores, warehouses and administrative offices.
- Preserve: we have initiated measures for the entire METRO portfolio based on local demand in order to ensure the quality and **availability of goods**, but also to secure our financial situation.
- Grow: every crisis also brings hidden opportunities. That is why we started looking for new growth opportunities immediately after the outbreak of the pandemic. It includes digital solutions and services as well as collaboration with food suppliers.

CEO video in the online report:
https://reports.metroag.de

Financial year 2019/20 was marked by many unexpected challenges due to the pandemic. We managed to master them consistently. At the same time, we also made progress in many other areas:

In financial year 2019/20, we achieved a great deal despite the tense situation:

- With the completion of the sale of the hypermarket business (Real) and the majority stake in METRO China, we took the last important step in the transformation of a conglomerate into a fully focused wholesale company.
- Through goal-oriented management and the transactions, we were able to reduce METRO AG's debt by almost €2 billion.
- At the beginning of the financial year, sales showed encouragingly dynamic growth and were at the upper end of our outlook. Even though Q3 was subsequently affected by the lockdowns (−17.5%), in Q4 we already managed to return almost to previous year's level (−0.5%). Consequently, we were able to gain significant market share, as the available industry figures show.
- For the financial year, we reached results towards the upper end of the outlook range: With a like-for-like sales development of −3.9% (outlook −3.5% to −5%) and a decline in EBITDA adjusted at constant currency of €−205 million (−15.1%) (outlook €−200 million to €−250 million), we reached the adjusted outlook for financial year 2019/20, as given on 3 August 2020, and we are comfortably within the guidance.
- Among other things, this is due to our very promising business performance in Russia, the flexibility of our distribution channels with store-based and delivery business, our support to the successful relaunch of self-employed restaurateurs and the numerous measures taken to strengthen independent traders.
- Our **Wholesale 360 strategy**, with which we support our customers even more comprehensively through consulting, services and digital solutions, is proving to be very powerful, especially during this crisis. In numerous countries we were able to gain new customers with our extended range of services. We also managed to convince politicians, associations and authorities of our unique role as a partner for small businesses.
- Reported Earnings per share came in at €1.27. On this basis, we will propose a dividend of €0.70 per share to the Annual General Meeting of METRO AG. This dividend proposal corresponds to 55% of the reported earnings per share and is thus in line with our dividend policy.

METRO AG – a focused wholesale company with prospects

A new chapter in METRO AG's evolution is now beginning. I am firmly convinced that we have created very good conditions for gaining additional market shares with our high-performance teams, expanding our business model with **digital solutions** and extended services and thus actively shaping further consolidation of the industry sector. The conditions for it have been continuously established in recent years. The key factors here are:

The consistent focus on the needs of the customers: we have seized the opportunity to further increase the METRO customer benefit and to strengthen the partnership with our customers. Our HoReCa customers appreciate the flexibility of our store-based business. They also use our digital tools, for example, for new ordering and pick-up services. In addition, we have implemented extensive programmes for restaurants and bars in public areas in collaboration with various partners, for example, to help them relaunch. In the self-employed and freelance segment, we won back customers and gained many new ones. The key factors here were the consistently high quality and availability of our products. Business with **self-employed**

retailers has grown during the crisis because they have become even more relevant to their customers in terms of local supply during Covid-19.

Customer satisfaction – the key to success: in order to consistently align ourselves to the needs of our customers, we continually ask them for their opinion. With the Net Promoter Score (NPS), we frequently collect feedback and measure customer satisfaction in order to identify improvement potential and prioritise operational projects. The Net Promoter Score was introduced in 24 countries. So far, METRO has received feedback from approximately 3.7 million customers. Besides the quantitative measurement of the satisfaction values, suggestions from customers are also systematically recorded and evaluated.

Our employees and a strong corporate culture: we assess the satisfaction level of our employees several times a year through employee surveys. The survey was particularly important this year. More than 80,000 employees were invited to take part in it. Globally, we received an outstanding feedback rate of 77%. METRO's global commitment score is 72%, which means that for 10 years now, METRO has been above the global benchmark in retail of 68%. For us, this is a clear sign of a strong corporate culture.

Digitalisation and e-commerce provide support to the operational business: as an omnichannel provider, we are distinguished by a wide network of modern wholesale stores and a **delivery business (Food Service Distribution, FSD)** with focus on food items including digital services. With **METRO MARKETS**, we also offer a state-of-the-art marketplace that focuses mainly on non-food items for the hospitality industry. Our customers can choose whether to shop in a store, pick up their pre-ordered goods at the store or have their products delivered. METRO's business model proved to be crisis-resistant during Covid-19: the combination of stores, delivery and services proves to be extremely adaptable and efficient.

Wholesale 360 – strengthening the competitiveness of our customers: we are forging ahead with our strategy to become a full-service solution provider for small and medium-sized companies. Under the **Wholesale 360 approach**, METRO offers a broad portfolio of products, consulting, digital tools, services and equipment as well as an online marketplace. It enables us to position ourselves as the partner of choice for our customers and differentiate ourselves from other wholesalers. For example, we advise our HoReCa customers via a hotline so that they can take advantage of government assistance programmes. Moreover, we work with partners to arrange options for needs-based financing offers.

Acquisitions promote sustainable growth: for us, collaborations and acquisitions are an opportunity to generate sustainable and profitable growth. In most of our target markets, we have highly fragmented competition. Our strong balance sheet allows us to consider consolidating the market through acquisitions of smaller players. For example, in October 2020, we acquired the Aviludo Group, the second-largest Portuguese food supplier based in Quarteira, Algarve. The company will remain largely independent and continue to manage its brand.

Trend towards more sustainability in times of Covid-19: if the crisis had one positive effect, it is that awareness of sustainable development has increased – across all areas: ecological, economic and social. METRO would like to make a contribution in that regard by setting ambitious targets to align our lifestyles and behaviour more strongly towards sustainability. At this point I would like to give 2 examples of how we support our customers in this respect:

For one thing, METRO facilitates climate-friendly outdoor hospitality services. With immediate effect, METRO Germany is offsetting the carbon emissions of all radiant heaters sold by the wholesaler. To this end, the company is acquiring corresponding climate certificates and supporting environmental projects in Germany as well as in 2 other METRO countries. This way, we are doing more than just enabling our customers from the hospitality industry to offer an extended outdoor season and thus realise urgently needed sales; we also make an active contribution to infection and climate protection as well as to the preservation of city centres.

Furthermore, we developed the guideline 'My sustainable restaurant': here, we show how and where sustainable concepts can be practically implemented in the hospitality industry. As a partner, we offer restaurateurs specific solutions that can be individually adapted depending on the degree of maturity of the company, including environmentally friendly and social products and services – from recruiting staff, avoiding food waste and reducing waste to implementing energy-saving measures and offering regional products.

These activities are also reflected in the ratings of various indices. In financial year 2019/20, we were once again listed in the Food & Staples Retailing group in the internationally important Dow Jones Sustainability Index World and Europe. METRO also remains a member of the FTSE4Good index series. FTSE4Good is a British index family that has been in existence since 2001 and analyses large and medium-sized companies involved in sustainability and corporate social responsibility. METRO has been listed in the FTSE4Good index since 2017.

Outlook

For financial year 2020/21, METRO's financial performance will be impacted by the development of the Covid-19 pandemic. First, there is an impact of Covid-19-related governmental restrictions to public life, which is difficult to estimate. Duration and intensity of those restrictions determine that impact but are yet unknown. Second, there is an upside potential, which would result from an earlier than expected widely available vaccination. We therefore plan with different scenarios and update them regularly.

Based on stable exchange rates and no adjustments to the portfolio METRO currently expect sales (both total sales and like-for-like) to be slightly below previous year. EBITDA adjusted is expected to decline by a mid-double-digit million euro amount. This outlook thereby assumes governmental restrictions to public life to last partially until mid Q2 of financial year 2020/21 and a fast and substantial recovery of the hospitality and tourism industry thereafter. Experiences gained from managing the first wave of Covid-19 will, along with cost efficiency and proven measures to protect the business, allow METRO to mitigate the impact on METRO's operations compared to spring 2020. In line with observations in November 2020, the Management Board expects one month of full lockdown in the entire country portfolio will result in average sales losses of around €400 million equalling sales losses of approximately 1.5 percentage points of sales growth compared to previous year.

Almost 9 years ago, I took over as Chairman of the Management Board of METRO AG. At that time our company was a diversified conglomerate without focus and with very high levels of debt. The transformation of our company into a fully focused wholesaler is now complete. With the start of this new chapter for METRO AG, I have decided not to renew my contract and to leave the company at the end of 2020 – with absolute confidence that we will tackle the Covid-19 pandemic very well. Now that we have repositioned METRO as a focused wholesaler, I think that we have reached a good point in time to hand over the company management to someone new.

METRO has always been more than just a job to me. I am grateful for a total of 11 exciting years on the Management Board of this company. I have truly enjoyed the interaction with great colleagues, passionate customers and so many important partners. My decision to leave was certainly not easy for me. The great goal to provide even more support for these wonderful entrepreneurs in the hospitality and retail sectors has always inspired and motivated me and I feel a strong connection to this company beyond the normal measure. That is why I want to and will remain a friend and supporter of METRO in the future. I would like to thank all our employees for their dedication during this time and especially in the past financial year. Without their commitment, passion and willingness to work for the success of our customers, we would not be where we are today. This success is the result of the hard work of each and every one of our employees – for which I would like to express a very special thank you.

Dear shareholders, I would also like to extend my gratitude to you. I sincerely thank you for your continued trust and the firm conviction with which you stand by METRO AG. The challenging transformation of your company will pay off. Even the current pandemic will not change this outcome. Because METRO AG is a strong international company with a leading role in wholesale, exceptionally strong teams, agile distribution channels, innovative solutions and a robust balance sheet.

Yours truly,

Olaf Koch
Chairman of the Management Board of METRO AG

THE MANAGEMENT BOARD

OLAF KOCH

Chairman of the Management Board

Areas of responsibility
Corporate Communications, Corporate Public Policy, M&A | Legal & Compliance, Corporate Office, Strategy | Investor Relations, Corporate Responsibility, Global Branding & Activation, Master Data, Hospitality Digital, METRO MARKETS, METRO-NOM, NX-Food.

Profile
Olaf Koch was appointed Chief Executive Officer of METRO AG on 2 March 2017 for a term ending on 1 March 2022. Olaf Koch will leave the company early at the end of 2020 at his own request. From 14 September 2009 until the end of 2011 he was a member of the Management Board (Chief Financial Officer) of the former METRO AG (now: CECONOMY AG), and from 1 January 2012 to 12 July 2017 he was the Chief Executive Officer of the company. He was previously employed at the financial investor Permira. Following his graduation in business administration, Mr Koch started his career at Daimler-Benz AG in 1994. He was a board member of Mercedes Car Group from 2002 to 2007.

CHRISTIAN BAIER

Chief Financial Officer

Areas of responsibility
Corporate Accounting & Controlling, Corporate Risk Management, Corporate Tax, Corporate Treasury, Global Business Services, Group Internal Audit, METRO PROPERTIES, METRO LOGISTICS, MIAG, METRO Insurance Broker.

Profile
Christian Baier was appointed member of the Management Board of METRO AG on 11 November 2016. His current appointment as a member of the Management Board runs until 30 September 2025. He was the Chief Financial Officer (CFO) of METRO Cash & Carry from 1 July 2015 to 1 March 2017 and previously held the position of Group Director Strategy, Business Innovation and M&A at the former METRO AG (now: CECONOMY AG). Mr Baier joined METRO Cash & Carry Germany (now METRO Germany) as a member of the Management Board/Head of Finance and Administration – C+C Schaper – in 2011. He holds a BA in business administration and an MBA from New York University and was previously employed at the finance investor Permira and a number of banks.

ANDREA EUENHEIM

Chief Human Resources Officer and Labour Director
Since 1 November 2019

Areas of responsibility
International HR Business Partner, Global HR Operations & Services (incl. Campus HR), Global Talent Management (incl. House of Learning), Global Employer Branding, Talent Acquisition & Onboarding, Global Compensation & Benefits, Global Diversity & Inclusion, Global Labour Relations, METRO Campus Services.

Profile
Andrea Euenheim was appointed member of the Management Board and Labour Director of METRO AG on 1 November 2019 for a term ending on 31 October 2022. Prior to that, she worked at Amazon in Seattle, USA, from October 2015, initially as HR Director of Global Consumer Products and since the end of 2017 as HR Director of Global Expansion, Mergers and Acquisitions (M&A). Before moving to the USA, Andrea Euenheim was responsible for personnel management at Amazon Europe from 2007, primarily overseeing Germany, Italy, Spain and France. From 2001 to 2007, she worked for General Electric, where her last position was Head of Human Resources for Germany, Austria and Switzerland at GE Commercial Finance, Fleet Services. Andrea Euenheim completed her master's degree in linguistics, sociology, psychology and business administration at the University of Passau.

RAFAEL GASSET

Chief Operating Officer (Convenience Cluster)
Since 1 April 2020

Areas of responsibility
Retail Franchise, Trader Digital, Global Procurement, METRO SOURCING International.

METRO national subsidiary responsibilities: Bulgaria, China, India, Kazakhstan, Moldova, Myanmar, Pakistan, Poland, Romania, Russia, Ukraine and Hungary.

Profile
Rafael Gasset was appointed member of the Management Board of METRO AG on 1 April 2020 for a term ending on 31 March 2023. From 22 June 2015 to 31 March 2020, he was Operating Partner with various national subsidiary responsibilities, most recently for Russia, Romania, Moldova and Poland. Rafael Gasset previously held various positions at METRO national subsidiaries. Before becoming an Operating Partner, he was Regional Operating Officer at METRO Cash & Carry overseeing the Eastern Europe region.

ERIC POIRIER

Chief Operating Officer (Hospitality Cluster)
Since 1 April 2020

Areas of responsibility
Digitalisation, Store Excellence & Pricing, Customer Experience, Food Service Distribution, Sales Force, Common Value Creation, SME Services, METRO GastroFinanz, METRO ADVERTISING.

METRO national subsidiary and organisational responsibilities: Belgium, Germany (incl. Rungis Express), France (incl. Pro à Pro), Italy, Japan, Croatia, Netherlands, Austria, Portugal, Serbia, Slovakia, Spain, Czech Republic, Turkey, Classic Fine Foods.

Profile
Eric Poirier was appointed member of the Management Board of METRO AG on 1 April 2020 for a term ending on 31 March 2023. From 1 July 2018 to 31 March 2020, he held the position of Operating Partner with responsibility for subsidiaries in France including Pro à Pro, Italy, Spain and Portugal. Eric Poirier previously held the position of Chief Executive Officer at MAKRO Poland and various positions at METRO national subsidiaries.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In financial year 2019/20, the transformation from conglomerate to pure wholesaler was completed with the sale of METRO China and Real. Thereby a full focus on the wholesale business was achieved and METRO could further concentrate on the growth of the business.

After METRO had made a good start to the financial year, especially in the HoReCa and Traders focus areas, business was, however, severely impacted by the Covid-19 pandemic from March onwards. Months of business closures among our HoReCa customers along with further government restrictions led to a decline in sales and earnings. Nevertheless, METRO was able to deliver a respectable result overall in financial year 2019/20. The stable financial performance and the earnings from the sales of METRO China and Real had a positive impact on METRO's balance sheet and liquidity.

METRO strongly supported making the impact of the Covid-19 pandemic on its HoReCa customers visible in the press and in political debate, and has also advised and supported its customers with additional delivery activities, digital applications and services. The results show that METRO is on the right track with these activities. Consequently, we will continue to implement them with vigour.

Jürgen Steinemann

Chairman of the Supervisory Board

Profile

Jürgen Steinemann was born in 1958 in Damme, Germany. He graduated with a degree in business administration from the European Business School in Wiesbaden, London and Paris in 1985 and initially held different management positions at Eridania Béghin-Say, Unilever and Nutreco. Jürgen Steinemann was CEO of Barry Callebaut AG from 2009 to 2015. He is currently the CEO of JBS Holding GmbH. From 2015 to the demerger of the former METRO group in July 2017, Jürgen Steinemann was a member of the Supervisory Board of the former METRO AG (now: CECONOMY AG) and Chairman of the Supervisory Board since February 2016. Jürgen Steinemann has been a member and Chairman of the Supervisory Board of the current METRO AG since 2017.

— **More information about the other members of the Supervisory Board can be found on the website** www.metroag.de/en **in the section Company – Supervisory Board.**

On behalf of the Supervisory Board, I would like to send a signal to all METRO customers that we stand by their side and support them with the greatest possible commitment to help them through these difficult times. This year, we would like to express our extraordinary thanks to all METRO employees. Not only did they have to work under difficult conditions, but they also showed incredible commitment outside of familiar procedures. Our thanks also goes to the members of the Management Board, who are doing everything they can to get METRO through this major crisis, but also to take advantage of new opportunities that arise.

Advice and supervision in consultation with the Management Board

In financial year 2019/20, the Supervisory Board performed the duties imposed on it by law, the Articles of Association and the Code of Procedure. We advised the Management Board in relation to the management of METRO AG and the group and supervised its activities. The Management Board furnished us with detailed written and verbal information on all significant matters within METRO at the Supervisory Board meetings and on other occasions in a timely manner and in accordance with the statutory requirements. Its reporting in particular included information on current business developments, particularly against the background of the Covid-19 pandemic, on the intended business policies and other fundamental concerns relating to corporate planning as well as information about the situation of the company and the group (including the risk position, risk management and compliance). The Management Board provided explanations for any deviations from planned business performance. We have given our approval for individual business transactions, if it was required by law, the Articles of Association or regulations we had made ourselves. Since no matters requiring clarification arose, we did not make use of the Supervisory Board's rights of inspection and audit pursuant to § 111 Section 2 Sentence 1 and 2 of the German Stock Corporation Act (AktG). Managers from the relevant departments of METRO attended meetings to address particular agenda items.

Prof. Dr Edgar Ernst as the Chairman of the Audit Committee and I as the Chairman of the Supervisory Board closely and regularly exchanged information and ideas with regard to key issues and pending decisions with the Chief Financial Officer and/or the Chief Executive Officer also outside of meetings. I was also in contact with the members of the Supervisory Board outside of meetings. In our capacity as committee chairmen, Prof. Dr Edgar Ernst and I also reported on the work and recommendations of the respective committees at the subsequent Supervisory Board meeting.

The Supervisory Board held a total of 11 meetings in financial year 2019/20, with 4 meetings convened as extraordinary meetings.

The average attendance rate at meetings of the Supervisory Board and its committees in financial year 2019/20 was 97%. An individualised overview of the participation of each member of the Supervisory Board in office in financial year 2019/20 in the meetings of the Supervisory Board and its committees is contained in the section 'Individual attendance at meetings' of this report. Moreover, 2 resolutions were passed in a written procedure outside a Supervisory Board meeting. In so-called closed sessions, the members of the Supervisory Board regularly exchanged views without the participation of the members of the Management Board. As was customary in the past, both the shareholder and employee representatives on the Supervisory Board of METRO AG discussed relevant agenda items in separate pre-meetings. In separate telephone calls, the Chairman of the Management Board and the Chief Financial Officer also reported to the Supervisory Board on the Covid-19 pandemic and its impact on METRO operations.

The members of the Supervisory Board are required to disclose any conflicts of interest without delay. Due to the then existing business relationship of Franz Haniel & Cie. GmbH with EP Global Commerce GmbH (EPGC), the former member of the Supervisory Board Dr Florian Funck, who was also a member of the Management Board of the then major METRO shareholder Franz Haniel & Cie. GmbH, did not participate in the flow of information or in the deliberations of the Supervisory Board of METRO AG in financial year 2019/20, which were still ongoing following the voluntary takeover bid by EP Global Commerce VI GmbH on 10 July 2019 and in connection with the increase in EPGC's shareholding. Furthermore, in financial year 2019/20, member of the Supervisory Board Marco Arcelli did not participate in any deliberations or resolutions of the Supervisory Board of METRO AG in connection with the voluntary takeover bid of EP Global Commerce GmbH announced on 13 September 2020 and published on 1 October 2020, or in the associated flow of information. The background here is that Marco Arcelli is simultaneously holding the position as CEO of EP Global Commerce a.s., the parent company of EP Global Commerce GmbH, and thus a person acting jointly with the latter as defined in § 2 Section 5 of the German Securities Acquisition and Takeover Act (WpÜG). No further conflicts of interest arose in financial year 2019/20.

Personnel

Dr Florian Funck resigned his Supervisory Board mandate with effect from the end of 7 December 2019. As his successor on the Supervisory Board, Marco Arcelli was initially appointed by the court and then elected by the Annual General Meeting 2020. In addition, Gwyn Burr, Prof. Dr Edgar Ernst and Dr Liliana Solomon were re-elected as members of the Supervisory Board of METRO AG by the Annual General Meeting 2020. Within the context of the sale of the Real hypermarket business, the mandates of the employee representatives for the Supervisory Board ended on 25 June 2020 for Werner Klockhaus (as Vice Chairman of the Supervisory Board), Susanne Meister and Dr Angela Pilkmann. Rosalinde Lax, Manuela Wetzko and Udo Höfer were appointed by the court as their successors with effect from 17 July 2020. Xaver Schiller was then elected as the new Vice Chairman of the Supervisory Board.

On 1 November 2019, Andrea Euenheim succeeded Heiko Hutmacher, who left the Management Board on 31 December 2019, as a member of the Management Board and Labour Director. In addition, Management Board member Philippe Palazzi left METRO at his own request at the end of May 2020; his appointment as Management Board member ended with effect from 31 March 2020. He was succeeded in the position of Chief Operating Officer by Rafael Gasset and Eric Poirier on 1 April 2020. Christian Baier was reappointed as member of the Management Board from 1 October 2020 to 30 September 2025. In addition, Chief Executive Officer Olaf Koch has announced that he will not be seeking a contract extension and will leave the company at the end of 2020. The Supervisory Board has agreed to terminate Olaf Koch's contract, which runs until 1 March 2022, by mutual consent with effect from 31 December 2020.

Key issues covered by Supervisory Board meetings

October 2019 – In an extraordinary meeting, we approved the sale of the majority stake in METRO China to Wumei Technology Group and the conclusion of a partnership agreement. This transaction marked an important milestone on METRO's path to becoming a pure wholesaler.

November 2019 – In this meeting, we reviewed the changes in the company's shareholding structure after EPGC increased its stake in METRO, becoming the largest single shareholder of

METRO with 29.99% of the ordinary shares. The Management Board then reported to us on current business developments and the status of the Real disposal process. We also resolved on the individual performance factors of the members of the Management Board for determining the amount of the short-term incentive for financial year 2018/19 and dealt with Management Board remuneration for 2019/20, in particular the discussion of the individual targets for the individual members of the Management Board. We discussed the annual report on governance functions in the group. We also decided to reappoint Christian Baier as a member of the Management Board for a period of 5 years and to conclude a corresponding employment contract. A resolution was also passed on the Declaration on corporate management | Corporate governance report 2018/19 and we received information about the sustainability initiatives of METRO.

December 2019 – Our Supervisory Board meeting focused on the annual and consolidated financial statements and the combined management reports for METRO AG and for the group for financial year 2018/19, including the non-financial statement as well as the proposal for the appropriation of the balance sheet profit to the Annual General Meeting 2020. The auditor attended this discussion and reported on the key findings of his audits. In addition to the report by the Management Board about the current business development, other important subjects discussed at the Supervisory Board meeting included the following: the resolution on the report of the Supervisory Board for financial year 2018/19 and the preparation of the Annual General Meeting 2020. We also obtained an update on the Real sales process and approved the schedule of responsibilities of the Management Board valid from 1 January 2020, which needed to be adjusted due to the departure of Mr Hutmacher at the end of 2019.

February 2020 – In an extraordinary meeting, we approved the sale of the Real hypermarket business and related business activities to a consortium consisting of The SCP Group S.à r.l. and x+bricks AG. This sale once again emphasised METRO's focus on wholesale and was thus another important milestone for the future of METRO.

At the meeting of the Supervisory Board held immediately before the start of the Annual General Meeting 2020, the Management Board provided information on the current business development and also presented the planned efficiency programme for the METRO Campus in Düsseldorf. Furthermore, as a precautionary measure, we adopted a resolution granting power of attorney to a law firm, in particular in relation to potential actions for rescission and/or annulment against resolutions adopted by the Annual General Meeting 2020. Subject to the appointment of the auditor by the Annual General Meeting 2020, we approved the audit assignments for the 2019/20 annual and consolidated financial statements and the review of the condensed financial statements and interim management report for the first half of financial year 2019/20. Further resolutions were passed on premature lease contract extensions for 10 METRO Germany locations, another adjustment of the business distribution plan and the internal directive on transactions with related parties necessitated by changes in the law.

With the end of their terms in office as members of the Supervisory Board, the memberships of Gwyn Burr, Dr Liliana Solomon and Prof. Dr Edgar Ernst in the respective committees of the Supervisory Board also ended. Following the re-election of the aforementioned individuals at the Annual General Meeting on the same day, elections to the committees became necessary following the Annual General Meeting 2020. The Supervisory Board passed the corresponding resolution by written procedure.

March 2020 – At an extraordinary meeting, we first received current information on the business development against the background of the Covid-19 pandemic. We also dealt with personnel matters relating to the Management Board. Following Philippe Palazzi's request to revoke his appointment as member of the Management Board of METRO AG prematurely, we decided to appoint Rafael Gasset and Eric Poirier as members of the Management Board of

METRO AG (Chief Operating Officers) for the period from 1 April 2020 to 31 March 2023 and to conclude their respective employment contracts.

May 2020 – Reporting on the current business development continued to be dominated by the effects of the Covid-19 pandemic. Furthermore, the Management Board informed us that the sale of the majority stake in METRO China was completed. The Management Board also reported on the liquidity planning for the company and explained the background to planned efficiency programmes that will be necessary to improve quality and to fully streamline METRO as a pure wholesaler. In preparation for implementing the disposal of Real, we passed a resolution on the expansion of the mandate already awarded to the auditing company KPMG to audit the annual and consolidated financial statements for 2019/20 and on the addition of key audit areas. Moreover, we discussed variable Management Board remuneration and resolved – as planned – to reconcile the STI targets after applying the new international accounting standard IFRS 16. Andrea Euenheim also reported on the status of her Management Board position and the changes since she joined the Management Board of METRO AG in November 2019.

July 2020 – Following the resignation of Werner Klockhaus as a member and Vice Chairman of the Supervisory Board after the completed disposal of Real, we elected Xaver Schiller as the new Vice Chairman of the Supervisory Board by written procedure and appointed new members to the committees.

August 2020 – After being updated about current business developments, the Management Board reported on the flexible work structures at METRO and future changes that have emerged as a learning process from the Covid-19 pandemic. In preparation for 'Say on Pay' for Supervisory Board remuneration required by law in the future, we dealt with the existing remuneration system for members of the Supervisory Board of METRO AG and discussed a potential adjustment proposal to the Annual General Meeting 2021. We were also informed about changes in top management and received reports in the form of investment reviews on the METRO LOGISTICS distribution centre in Marl and the MAKRO distribution centre/customer fulfilment centre in Prague, Czech Republic. In addition, the members of the Supervisory Board were offered the opportunity to participate in an internal training event on the subject of NX-Food, a METRO platform that deals with new food solutions, changed customer needs and future trends. Against the background of the new appointments to the Supervisory Board, a seminar on the rights and duties of members of the Supervisory Board was also held in August with the employee representatives on the Supervisory Board.

As a result of Olaf Koch's decision not to renew his contract, which expires in March 2022, and to leave the company at the end of 2020, we decided at an extraordinary meeting of the Supervisory Board to terminate his appointment as member and Chairman of the Management Board by mutual consent with effect from 31 December 2020. In the course of the discussion, we agreed to seek support from an external consultant to help us find a successor to the CEO position and decided to commission a corresponding consultancy.

September 2020 – This meeting was preceded by information about EPGC's announcement published on 13 September 2020 that it would make a voluntary takeover bid for METRO AG shares again. In response, we decided to set up another takeover committee for the duration of this takeover process and to appoint financial and legal advisors to the Supervisory Board. The Management Board also informed us about current business developments and explained the transformation project at METRO-NOM GmbH. We discussed the budget planning for 2020/21 ff. presented by the Management Board and approved it. We also granted special bonuses to the members of the Management Board Olaf Koch and Christian Baier due to the completion of the sale of METRO China. Furthermore, we approved the revised remuneration system for the members of the Management Board of METRO AG and resolved to amend their service contracts accordingly. We passed resolutions on Management Board remuneration for financial year 2020/

21 and, against the background of the impact of the Covid-19 pandemic on METRO's planning, we adjusted the targets for the 2019/20 LTI tranche for members of the Management Board. We also adapted the Code of Procedure for the Management Board, Supervisory Board and Audit Committee as well as the diversity concept for the Management Board and the Supervisory Board. Resolutions were also passed on the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) and on the amendment of the directive on transactions with related parties. In the end, we discussed the evaluation of the self-assessment of the Supervisory Board conducted through an internally prepared questionnaire.

At the 1½-day strategy meeting, which was postponed from May to September 2020 due to the Covid-19 pandemic, we discussed the group strategy. Our discussions were based on topics such as the impact of the Covid-19 pandemic on the economy, retail and METRO customers, the strategy concept for HoReCa and Traders customers and its implementation in the respective METRO countries as well as the expansion of the Wholesale 360 business model.

Work in the committees

For the purpose of effectively performing its duties, the Supervisory Board relies on the work of 4 permanent committees: the Presidential Committee, the Audit Committee, the Nomination Committee and the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG). The committees prepare the board-level consultations and resolutions. In addition, also decision-making responsibilities were transferred to the committees within the legally allowed parameters. The respective chairmen of the committees report to the Supervisory Board regularly and comprehensively with regard to the work in the committees. Guests such as managers from the responsible departments of METRO or the auditors were invited to the committee meetings to discuss specific topics.

The permanent committees of the Supervisory Board are composed as follows (status: 9 December 2020):

- Presidential Committee: Jürgen Steinemann (Chairman), Xaver Schiller (Vice Chairman), Thomas Dommel, Prof. Dr Edgar Ernst
- Audit Committee: Professor Dr Edgar Ernst (Chairman), Xaver Schiller (Vice Chairman), Marco Arcelli, Stefanie Blaser, Michael Heider and Dr Fredy Raas
- Nomination Committee: Jürgen Steinemann (Chairman), Herbert Bolliger, Gwyn Burr
- Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG): Jürgen Steinemann (Chairman), Xaver Schiller (Vice Chairman), Thomas Dommel, Prof. Dr Edgar Ernst

In connection with the voluntary takeover bid by EP Global Commerce GmbH, which was announced on 13 September 2020 and published on 1 October 2020, the Supervisory Board also formed a Takeover Committee with equal representation. The members of the Takeover Committee were Jürgen Steinemann (Chairman), Stefanie Blaser, Prof. Dr Edgar Ernst, Michael Heider, Xaver Schiller and Alexandra Soto.

Presidential Committee – The Presidential Committee is mainly concerned with the personnel and remuneration issues of the members of the Management Board and monitors compliance with legal regulations and the application of the German Corporate Governance Code. In addition, the Presidential Committee is responsible for urgent resolutions and issues that the Supervisory Board has delegated to it for resolution. The Presidential Committee held 8 meetings in financial year 2019/20, 4 meetings were convened as an extraordinary meeting.

The subjects of discussion and resolutions were issues relating to the remuneration and contractual matters of the members of the Management Board. The Presidential Committee also dealt with the mutually agreed early retirement of Philippe Palazzi and Olaf Koch. Further issues addressed by the Presidential Committee included corporate governance at METRO, especially the preparation of the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG). As a regular topic of discussion in the committee, long-term succession planning and the development of talent management were discussed in detail.

Audit Committee – The Audit Committee is responsible for supervising the company's accounting, accounting processes, the effectiveness and development of the internal control system, the risk management system, the internal audit system, compliance and the audit of the annual financial statements (in particular relating to the selection and independence of the auditor and any additional services provided by the auditor).

6 committee meetings were held in financial year 2019/20. The Chief Financial Officer and the Chairman of the Management Board attended all meetings. In addition to internal and external guests, especially including the auditor, the Chairman of the Supervisory Board, Jürgen Steinemann, who retired from the Audit Committee in July 2020 as part of the set-up of the committee, attended the meetings of the Audit Committee as a permanent guest. The Chairman of the Audit Committee, Prof. Dr Edgar Ernst, was in regular contact with the Chief Financial Officer and the auditor and, when necessary, with heads of METRO's specialist departments. The Audit Committee routinely prepared the meeting of the Supervisory Board in December 2019 and, after thorough auditing, approved the annual and consolidated financial statements for financial year 2018/19, the combined management report of METRO AG and the group for financial year 2018/19 as well as the combined non-financial statement contained in the combined management report. In the presence of the auditor, the committee also discussed the results of the audit and recommended to the Supervisory Board to approve the annual and consolidated financial statements for financial year 2018/19 and to approve the Management Board's proposal to the Annual General Meeting 2020 on the appropriation of the balance sheet profit. The members of the Audit Committee discussed the quarterly statement and the half-year financial report for financial year 2019/20 prior to their respective publication. The Audit Committee also prepared the audit engagements for financial year 2019/20 and considered the auditor's planning of the audit as well as the key audit areas. The committee was informed about so-called non-audit services provided by the auditors and approved these services as necessary. The Audit Committee dealt intensively with the governance functions in the group (internal control systems, risk management system, internal audit and compliance), the draft budget presented by the Management Board, the group controlling plan and the audit plan prepared by the Internal Audit unit. The Audit Committee further requested information about significant projects and legal issues.

In separate telephone calls, in which the Chief Executive Officer and the Chief Financial Officer took part as scheduled, the Audit Committee also received reports between meetings on business developments, particularly against the background of the Covid-19 pandemic. The self-assessment of the Supervisory Board carried out in the reporting period also included an internal questionnaire prepared specifically for the members of the Audit Committee. The evaluation was discussed by the fully assembled committee. There was no need for action to improve the work of the Audit Committee.

Nomination Committee – The Nomination Committee prepares for the election of shareholder representatives to the Supervisory Board and proposes suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting. In financial year 2019/20, a total of 3 committee meetings were held, with 1 meeting convened as an extraordinary meeting, for the purpose of preparing election proposals to the Annual General Meeting for 2020 and 2021.

Mediation Committee – There was no reason for a meeting of the Mediation Committee, which was formed in accordance with § 27 Section 3 of the German Co-determination Act (MitbestG), in the reporting year.

Takeover Committee – The task of the Takeover Committee was to continuously deal with the takeover process and prepare all necessary or expedient tasks and decisions of the Supervisory Board. In particular, the Takeover Committee prepared the review of the voluntary takeover bid and the reasoned statement pursuant to § 27 of the German Securities Acquisition and Takeover Act (WpÜG). The committee did not take up its activities until financial year 2020/21.

Individual attendance at meetings

Participation of members of the Supervisory Board in office in financial year 2019/20 at meetings of the Supervisory Board and its committees is disclosed in the following. Only those meetings that took place during the respective membership of the Supervisory Board or committee are listed.

Supervisory Board	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Total (in percent)
Jürgen Steinemann (Chairman)	11/11	8/8	6/6 (partl. guest participation)	3/3	100
Xaver Schiller (Vice Chairman)	11/11	8/8	6/6	–	100
Werner Klockhaus (Vice Chairman, until 25/6/2020)	7/7	5/5	4/4	–	100
Marco Arcelli since 22/1/2020	8/8	–	2/2	–	100
Stefanie Blaser	11/11	–	2/2	–	100
Herbert Bolliger	11/11	–	–	1/1	100
Gwyn Burr	10/11	–	–	3/3	93
Thomas Dommel	10/11	2/3	4/4	–	89
Prof. Dr Edgar Ernst	9/11	3/3	6/6	2/2	91
Dr Florian Funck until 7/12/2019	3/3	–	2/2	–	100
Michael Heider	11/11	–	2/2	–	100
Udo Höfer since 17/7/2020	4/4	–	–	–	100
Peter Küpfer	11/11	–	–	–	100
Rosalinde Lax since 17/7/2020	4/4	–	–	–	100
Susanne Meister until 25/6/2020	7/7	–	–	–	100
Dr Angela Pilkmann until 25/6/2020	7/7	–			100
Dr Fredy Raas	11/11	–	6/6	–	100
Eva-Lotta Sjöstedt	10/11	–	–	–	91
Dr Liliana Solomon	10/11	5/5	–	–	94
Alexandra Soto	10/11	–	–	–	91
Manuela Wetzko since 17/7/2020	4/4	–	–	–	100
Angelika Will	11/11	–	–	–	100
Manfred Wirsch	10/11	–	–	–	91
Silke Zimmer	10/11	–	–	–	91
Attendance rate (total)					**97**

Corporate governance

The Management Board and the Supervisory Board of METRO AG attach high priority to the standards of good corporate governance. Against this background, the Management Board and the Supervisory Board base their actions on the recommendations of the German Corporate Governance Code and, in September 2020, issued their declaration of conformity with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and published the declaration of conformity on the website **www.metroag.de/en** in the section Company – Corporate Governance. Reporting on METRO's corporate governance can be reviewed in the declaration on corporate management. This document has also been published on the website **www.metroag.de/en** in the section Company - Corporate Governance.

Annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the annual financial statements prepared by the Management Board in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared by METRO AG based on the International Financial Reporting Standards (IFRS). It also reviewed the combined management report for METRO AG and the group for financial year 2019/20 and issued an unqualified audit certificate. The auditor also issued an unqualified certificate about the combined non-financial statement contained in the management report as a result of his audit to provide limited assurance. The auditor provided a written report on these audits.

The documents for the financial statements, including the combined non-financial statement, and the audit reports were discussed and reviewed in great detail during the meeting of the Audit Committee on 8 December 2020 and in the Supervisory Board meeting on 9 December 2020 in the presence of the auditor. Prior to these meetings, the required documents were distributed to all members of the Audit Committee as well as the Supervisory Board. In both meetings, the auditor reported about the key findings of his audits and was at the Supervisory Board's disposal to answer questions and provide additional information also in the absence of the Management Board.

The auditor also provided information on services rendered in addition to auditing services. No issues resulting in a disqualification due to bias arose.

Based on our own review of the annual financial statements, the consolidated financial statements and the combined management report as well as the combined non-financial statement for financial year 2019/20, we had no objections and the Supervisory Board approved the result of the audit. As recommended by the Audit Committee, we approved the annual financial statements and the consolidated financial statements submitted by the Management Board. The Annual Financial Statements of METRO AG are thus adopted. Following a careful own review and consideration of the interests involved, we approved the Management Board's proposal to the Annual General Meeting 2021 for the appropriation of the balance sheet profit.

Düsseldorf, 9 December 2020

The Supervisory Board

Jürgen Steinemann
Chairman

- **Information about the members of the Supervisory Board can be found on the website** www.metroag.de/en **in the section Company – Supervisory Board.**

METRO SHARE

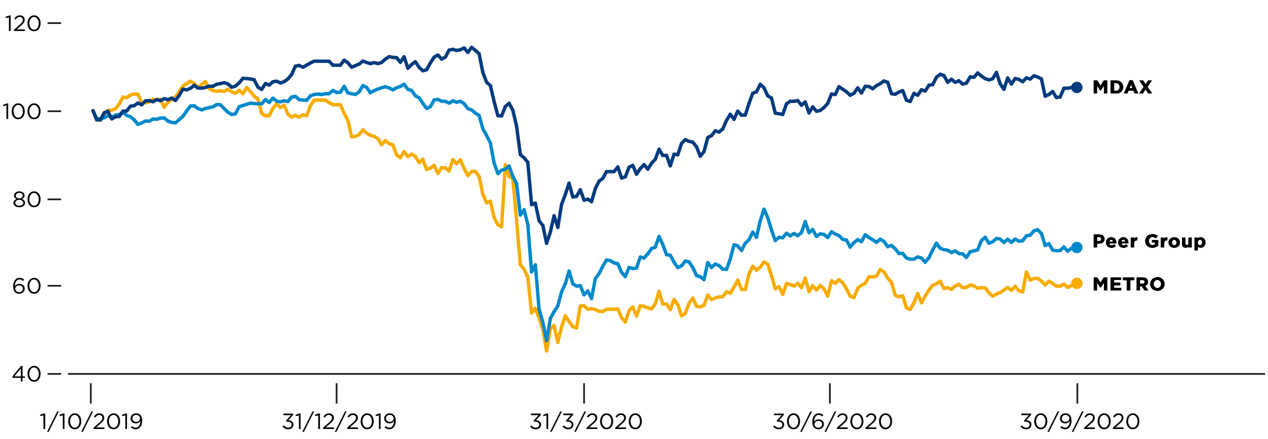
Performance of the METRO share

In the first 3 months of financial year 2019/20, the stock market performed positively due to signs of easing in the trade dispute between China and the USA, and the MDAX closed at 28,313 points at the end of 2019. The MDAX continued to improve until mid-February 2020, reaching its peak for the year with 29,355 points on 19 February. However, throughout the rest of financial year 2019/20, the stock market was heavily impacted by the effects of the Covid-19 pandemic. From 20 February onwards, as the **Covid-19 pandemic** accelerated, it dropped steadily, reaching a low of 17,909 points on 18 March. With the gradual withdrawal of government restrictions, the MDAX recovered and closed at 27,007 points on 30 September 2020. It was thus 4.3% above previous year's figures (30/9/2019: 25,887 points).

As of 30 September 2020, the METRO share finished with a closing price of €8.52 in Xetra trading on the Frankfurt Stock Exchange. This represents a decrease of −40% over the previous year. On a total return basis – and thus methodologically comparable with the MDAX – the METRO share recorded a decrease of −35% at the end of financial year 2019/20. The preference share traded at €8.94 on 30 September 2020. The development of the METRO share price in financial year 2019/20 was affected by the Covid-19 pandemic. Since mid-February, it developed in line with its peer group but at the same time well below the MDAX.

Listed companies in the food wholesale industry have seen their share prices drop considerably more sharply than the stock market as a whole. They also experienced a weaker recovery in the summer months. Scepticism about the future of the hospitality industry and tourism continued to weigh on share prices. Consequently, the entire sector remains heavily dependent on news about Covid-19 and prospects for the hospitality industry. Against this background, the METRO share did not benefit long-term from positive events in the course of the financial year, such as the sale of the majority stake in METRO China and the disposal of the hypermarket business. Even the significant recovery in business development and key financial figures, which began at the end of Q3 and continued into Q4, did not affect the share to the same extent as the key financial figures indicated.

DEVELOPMENT OF THE METRO SHARE (%)



Peer group: Bidcorp, Bizim Toptan, Eurocash Group, Marr, Performance Food Group, Sligro, Sysco, US Foods

METRO SHARE

			2018/19	2019/20
Closing price	Ordinary share	€	14.48	**8.52**
	Preference share	€	12.90	**8.94**
High	Ordinary share	€	16.07	**15.11**
	Preference share	€	14.65	**13.45**
Low	Ordinary share	€	11.69	**6.41**
	Preference share	€	10.95	**7.70**
Dividends	Ordinary share	€	0.70	**0.70**[1]
	Preference share	€	0.70	**0.70**[1]
Dividend yield based on closing price	Ordinary share	%	4.8	**8.2**[1]
	Preference share	%	5.4	**7.8**[1]
Market capitalisation (billion)		€	5.3	**3.1**

[1] Subject to the resolution of the Annual General Meeting.
Data based on Xetra closing prices
Source: Bloomberg

METRO SHARE DATA

	Ordinary share	Preference share
Ticker symbol	B4B	B4B3
Securities identification number	BFB001	BFB002
ISIN code	DE000BFB0019	DE000BFB0027
Reuters symbol	B4B.DE	B4B3_p.DE
Bloomberg symbol	B4B GY	B4B3 GY
Number of shares	360,121,736	2,975,517
Exchange segment of the Frankfurt Stock Exchange	Prime Standard	Prime Standard
Stock exchange	Frankfurt	Frankfurt

Shareholder structure of METRO AG

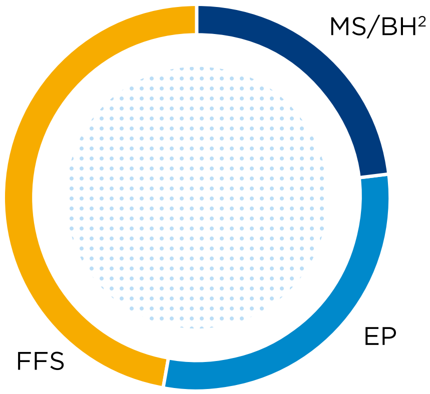
In preparing the annual financial statements, the largest (indirect) shareholders of METRO AG – based on the voting right notifications received by METRO AG in accordance with the German Securities Trading Act (WpHG) – are EP Global Commerce GmbH with 29.99% of the ordinary shares as well as Meridian Stiftung and Beisheim Holding, to which a total of approximately 23.06% of the ordinary shares are allocated in a pooling agreement. These 3 shareholders thus hold a total of 53.05% of the voting rights. In addition, CECONOMY AG holds 0.99% of the ordinary shares of METRO AG. Under the terms of the 2016 demerger agreement, these shares cannot be sold until 1 October 2023. EP Global Commerce GmbH also announced on 20 November 2020 that its takeover bid was accepted for around 10.60% of METRO's ordinary shares. If the acquisition is completed after the conditions described in the offer document have been met (mainly merger control clearances), the proportion of ordinary shares held by EP Global Commerce GmbH will increase to 40.59%.

— **For more information about details of the pooling agreement between Meridian Stiftung and Beisheim Holding, see chapter** 7 takeover-related disclosures in the combined management report ▸ page 123**.**

As of 30 September 2020, 46.95% of METRO AG shares are free-floating and held by a number of national and international investors, whereby the geographical distribution of the international free-floating shares mainly consists of investors from the USA, the United Kingdom and continental Europe.

SHAREHOLDER STRUCTURE[1]

as of 30/9/2020



MS/BH[2]	23.06%	Meridian Stiftung/Beisheim Holding
EP	29.99%	EP Global Commerce
FFS	46.95%	Free-floating shares
	100.00%	

[1] The information above is in particular based on notifications of voting rights pursuant to the German Securities Trading Act that were received and published by METRO AG.

[2] Vote on exercising voting rights under the pooling agreement.

Market capitalisation and index inclusion

The market capitalisation of METRO AG was €3.1 billion at the end of September 2020. In financial year 2019/20, a typical trading day at the Frankfurt Stock Exchange saw an average of around 985,000 of METRO's ordinary shares traded. On average, about 2,200 of the significantly fewer liquid preference shares were exchanged on each trading day.

The METRO AG ordinary share is included in a number of indices, most noteworthy the MDAX. The composition is based on fixed inclusion criteria. In addition to being listed in the Prime Standard and a free float of more than 10%, inclusion in the index depends on the free-float market capitalisation and the stock exchange turnover. In terms of market capitalisation, METRO was ranked 45th in the MDAX and 9th in terms of trading volume.

Sustainability is a high priority for METRO. Consequently, the company is fostering the continuous dialogue with sustainability-oriented investors, analysts and rating agencies. The METRO share is represented in numerous sustainability indices, such as the Dow Jones Sustainability Index (World and Europe), the FTSE4Good Index, the MSCI World ESG Leaders Index and its European counterpart.

Dividend and dividend policy

The Management Board and the Supervisory Board of METRO AG will propose a dividend of €0.70 per share to the Annual General Meeting on 19 February 2021. This dividend proposal corresponds to 55% of the reported earnings per share of €1.27 and is thus within the payout ratio of 45% to 55% as envisaged by METRO's dividend policy. The dividend yield on the basis of the closing price on 30 September 2020 is 8.2% for the METRO ordinary share and 7.8% for the preference share.

Analysts' recommendations

16 analysts have regularly published analyses and reports about the METRO share over the course of financial year 2019/20. 1 analyst recommends to buy the METRO share; 9 analysts rate the METRO share neutrally in the medium to long term; 4 analysts recommend selling the share and 2 analysts were 'restricted' at the end of the financial year. The median value of share price targets, which usually only represent a short-term perspective for the next 6 to 12 months and are currently impacted by the Covid-19 pandemic, was €8.25 at the end of September 2020 (€14.60 at the end of September 2019).

Grade	Bank	Registered office	Share price target (€)
Buy	Commerzbank	Frankfurt	10.00
Hold	Barclays	London	8.50
	Berenberg	London	9.00
	DZ Bank	Frankfurt	9.00
	HSBC	London	8.00
	Independent Research	Frankfurt	9.20
	Invest Securities	Paris	7.70
	Jefferies	London	8.50
	LBBW	Stuttgart	8.00
	M.M.Warburg	Hamburg	8.50
Sell	Exane	London	4.10
	Baader Bank	München	8.00
	Oddo BHF	Paris	7.50
	BofA	London	8.00
Restricted	J.P. Morgan	London	–
	Société Générale	Paris	–

Investor Relations

The METRO Investor Relations team is in continuous dialogue with analysts, institutional investors and retail investors. The team is guided by the principles of customer-focused capital market support:

- Topicality: assurance of information leadership
- Continuity: consistency in external communications
- Credibility: disclosure of accurate information
- Equal treatment: same information in terms of time and content for all recipients

In addition to the regular quarterly and yearly reporting, the Investor Relations team is also available for personal meetings at roadshows and conferences. It also conducts numerous individual and group discussions, store inspections and telephone conferences.

All information about the METRO AG share is available in German and English from the Investor Relations section of the website.

Among other things, the website offers additional information about METRO's corporate strategy and business development, all current publications, the schedule of events and the annual report. A webcast is available for all METRO events. The Investor Relations team can also be contacted directly. The Annual General Meeting of METRO AG provides all shareholders with the opportunity to learn about the current developments at METRO.

Its active membership in the German Equity Institute (Deutsches Aktieninstitut e. V., DAI) in Frankfurt allows METRO to actively promote an investment culture with an affinity for equities in Germany. METRO is also committed to the principles of open and continuous communications, which is expressed in the company's membership in the German Investor Relations Association (Deutscher Investor Relations Verband e. V., DIRK).

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GOALS AND STRATEGY

GOALS AND STRATEGY

METRO

- METRO successfully completes transformation to becoming a pure wholesaler.
- Continuation of the successful strategy with consistent implementation of the Wholesale 360 approach in order to position itself as the partner of choice for wholesale customers and in particular the core customer groups HoReCa and Traders.
- The current strategy forms the basis to emerge stronger from the crisis.

METRO is a leading international food wholesaler and global market leader in the cash-and-carry format. METRO is managed by METRO AG as the central strategic management holding company. Furthermore, central management and administrative functions are deeply enshrined within METRO AG.

The transformation of the group back to a pure wholesale company was completed with the successful sale of the Real sales line. METRO operates globally in more than 30 countries, including 24 countries with 678 wholesale stores under the METRO and MAKRO brands. The delivery business (Food Service Distribution, FSD) is also part of the wholesale segment, including the METRO delivery service and the companies specialised in delivery: Classic Fine Foods, Pro à Pro and Rungis Express.

Other business divisions, which essentially support the wholesale activities, are bundled in the Others segment. This particularly includes the group's **digitalisation initiatives**. They mainly comprise the activities of the Hospitality Digital and METRO MARKETS business units. The segment also includes the real estate company METRO PROPERTIES as well as various service companies that provide services in the areas of logistics, information technology, advertising and procurement.

METRO's strategy is aimed at long-term, consistent growth of sales and earnings. The wholesale business targets a very attractive industry sector that is characterised by very strong customer relationships (compared to food retail), a high number of returning customers, large shopping baskets and high productivity at significantly lower operating costs.

HoReCa and Traders focus

The 2 core customer groups of METRO are **HoReCa** and **Traders**. The HoReCa section includes hotels, restaurants, bars and cafés as well as catering companies, **canteen operators** and street food vendors. The Traders section includes, for example, small grocery stores, kiosks as well as petrol stations and other wholesalers. Both core customer groups have huge market potential, which we believe is based on the following factors, among others. On the one hand, both customer groups have an attractive, continuously growing market size; on the other hand, the number of prospective customers is very high due to the local competition between many (independent) providers on the HoReCa and Traders markets. A third group of customers are Service Companies and Offices (SCO).

Portfolio and market consolidation

In the core customer groups HoReCa and Traders, METRO aims to play a leading role as a product and service provider, depending on local market conditions. METRO combines an extensive network of modern wholesale stores with **delivery business** and digital services such as a system for ordering meals. The country portfolio of METRO is divided into core customer groups and regions, and is regularly reviewed with regard to the feasibility of a local market leadership and the attractiveness of the respective markets. Accordingly, possible portfolio adjustments of METRO adhere to strict implementation of the strategy to achieve a leading role in the respective market. On the one hand, this can be done through acquisitions for further market consolidation, but on the other hand it does not rule out market exits for portfolio simplification.

Localisation via country-specific value creation plans

METRO consistently aligns its business model to customer value and strengthens its local organisations to establish a closer relationship with B2B customers. Depending on the main customer focus in the respective countries, METRO offers a product range that is tailored to the specific requirements of its customers. By tailoring METRO products, services and sales channels to local needs, we can exploit local market opportunities to their full potential.

Based on the business model, the national subsidiaries develop and implement their local strategies, which are then translated into individual value creation plans and enable growth according to local conditions. The central holding functions support local value creation, in particular by relieving administrative tasks. Based on the country-specific and locally generated value creation plans, METRO has identified significant strategic value enhancers for its wholesale business:

- METRO aims to leverage the full potential of the markets it serves across all core customer groups. This is accomplished by differentiating the wholesale stores, for example by designing stores that are specifically tailored to the different customer groups and their respective needs.
- We intend to further expand the delivery business because it is attractive and complements the core business of the wholesale stores. Delivery is the most important procurement channel for HoReCa customers in most countries.
- METRO has set the goal to further roll out the Trader Franchising Model in countries such as Poland, Romania and Russia. METRO operates in a similar way as a franchisor with its own brand identity. It provides products and offers additional services to the participating independent grocery stores, such as training courses and assortment consultancy. The expansion of the model helps open up new growth opportunities in relevant markets. We are also exploring strategic B2B partnerships with online food retailers to complement our Traders strategy. To date, METRO has already established partnerships in 5 countries and is conducting pilot projects in 4 other countries.

- We want to win over our customers through our explicit customer orientation. With the Net Promoter Score (NPS), METRO continuously measures customer satisfaction through frequent surveys on the shopping experience. We use the results of the customer surveys to further improve our customer value proposition. It includes in particular the design of our product range, including own brands tailored to the specific quality requirements of our professional customers, pricing geared to bulk consumers and a range of corresponding services. By offering customers training, further education and professional advice, METRO enables them to benefit from its know-how.
- We aim to increase our operating efficiency in order to reduce our cost base. To this end, the group-wide synergy potential should be exploited, for example by expanding **joint purchasing** in METRO countries. On the other hand, cost advantages are to be realised through strategic cooperation projects with international retail and wholesale companies, for example by reducing procurement costs through international purchasing alliances.

Wholesale 360

Building on the successful core business, METRO is expanding its business model within the framework of the strategic **Wholesale 360** approach. Across all groups, the majority of METRO customers are small and medium-sized companies as well as sole traders. One objective of the Wholesale 360 approach is to strengthen the competitiveness of its customers – not only to make them and their business model more successful, but also with the aim of increasing customer retention over the long term and to become the preferred partner for HoReCa and Traders customers. Consequently, METRO assists its customers with their business challenges by providing them with sustainable solutions with superior added economic value, which we have combined under the Wholesale 360 approach.

To achieve this, METRO leverages its experience, knowledge, resources and global presence, which it has gained and succesfully expanded in more than 55 years since the first METRO store was opened in Germany. In addition, in a constantly changing environment, METRO identifies the current and future challenges of the customers at an early stage to offer them professional services and digital solutions. In doing so, we are pursuing the goal of expanding the customer relationship from a transactional merchandise trade to a sustainable and holistic partnership and thereby clearly differentiating ourselves from other wholesalers.

The Wholesale 360 approach is made up of 6 subject areas: expanded products, consulting, digital tools, marketplace, services and equipment.

- METRO's core competence is to offer ultra-fresh, high-quality food at attractive prices, tailored to local needs. To this end, METRO's national subsidiaries continuously develop their product range and adapt it to changes in order to increase customer satisfaction, shopping cart size and repurchase rates.

- Our customers are faced with a variety of complex challenges, for example, in the area of human and time resources, efficient business management, product range design or the financial resources of their companies. We offer individual top consulting, based on the know-how and experience of METRO. For this purpose, METRO invests in the consulting competence of the **customer managers** and uses the possibilities of data analysis. In the future market India, METRO and the Fintech company ePayLater developed the ‘Digital Shop’ app for **kirana traders**. With this app, sales can be efficiently tracked, inventories managed and payments processed digitally and free of charge.
- Access to digital solutions and innovative applications is a key subject area of our Wholesale 360 approach. The Hospitality Digital business unit offers customers from the hospitality industry convenient access to digital applications, such as free services for creating a website, online reservation systems or efficient staff management systems. Moreover, applications are available for optimising the respective operation, such as the **MenuKit for automatic calculation of the cost of goods sold**. These applications provide commercial added value for hospitality customers and will be used in a targeted manner in the future to expand existing customer relationships and to achieve an increase in new customers. Digitalisation represents an important strategic growth area and an investment into METRO’s future, and is consistently being implemented, in particular, by METRO-NOM, the group’s own IT subsidiary. METRO-NOM assists in the digital transformation of METRO and develops IT solutions for METRO and customer contact points. It includes, for example, the M-Shop customer platform and the **METRO Companion** shopping app.
- METRO MARKETS has been operating an online marketplace in Germany since September 2019, which targets HoReCa wholesale customers in particular. An international roll-out of the marketplace is being prepared.
- The range of services within the scope of the Wholesale 360 approach is continuously analysed, intensively worked on and optimised, as we expect it to provide noticeable growth impulses in the future. First, we are offering additional services such as financial services in selected countries.
- **Modern equipment** in the modern hospitality industry helps increase productivity and cut costs, while at the same time offering a high level of service quality. Strategic collaborations also enable integrated solutions, such as the offer of professional equipment at advantageous conditions. In cooperation with Pentagast, the largest association of resturant and kitchen equipment suppliers in Germany, we provide trend-setting food and kitchen solutions. METRO is thus expanding its product range and reaching further potential customers.

Covid-19

METRO is also affected by the global Covid-19 pandemic and its consequences. The pandemic poses enormous challenges for our business.

The hospitality industry, which experienced a very positive growth dynamic over the last decade, was and still is particularly restricted by Covid-19. This is primarily due to official restrictions imposed by the authorities to contain the pandemic. In the long term, the HoReCa sector is generally benefiting from the trend of increasing out-of-home consumption. The **Traders customer group**, which benefits from the continuing trend towards convenience solutions, was less affected by the restriction of business activities compared to the hospitality industry. In many cases, **Traders as local suppliers** in food retail were even able to benefit from the situation due to increased consumption at home.

So far, our diversified customer structure and multichannel approach have proven to be strengths and competitive advantages in the pandemic. Moreover, the pandemic is helping to accelerate the pace of digitalisation among our core customer groups, which is reflected in the increased demand and use of our **digital solutions**. In connection with the pandemic, we see an increased need for **more advanced, situation-specific solutions**, which we are analysing and offering as part of our Wholesale 360 approach.

National and regional authorities have responded with a wide range of measures to this pandemic, which to date has been characterised by outbreak patterns that vary significantly in terms of geography and time. Thanks to our locally based business model, we are in a position to deal with the respective situation appropriately. In order to make the best possible use of opportunities arising from the respective situation and to avert potential risks, we temporarily adjust the priorities in our country-specific value creation plans on a case-by-case basis to the benefit of our business.

Overall, our experience during the pandemic has so far confirmed our basic strategy. We are convinced that, thanks to our strategy, we will emerge even stronger from the pandemic.

Real estate

METRO has extensive real estate assets and manages a portfolio of more than 700 operating properties. The real estate sector makes a significant and long-term contribution to the business success of the wholesaler.

METRO PROPERTIES concentrates the real estate know-how of METRO and has established itself on the market as a reputable real estate company. The company operates, develops and markets an international portfolio of properties. Its activities cover the entire life cycle of METRO's real estate assets: from future-oriented investments, economic property operation/ maintenance to sustainable and creative development of real estate assets as well as the realisation of capital gains during disposal at the right point in time. In financial year 2019/20, the focus was on the successful disposal of real estate assets in connection with the sales transactions of METRO China and Real. METRO PROPERTIES is supporting the buyer of the real estate assets associated with Real for a transitional phase with a comprehensive, professional range of services. Together with our Chinese partner Wumei, initial talks were held about a joint project development, for example in Shanghai or Chongqing. The real estate portfolio was subjected to an updated, extensive analysis and clustering in order to identify project development potential and to examine sale-and-leaseback opportunities. For example, it included an urban planning competition to identify new uses for the METRO Campus in Düsseldorf.

Sustainability

METRO is strongly committed to promoting the success and satisfaction of its more than 16 million customers worldwide and pursues this goal in a responsible manner. For more than 20 years, METRO has been striving to realign all corporate processes towards sustainability in its own business operations as well as in relation to upstream supply chains. In addition to reducing food waste and promoting conscious consumption, the company is determined to pursue a clear commitment to cut its CO_2 emissions in half by 2030 when compared to 2011. Sustainability is not only an established part of METRO's business model, but also an indispensable element of the wholesale specialist's future strategy with focus on resource availability, talent acquisition and retention as well as customer demand and regulation.

- **Further information about sustainability at METRO can be found in the combined management report in chapter** 2.4 Combined non-financial statement of METRO AG ▸ page 44.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

1 OVERVIEW OF FINANCIAL YEAR 2019/20 AND OUTLOOK

Unless expressly stated otherwise, all subsequent presentations refer to continuing operations. Furthermore, reporting of the results for the financial year takes the new leasing standard IFRS 16 into account (full retrospective application).

Financial year 2019/20 is characterised by the impact of the Covid-19 pandemic, but also by the successful sale of the hypermarket business and the majority stake in METRO China. With these transactions the transformation to becoming a pure wholesaler was successfully completed. The Management Board had also announced efficiency measures for financial year 2019/20. The costs of these efficiency measures, which mainly relate to personnel measures at the headquarters, have been reported separately since financial year 2019/20 as transformation costs due to their non-recurring nature. Therefore, the following items 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

Earnings position

- Like-for-like sales declined by −3.9%; in local currency, sales declined by −4.0% and reported sales fell by −5.4% to €25.6 billion
- The adjusted EBITDA amounted to €1,158 million (2018/19: €1,392 million). Transformation costs of €47 million (2018/19: €0) were incurred; earnings contributions from real estate transactions reached €3 million (2018/19: €339 million). The reported EBITDA reached €1,113 million (2018/19: €1,731 million)
- Profit or loss for the period (from continuing operations) amounted to €−140 million (2018/19: €427 million)
- Earnings per share (continuing operations): €−0.40 (2018/19: €1.16)
- For continuing and discontinued operations, profit or loss for the period amounted to €471 million (2018/19: €333 million) and earnings per share to €1.27 (2018/19: €0.89)

Financial and asset position

- Net debt decreased to €3.8 billion (30/9/2019: €5.4 billion)
- Investments totalled €0.6 billion (2018/19: €0.8 billion)
- Cash flow from operating activities reached €0.6 billion (2018/19: €1.2 billion)
- Total assets (continuing and discontinued operations) amounted to €13.2 billion (30/9/2019: €17.8 billion)
- Equity (continuing and discontinued operations): €2.1 billion (30/9/2019: €2.3 billion)
- Long-term rating: BBB- (Standard & Poor's)

Outlook of METRO

The Management Board of METRO AG expects a return to sustainable sales and earnings growth after the Covid-19 pandemic and confirms the clear ambition to improve METRO's competitive position and to gain further market share. This conviction is backed by a continuously strong financial profile, learnings taken from the first wave of Covid-19, the ability to preempt the needs of the customers and to be a leading player in the expected consolidation of the wholesale industry.

For financial year 2020/21, however, METRO's financial performance will be impacted by the development of the Covid-19 pandemic. First, there is an impact of Covid-19-related governmental restrictions to public life, which is difficult to estimate. Duration and intensity of those restrictions determine that impact but are yet unknown. Second, there is an upside potential, which would result from an earlier than expected widely available vaccination. The Management Board therefore plans with different scenarios and updates them regularly.

Based on stable exchange rates and no adjustments to the portfolio METRO currently expect sales (both total sales and like-for-like) to be slightly below previous year. EBITDA adjusted is expected to decline by a mid-double-digit million euro amount. This outlook thereby assumes governmental restrictions to public life to last partially until mid Q2 of financial year 2020/21 and a fast and substantial recovery of the hospitality and tourism industry thereafter. Experiences gained from managing the first wave of Covid-19 will, along with cost efficiency and proven measures to protect the business, allow METRO to mitigate the impact on METRO's operations compared to spring 2020. In line with observations in November 2020, the Management Board expects one month of full lockdown in the entire country portfolio will result in average sales losses of around €400 million equalling sales losses of approximately 1.5 percentage points of sales growth compared to previous year.

The sensitivity of sales and earnings to the duration and severity of governmental restrictions is likely to follow the same pattern as in the previous year, with the by far highest impact in HoReCa driven regions, esp. in the segment Western Europe. In contrast, the segments Russia and Asia are expected to perform better than the group. On group level, the Management Board generally expect a back end-loaded performance, given the high comparison base in H1 (little to no Covid-19 impact on group level in previous year) and an expected more favourable business environment from spring 2021 onwards.

Given the uncertainty regarding the further development of Covid-19, the operational business keeps on following the “Protect-Preserve-Grow” strategy, which has proven to be effective in financial year 2019/20. This strategy was key for the continuous market outperformance and the rapid recovery METRO has shown during and after the first wave of Covid-19 and it includes,

- ensuring safety of employees and customers,
- optimising the cost base by adjusting capacities and scaling back discretionary capital expenditures,
- leveraging flexible store and delivery operations
- fostering strong customer relationships by being an uncompromising business partner.

2 PRINCIPLES OF THE GROUP

2.1 Group business model

METRO is a leading international specialist in food wholesale. The group is headed by METRO AG, which acts as the central management holding company. It performs group management functions, among others in the areas of finance, controlling, legal and compliance as well as purchasing and human resources. Central management and administrative functions for METRO are anchored within METRO AG.

In its core wholesale business, METRO operates globally with 678 stores in 24 countries. METRO is active with the delivery business (Food Service Distribution, FSD) in another 10 countries. It includes the METRO delivery service as well as the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express.

The core customer groups of METRO are **HoReCa and Traders**. The HoReCa section includes hotels, restaurants, bars and cafés as well as catering companies, **canteen operators** and street food vendors. The Traders section includes **small grocery stores, kiosks** as well as petrol stations and other wholesalers.

Across all customer groups, the majority of customers are small and medium-sized companies as well as sole traders. METRO wants to assist them with their business challenges by providing them with sustainable solutions with superior added economic value, which we have combined under the **Wholesale 360** approach.

The group's digitalisation activities are bundled under the Others segment. They mainly comprise the activities of the Hospitality Digital and METRO MARKETS business units. The Others segment also includes the service companies METRO PROPERTIES, METRO LOGISTICS, METRO-NOM, METRO ADVERTISING and METRO SOURCING. These companies provide real estate, logistics, IT, advertising and procurement services.

OVERVIEW OF METRO

METRO

METRO Germany	METRO Western Europe (excl. Germany)	METRO Russia	METRO Eastern Europe (excl. Russia)	METRO Asia

Others

- Hospitality Digital
- METRO MARKETS
- METRO PROPERTIES
- Other service companies

METRO

As an omnichannel operator, METRO combines a wide network of modern wholesale stores with a wide-ranging delivery service (FSD). It is an internationally leading player in this field. With its segments METRO Germany, METRO Western Europe (excluding Germany), METRO Russia, METRO Eastern Europe (excluding Russia) and METRO Asia, METRO is active in 34 countries. It operates 678 wholesale stores in Europe and Asia under its brands METRO and MAKRO. Its more than 16 million commercial customers worldwide are mainly hotels, restaurants, catering companies, independent retailers, as well as service providers and authorities, to which METRO offers a portfolio of products and solutions that has been tailored to their specific requirements. In the area of Food Service Distribution (FSD), METRO maintains a strong presence with its METRO Delivery Service and the delivery companies Classic Fine Foods, Pro à Pro and Rungis Express. Classic Fine Foods is an Asian delivery company for a wide range of deli food with premium customers, mainly in Asia and the Middle East. Pro à Pro delivers products to commercial customers across France, in particular in the fields of corporate catering, canteens and system catering. Rungis Express is an important upmarket food delivery company in Germany that mainly caters to hotels, restaurants and caterers (HoReCa).

Others

The Others segment mainly includes the Hospitality Digital, METRO MARKETS and METRO PROPERTIES business units. Hospitality Digital pools the group's digitalisation efforts for customers from the hospitality sector. These efforts include the development of tailor-made digital solutions for HoReCa customers. METRO MARKETS is further expanding its digital portfolio for independent restaurateurs with a new B2B online marketplace. Through this distribution channel, METRO offers non-food articles from its own product range as well as products from third parties. The sales and pro rata costs generated by METRO MARKETS are included in the operating units, while the development activities of METRO MARKETS beyond it are included in the Others segment. METRO PROPERTIES develops, operates and markets an international real estate portfolio. For additional business such as subletting, METRO benefits from the business unit's extensive market expertise. Thus the real estate segment makes a sustainable and significant contribution to the overall business success of METRO. Other service companies are also assigned to this segment.

STORE NETWORK BY COUNTRY AND SEGMENT

as of the closing date of 30/9

	METRO	
	Stores	Delivery
	2020	2020
METRO Germany	**103**	**FSD, Rungis Express, METRO MARKETS**
Belgium	17	FSD
France	98	FSD, CFF, Pro à Pro
Italy	49	FSD
Netherlands	17	FSD
Austria	12	FSD, Rungis Express
Portugal	10	FSD, Rungis Express
Spain	37	FSD, Rungis Express
METRO Western Europe (excl. Germany)	**240**	
METRO Russia	**93**	**FSD**
Bulgaria	11	FSD
Kazakhstan	6	FSD
Croatia	10	FSD
Moldova	3	FSD
Poland	29	FSD
Romania	30	FSD
Serbia	9	FSD
Slovakia	6	FSD
Czech Republic	13	FSD
Turkey	34	FSD
Ukraine	32	FSD
Hungary	13	FSD
METRO Eastern Europe (excl. Russia)	**196**	
India	27	FSD
Japan	10	FSD, CFF
Pakistan	9	FSD
METRO Asia	**46**	
Total	**678**	
Countries without stores		
China	–	CFF
Indonesia	–	CFF
Malaysia	–	CFF
Myanmar	–	FSD
Philippines	–	CFF
Switzerland	–	Rungis Express
Singapore	–	CFF
United Arab Emirates	–	CFF
United Kingdom	–	CFF
Vietnam	–	CFF

FSD = Food Service Distribution, CFF = Classic Fine Foods

Total countries: 34; countries with stores: 24; METRO countries: 25 (Myanmar only FSD); CFF countries: 10; Rungis countries: 5; Pro à Pro countries: 1; METRO MARKETS countries: 1.

2.2 Management system

METRO focuses strategically on creating additional customer value for the wholesale business. The objective is to increase the company value sustainably. This principle is also reflected in our internal management system. METRO uses the key performance figures described in the following for the planning, management and control of our business activities. Selected key performance indicators of our management system (like-for-like sales growth, EBITDA and Return on Capital Employed) form the basis for the Management Board’s variable remuneration component.

The focus of the group’s operational management is on those value drivers that have a direct effect on the medium- and long-term corporate objectives and are directly related to the strategy.

The first important key performance indicators for METRO are exchange rate-adjusted sales growth (as a total figure and a like-for-like figure) and the EBITDA excluding transformation costs and earnings contributions from real estate transactions. Our management system also makes use of other significant performance indicators, which are explained in the following.

MANAGEMENT SYSTEM

Key performance indicators describing the earnings position

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 selling space 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 1 year. It follows that sales 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 sales growth adjusted for currency effects, is EBITDA excluding transformation costs and earnings contributions from real estate transactions. This key performance indicator gives transparent account of METRO'S operational performance. Irrespective of it, the development of real estate assets and the proceeds from divestments 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 this key performance indicator without accounting for transformation costs resulting from (usually) non-recurring expenses in connection with the efficiency measures. Therefore, deviating from previous reports, the following indicators are posted:

- 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.

— **For more information about these key performance indicators, see chapter 3 economic report −3.2 asset, financial and earnings position –** earnings position ▸ page 76 **.**

Key performance indicators relating to the financial and asset position

The management of METRO'S financial and asset position aims at sustainably assuring liquidity and arranging cost-effective sources for the financing requirements of our subsidiaries.

— **For more information about the financial and asset position, see chapter 3 Economic report −3.2 Asset, financial and earnings position –** financial and asset position ▸ page 67 **.**

The key performance indicators used in this area also include the investments, which are planned, reported and audited both in aggregate for the group as well as separately for the segments. Investments are defined as additions to non-current assets (excluding financial instruments and deferred tax assets).

Another focal point in the area of the financial and asset position are regular analyses of the net working capital, which are carried out for the purpose of managing the operational business and capital deployment. Developments in net working capital over time result from changes in stock inventories, trade receivables and trade liabilities. Receivables due from suppliers are recognised in the items other miscellaneous financial assets and non-financial assets.

The net debt and the cash flow before financing activities are also used as key performance indicators to manage METRO's liquidity and capital structure. The net debt results from the balance of financial liabilities (including liabilities from leases), cash or cash equivalents and short-term financial investments.

METRO also analyses the free cash flow conversion to measure the group's success in transforming the generated income into cash inflows. The free cash flow conversion results from the ratio between the simplified free cash flow and the adjusted EBITDA after leasing-payments. The simplified free cash flow is calculated as adjusted EBITDA less leasing-payments and cash investments (excluding mergers and acquisitions) +/- changes in net working capital.

Value-oriented key performance indicators

The key performance indicator Return on Capital Employed (RoCE) is still used to assess the operational business. This key figure measures the Return on Capital Employed (RoCE = EBIT / average capital employed) in a certain period under review and allows for an assessment of the performance of the group's individual segments.

The resulting RoCE is benchmarked against the respective segment-specific cost of capital before taxes, which represents a minimum yield on the employed capital at market rates and is based on capital market models.

METRO also frequently uses value-oriented key performance indicators to assess both prospective and past investments. Accordingly, METRO uses the discounted cash flow method, the key figure economic value added (EVA) and other liquidity-oriented key performance indicators such as the amortisation period to form its investment-related decisions.

2.3 Innovation management

METRO takes pride in driving innovation. Innovations make an important contribution to new solutions, which METRO strives for in its operational business and in supporting its customers. With the Hospitality Digital and METRO-NOM companies, we are pursuing the goal of developing these types of solutions and making workflows more efficient. Digital solutions also support METRO's sustainability initiatives by making processes more efficient.

2.4 Combined non-financial statement of METRO AG

With this chapter, METRO AG fulfils its duty to produce a non-financial statement (NFS) for the holding company, pursuant to § 289b–e of the German Commercial Code (HGB), and a non-financial group statement, pursuant to § 315b–c in conjunction with § 289c–e of the German Commercial Code (HGB), in the form of a combined non-financial statement. As a separate chapter, this declaration constitutes a part of the combined management report. Unless stated otherwise, the concepts described here apply to the entire group as well as the holding company. Unless expressly stated otherwise, all presentations in the combined management report refer to continuing operations (excluding the hypermarket business and excluding METRO China). The Management Board of METRO AG is fully involved in all topics presented here and is regularly updated about their progress.

The NFS was produced in consideration of the GRI standards for corporate responsibility reporting and the UN Global Compact. The contents are not subject to statutory audits of the annual and consolidated financial statements, but are part of a limited assurance business audit according to ISAE 3000 by KPMG AG Wirtschaftsprüfungsgesellschaft. The assurance statement of the independent auditor is available at www.metroag.de/cr-report-2019-20/assurance.

Business model

— **For more information about METRO's business model, see chapter 2 principles of the group – 2.1. group business model ▶ page 39.**

METRO SUSTAINABLE

The framework for our actions and at the same time the driver for all our activities aimed at increasing sustainability for our customers is our sustainability approach METRO SUSTAINABLE, METRO's core objective is to drive the transformation towards responsible and sustainable business practices – within our own business operations, but above all in our collaboration with our suppliers and customers. By reconciling our business imperative and goals with the needs of nature, people and future generations, we can remain successful in the long term and overcome the conventional limits of growth for us, our stakeholders and society as a whole.

We verified our sustainability approach in financial year 2019/20 in accordance with the requirements of the German Commercial Code (HGB) by conducting a materiality analysis. The assessment was carried out by the members of the Sustainability Committee based on the legally required materiality definition. The aspects and issues identified in the analysis are the content of this NFS and comply with the requirements of the HGB for the reporting of non-financial content.

We are pursuing our operational sustainability strategy through the interaction of METRO SUSTAINABLE and our Wholesale 360 strategic approach. The goal is to address the issues that are most material to us to ensure that our sustainability activities cover the aspects and concerns that have the greatest impact on our business and that we can leverage through our business activities – together with our partners and customers. With our focus on the food sector, it covers a total of 8 focus areas. To benefit our customers, we have transferred this strategy to our concept 'My sustainable restaurant' in order to promote sustainable gastronomy as a partner of independent companies and make it tangible and realisable for our customers.

Within the 8 focus areas, we concentrate on the following 3 key topics:

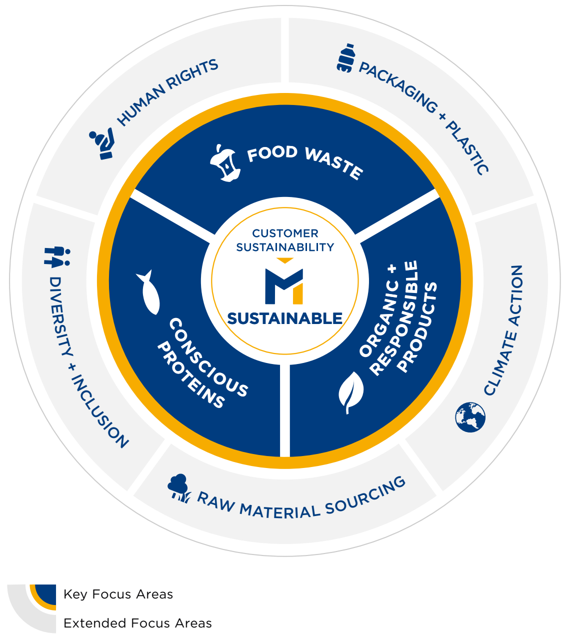
1. We want to make our range of products and services more sustainable by positively influencing the availability, quality and health as well as the social and environmental safety of food. We also want to offer more organic and sustainable products.
2. We promote more conscious consumption by finding solutions for a balanced ratio of proteins.
3. By pooling our partnership strengths, we are fighting against food waste.

At the same time, we are aware of our responsibility and opportunities when we stand up for human rights, seek innovative solutions in the field of packaging and plastics, make a positive contribution to climate protection, make the sourcing of raw materials more sustainable and promote diversity and inclusion. We achieve it particularly through the discourse with internal and external stakeholders such as employees, customers, suppliers and business partners, local communities, NGOs, political representatives, investors, competitors and committees. Covid-19 has not resulted in any fundamentally new issues for us. However, challenges and opportunities related to the aforementioned topics have arisen and have become more prominent. In particular, aspects such as protecting the health of customers, employees and suppliers have become more important (cf. Employee interests – **Occupational safety in times of Covid-19** page 55; Social matters – **Global labour and social standards in the supply chain and supplier development** page 58; Customers – **Customer satisfaction and innovation management** page 61).

Actively managing sustainability

In line with METRO AG's strategy, sustainability is systematically and organisationally entrenched in the core business. Sustainability management takes into account interdependencies between economic, environmental and social aspects in an efficient, solution-oriented manner and involves the Management Board. On the one hand, this is done through the work of the Sustainability Committee, on the other hand, for example by linking remuneration of the Management Board and the global senior management to the assessment of METRO's sustainability performance in the rating of the Dow Jones Sustainability Index (DJSI).

METRO SUSTAINABLE – OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



As the highest sustainability body in the company, the Sustainability Committee provides the strategic framework and group-wide goals and facilitates the exchange of information on sustainability issues at the highest management level – sometimes also with external input from guest speakers. To adequately respond to the specific market and customer requirements, the METRO companies manage the operational implementation of overarching sustainable development goals within this framework. They are responsible for working on the relevant sustainability issues, for defining and implementing specific targets and measures and for monitoring their success. The committee is chaired by 2 representatives from the top management, who are regularly rotated. Other members of the committee are:

- People in charge of corporate responsibility at METRO AG
- Representatives of the core functions purchasing, communications and energy management, investments & technical solutions
- Representatives of the METRO national subsidiaries

Sustainability management is closely linked to our opportunity and risk management through formalised reporting and assessment of sustainability-related opportunities and risks. This enables the Management Board to systematically identify, evaluate and control deviations from the sustainability goals and the associated opportunities and risks. In accordance with § 289c Section 3 Sentence 1 Nos. 3 and 4 of the German Commercial Code (HGB), there are no reportable risks for financial year 2019/20.

Our stakeholders evaluate all sustainability measures implemented, for example through ratings. These assessments by independent third parties show us progress and potential for improvement in our actions and are thus an important motivation and management tool for us.

ISS ESG (Institutional Shareholder Services – Environmental, Social, Governance: formerly ISS-oekom) awarded the Prime Status C+ (on a scale from D- to A+) to METRO in April 2020 again to recognise them as a leader in the industry sector. In financial year 2019/20, we were once again listed in the Food & Staples Retailing group in the internationally important Dow Jones Sustainability Index World and Europe. In 2020, METRO was again listed in the FTSE4Good index. For CDP Climate Change and Water, METRO achieved a rating of B (scale F to A) in 2019 and is thus above the industry average. In 2019, METRO participated in the CDP Forests project for the first time and earned a rating of B- (palm oil, soya, paper) and D (meat). METRO shares are also included in the MSCI World ESG Leaders Index and its European counterpart.

Environmental matters

Our approach is to significantly reduce the climate-relevant emissions caused by our business operations and resulting from our supply chain as well as to decrease our consumption of natural resources[1]. We do this by focusing on behavioural change (Energy Awareness Programme) and investment aimed at increasing our energy efficiency (Energy Saving Programme). We also operate a global energy management system that identifies potential savings in our stores and monitors our overall savings targets. In financial year 2019/20, we reduced electricity consumption in our METRO stores by 7.9% in comparison to the previous year and thus clearly exceeded our target of 3.4%. Effects of Covid-19 were observed only locally and with small fluctuations. We cannot quantify the exact impact of the pandemic on our energy consumption performance. Therefore, the key figures presented here as well as the conversions into CO_2 equivalents were included in the reporting in relation to the base year 2011 or the previous year. The corresponding assessments refer to this basis of comparison. Furthermore, we are also converting our cooling systems to natural refrigerants (F-Gas Exit Programme), insofar as it is possible. This reduces our energy requirements as well as our costs. In financial year 2019/20, among other things, we invested €5.1 million in METRO's Energy Saving Programme, which saves us approximately €1.4 million in energy costs each year. Examples of measures in the reporting year are:

- The first transcritical ejector refrigeration plants were put into operation in Slovakia, as well as in further projects in Germany, France, Italy, Belgium and Romania.
- The last CFC systems were replaced by natural refrigerants in all stores in Russia.
- Another 14 photovoltaic systems were installed in France, Belgium, Bulgaria, Austria, India and Pakistan, with a total additional capacity of 7,086 kWp.
- 460 charging stations for **electric vehicles** were installed for METRO customers. At the Düsseldorf Campus, 170 employees already use electric vehicles as company cars, whose emissions are offset by certificates for hydroelectric power plants.
- METRO uses an internal CO_2 price, which was raised to €50 per tonne of CO_2 in 2019. We use the CO_2 price to approve energy-efficient projects with lower financial savings. METRO is a member of the Task Force on Carbon Pricing in Europe, which aims to put a price on all relevant carbon emissions and thus achieve market- and competition-based decarbonisation.

[1] Due to the company size and alignment (management), the aspect of environmental concerns is not significant for the holding company, METRO AG.

In addition, we are currently conducting a comprehensive climate change scenario analysis for the local and international fruit and vegetable supply chain at METRO.

This is METRO's response to risks identified in initial scenario analyses (as recommended by the Task Force on Climate-related Financial Disclosures, or TCFD) in our business operations as well as in our supply chain:

- Physical risks resulting from extreme weather events and water stress (scarcity or flooding)
- Risks of business interruptions due to extreme weather events and risks caused by declining economic power
- Transition risks such as rising prices for CO_2 emissions (with short-term impact on costs and product prices)
- Risks of resource scarcity and associated price increases (for example for agricultural products in the next 5 to 10 years)
- Risks caused by investments in new technologies (carbon-neutral cooling units planned worldwide until 2030) and investments in the generation of renewable energies (extensive installation of solar systems planned until 2030)

We incorporate these risks in our medium-term risk management and assess risks for sales and costs, particularly those based on rising prices and decreasing availability of resources, taking social concerns into account. No risks subject to mandatory disclosure pursuant to § 289c Section 3 Sentence 1 Nos. 3 and 4 of the German Commercial Code (HGB) were identified.

Further key topics in relation to sustainable business operations are the prevention of waste, the reuse and multiple applicability of resources and their recovery by means of recycling. The reduction of food waste is an issue of particular importance to the operations of METRO. METRO has therefore committed itself to the Resolution on Food Waste by the Consumer Goods Forum (CGF) and thus to eliminate 50% of wasted food in our own operations by the year 2025 compared to 2016. We are currently working on updating this target. In 22 countries we cooperate with food service organisations and social institutions in order to avoid food waste in the stores, including our restaurants and warehouses. In addition, 9 of these countries cooperate or plan to cooperate with Too Good To Go in order to reduce food waste in their own operations (wholesale store and restaurant) and in joint efforts with customers. METRO is a member of the '10x20x30' initiative and involves 20 of its most important business partners to reduce food waste along the supply chain. Since October 2019, METRO has been a partner of Matsmart, a Swedish start-up that resells surplus food in the B2B business and thus contributes to waste reduction.

Status of climate protection target
From October 2019 to September 2020, METRO generated 247 kg of CO_2-equivalents per square metre of selling and delivery space. This figure is down from 267 kg in the previous year's period. Our goal is to reduce these emissions by 50% to 188 kg by 2030 compared with 2011. With the 34.3% savings we have achieved so far, we are on the right track. In 2019, METRO expanded the climate target to the supply chain and as the first German wholesale company set a recognised science-based target for itself. In it, METRO AG undertakes to reduce its Scope 1 and Scope 2 **CO_2 emissions** by 60% per square metre of selling and delivery space by 2030 compared to 2011. A reduction of 31.1% has been achieved in this area since 2011. Furthermore, METRO AG is committed to reducing absolute Scope 3 CO_2 emissions (supply chain) by 15% by 2030 compared to 2018. Our goals for Scope 1 and Scope 2 are thus in line with the reductions required to keep global warming well below 2 °C by 2100 compared to pre-industrial levels.

Employee interests

Sustainable human resources (HR) strategy
By fully focusing on the wholesale business, we are setting the course for our future. Our employees are the key success factor in this business model. They implement our strategy and bind customers to our company as partners through long-term relationships. It is therefore particularly important to us to create an appealing, open-minded and inspiring work environment for our employees. We firmly believe that only satisfied employees who are empowered in accordance with their capabilities and motivation can offer a first-class customer experience.

Our underlying holistic HR approach with customised initiatives and programmes spans the entire employee experience life cycle – from recruitment across various career and life stages to retirement models.

The involvement of the Management Board or the management of the various national subsidiaries and service companies often already takes place during the development phase of the HR concepts. This ensures a proper balance between adaptation to local needs and standardisation throughout the group. For example, in 2020 our Guiding Principles were revised by an international, cross-functional project group in which employees at Management Board level and from the countries were equally involved. The objective was to describe these principles even more clearly, to make them understandable and more tangible for all employees and to highlight the uniqueness of the METRO culture. The expanded Management Board and the management of the national subsidiaries were regularly involved as sounding boards and now also act as sponsors for the reintroduction.

The Guiding Principles are the cultural glue in our HR processes for a unique employee experience at METRO. They provide our employees with guidance for their conduct and decisions on our way to becoming a 360° wholesaler.

Our engagement levels, which have been consistently rising since 2011 and are well above the industry average, are proof that our employees are doing their best every day to jointly achieve the goals of the group. With our HR initiatives, we are contributing to reinforce this motivation, to encourage teamwork and to promote entrepreneurial thinking, open-mindedness and taking responsibility.

Our focus is on the following areas:

- Using the Guiding Principles as the foundation of our HR processes to create a consistent employee experience
- Development of our talent management and investments in our employer brand in order to fill positions in our company with the most talented employees.

- Further develop our performance management process with a clear focus on development to promote a performance-driven culture
- Increasing efficiency through conscious use of our resources and continuous improvement of our processes

With the outbreak of Covid-19, our familiar and habitual ways of communication and working were abruptly changed. We have used special surveys to establish dialogue with our employees during this period and asked them which aspects of the 'New Ways of Working' they rate positively and where they see potential for improvement or would like further support. The results particularly revealed a positive assessment of the IT infrastructure and the flexibility gained through the expansion of flexible work and time savings due to less travel. By contrast, managing teams from a distance was mentioned as a challenge. Therefore, we initiated a project organisation to promote the topic 'New Ways of Working' in 3 working blocks. These include: 'How we work together', 'How we empower and communicate' and 'How we commute and travel'.

This project complements the above strategic focal points with a new perspective on collaboration and communication.

Employee attraction

In the competition to hire the best professionals and managers, our goal is to position METRO as an attractive employer and to attract qualified, talented people to our company. Through various activities in the field of talent acquisition, we identify and recruit suitable professionals and managers for METRO on the talent market. This approach enables us to successfully and sustainably fill critical roles for the business in order to strengthen the company's own workforce and to move the company forward by securing our human capital.

In order to attract suitable employees, METRO positions itself as an attractive employer through target group-oriented communication on various channels.

Our main activities:

- By recruiting and training junior employees for the wholesale sector, we are able to develop managers from our own ranks. Therefore, we offer various internship, trainee and apprenticeship programmes throughout the group.
- In order to reach and attract specialised, experienced professionals and managers, we invest in direct sourcing, talent pooling and candidate relationship management activities.
- The definition of relevant and business-critical target groups and the analysis of their potential touchpoints with METRO enable target group-oriented and focused communication in order to position METRO as an attractive employer brand. Examples of communication channels include career fairs (also virtual ones), social networks as well as strategic collaborations (for example with universities).
- We invest in our employer brand: METRO has again been certified as a top employer. Altogether, 7 METRO national subsidiaries and 6 service companies received the renowned certification by the Top Employers Institute.

Employee development and retention
Through comprehensive talent management, targeted succession planning and numerous career development opportunities, we offer our professionals and managers attractive careers within our company, thus creating the basis for sustainable success. Our remuneration and benefits models also provide incentives for our employees to work performance-driven in line with our corporate Guiding Principles.

Talent management and succession planning
Our goal is to fill vacancies internally wherever possible. At the local management level we are committed to fill 75% of all positions from internal ranks and locally. It is important to identify our talents as early as possible and prepare them for the challenges of future management tasks, both nationally and internationally.

The internal replacement rate for country management teams in financial year 2019/20 was 85%. Regarding externally recruited professionals and managers, we consider it highly important that they are not only suitable for the position to be filled but also have the potential to develop beyond that. Therefore, we look at the second management level and measure what proportion of externally recruited employees is included in the succession planning for the management after 2 years. During the reporting period, this ratio was 43.4%. We also pay increased attention to the proportion of women in management positions in our succession planning.

Managers are particularly important in this respect. Because it is their responsibility to guide their employees through the performance process, to differentiate who needs which development measures and which next target position fits the employee's abilities. Individual development measures are coordinated in an annual calibration process, which takes place both per country for all employees and across countries for the first and second management levels. At the same time, decisions are made to determine for which employee groups we will invest in talent or development programmes at the local or global levels. The talent programmes for younger employees focus on retention and promotion to team leader or initial management positions.

Additionally, we support the creation of global communities of junior employees and experts to share knowledge and best practices across national borders and functions. Increasing digitalisation, particularly in the reporting year, has accelerated this trend.

In order to get a comprehensive view of employee development and adapt it to the ever-accelerating pace of business, we have revised our current processes. The previously separate processes of performance evaluation, succession planning and individual career development planning will be combined. In the future, it will be carried out on a semi-annual basis. We are placing the Guiding Principles of our company at the centre of all processes. Our goal is to guide our employees to base their behaviour and decisions on our Guiding Principles. This creates clarity and cultural ties to our company.

Training and development
Following the successful accreditation of the in-house training academy House of Learning by the internationally renowned CLIP certification of the European Foundation for Management Development (EFMD) in 2019, staff and management development was continuously further developed in the reporting year. For example, we launched new rounds of our international development programmes (for example Master in Store Operations, METRO Sustainable Leadership Programme, METRO Potentials) and further optimised training portfolios by expanding our 'Academy Concept'. In doing so, we link individual learning solutions in a logical chain so that they fit the various needs of the target group in line with the career planning. The Operations Academy, for example, covers all career steps in sales, from core topics for all store managers to competence training for store managers and an internal master's programme.

The focus of our training programme is on employees and managers of METRO AG as well as of the national subsidiaries.

The portfolio for the learning and development programmes offered at METRO on key topics such as sales, field service, sourcing, finance, human resources and management has also been digitalised to a large extent in order to facilitate virtual workshops in addition to traditional e-learning. Particularly noteworthy in this regard are our multi-month programmes Next Generation Finance, HR Masterclass, Assortment Management and Future Leaders.

This way, we were also able to successfully continue the international development programmes and internal master programmes, which are important for the internal replacement rate, in order to prepare our highly talented employees in the company for the challenges of future management tasks in the wholesale business – even in times of lockdown – and to ensure long-term succession planning.

The systematic development of our managers was further accelerated by the Lead & Win management programme. The target group of this learning path comprises approximately 12,300 managers in the group. Due to the limited international travel activities caused by Covid-19, the focus in the reporting period increasingly shifted to the local management levels of store, floor and department managers. In addition to Lead & Win, the 'Leading in the New Normal' module was developed as an online programme, which will be introduced globally at the beginning of financial year 2020/21. It is designed to prepare employees and managers for the challenges of the new work environment.

TRAINING COURSES AT METRO

	E-learning modules, webinars and online courses	Seminars, on-the-job training	Total
Number	358,015	11,779	369,794
Participants	366,485	107,542	474,027
Participant hours	212,936	498,315	711,250

TRAINING COURSES AT METRO AG

	E-learning modules, webinars and online courses	Seminars, on-the-job training	Total
Number	651	23	674
Participants	651	260	911
Participant hours	326	2,909	3,235

Performance-based remuneration

METRO employees receive competitive, performance-based and fair remuneration. We have also anchored this in our global guideline on fair working conditions and social partnership.

Our remuneration system 'Perform & Reward' for executives (with the exception of the members of the Management Board)[2] comprises a monthly fixed salary as well as 1-year and multi-year variable remuneration components whose payment amounts are essentially linked to our company's business performance. Additionally, the 1-year variable remuneration considers our executives' individual achievements, generation of additional value for customers as well as their implementation of our Guiding Principles in their daily work. The multi-year variable compensation components include a sustainability component and allow executives to participate in METRO's share price development.

Executive remuneration is complemented by additional benefits, such as an attractive pension model, promotion of health care and a mobility budget that can be used as part of METRO's 'Green Car Policy' for a car, train rides or pension provision.

Diversity and inclusion

We strongly believe that diversity and inclusion lead to better business results. In order to establish a diverse and inclusive corporate culture and to gain better access to more talent, METRO has developed a company-wide diversity strategy. Our goal is to create an open work environment in which individual differences are respected, valued and promoted. We strive to build a workforce in which each individual can develop and use their unique potential and strengths.

Equal opportunities at work

We promote equal opportunities at work for men and women. METRO aims to further increase the proportion of women in managerial positions. The objective is for 20% of employees on the first management level below the Management Board and 35% of employees on the second management level below the Management Board of METRO AG to be women by June 2022. At the end of financial year 2019/20, a share of 15.2% of women were employed in the first management level below the Management Board and 36.4% in the second management level below the Management Board. Additionally, the Supervisory Board has stipulated the objective of having at least one female member appointed to the Management Board of METRO AG by June 2022. As of 1 November 2019, Andrea Euenheim was appointed to the Management Board of METRO AG as the new Labour Director. METRO AG achieved the target set by the Supervisory Board already in 2019.

Furthermore, METRO has set a voluntary target for the share of women in executive positions at our wholesale business. By June 2022, 25% of managerial positions on levels 1–3 (including store managers) of METRO locations worldwide are to be filled by women. At the end of financial year 2019/20, the proportion of women on management levels 1–3 (including store managers) was 24.0%.

METRO has established one contact person for diversity and inclusion in each METRO (national) subsidiary in 2020. The diversity and inclusion strategy revised in 2020 is now being jointly implemented and monitored with the help of key performance indicators. As part of the revision of the strategy and through the positive development with regard to achieving the target of increasing the proportion of women in management positions at METRO AG and METRO's wholesale business, we have shortened the target achievement date of the current gender targets set by the Management Board on 26 July 2017 to 30 September 2020 (originally: 30 June 2022) and set new targets for September 2025. The objective is for 25% of employees on the first management level below the Management Board and 40% of employees on the

[2] For more information about the remuneration of the Management Board, see chapter 6 remuneration report page 104.

second management level below the Management Board of METRO AG to be women by September 2025. Furthermore, METRO has again set a voluntary target for the proportion of women in executive positions at our wholesale business. According to this, the share of women in management positions at levels 1 to 3 (including store managers) of METRO locations worldwide is to be 30% by September 2025.

To support these goals, we launched the Women Leadership Programme (WLP) in 2018. It supports the top 150 women within METRO with customised training measures. In addition, they are offered the opportunity to contribute to solving relevant business challenges and thus to make an impact and gain international visibility within METRO.

METRO is actively participating in various initiatives, such as the Diversity Charter, the LEAD Network and Prout at Work. Beyond that, various employee networks have been established to represent the issue of diversity and inclusion within the workforce and externally on their own initiative.

Occupational safety and health management

As a leading sustainable company, we are committed to ensuring a safe and healthy work environment for our employees, suppliers and customers. This commitment has motivated us to develop a new occupational safety and health (OSH) strategy, which provides transparency for improvement opportunities and highlights key OSH issues. As a first step, we introduced a new organisational structure at the company level to support our OSH activities.

Occupational safety

For METRO, we have initiated a group-wide Operational Safety Management System (OSMS), which was adopted by the Management Board in September 2020. It structures the safety environment in accordance with the requirements of ISO 45001 ‘Occupational health and safety management systems’. The OSMS manages and controls the interlinked processes of the various business activities so that METRO can fulfil its security relevant obligations as an operator. Starting in financial year 2020/21, the system will apply accordingly throughout the group.

Occupational safety and health reporting

Already in February 2020, the OSH Reporting Manual was launched as a pilot project, which will be transferred to all units as part of the implementation of the OSMS. Currently, the vast majority of METRO countries report regularly using the new format with an improved methodology for recording and calculating work-related injuries.

KPIs for occupational safety and health

In the reporting year, we expanded our OSH performance and are well on the way to a robust safety culture. With various initiatives, we are generally working to increase awareness among employees that each individual bears responsibility for occupational safety. Moreover, we are continuing to work on a solid group-wide reporting system. The Lost Time Injury Frequency Rate (LTIFR), that is, the total number of lost-time incidents (LTIs) per 1 million working hours, for the German METRO companies in financial year 2019/20 was 4.27[3].

We will continue our commitment to improving occupational safety and will measure the results of our safety measures using proactive and reactive key figures. This includes measures to actively involve employees in management through store visits and participation in audits, strong employee involvement in our hazard identification programme, robust incident and near-accident reporting, training to encourage behavioural change, an audit programme and self-monitoring programmes.

[3] Key figure not comparable with the disclosure in the 2018/19 annual report due to the change in the reporting system

Occupational safety in times of Covid-19

The global Covid-19 pandemic has also affected METRO. Extensive organisational measures were implemented to ensure the safety of all employees. They include optimisation of the flexible work offer, travel restrictions as well as safety and hygiene measures in the headquarters, stores and warehouse locations of the METRO companies. Transparent communication regarding regulations and changes in the Covid-19 situation kept the incidence of infections at a low level throughout the company.

Fair working conditions and social partnership

Our principles on fair working conditions and social partnership are a crucial component in shaping our employer–employee relations. These principles are based on the UN Guiding Principles on Business and Human Rights, the core labour standards of the International Labour Organization (ILO) as well as the 3 main principles of the Resolution on Forced Labour by the Consumer Goods Forum. Accordingly, these principles contain the right to free unionisation and collective agreements, structured working hours and wages, occupational safety and health management as well as the prohibition of forced labour, child labour and discrimination.

We ensure that our sales lines and their national subsidiaries comply with the principles on fair working conditions by reviewing our regional headquarters, stores and logistics centres. In order to improve the working conditions in the national subsidiaries, corrective action plans are defined with the local colleagues, in which substantive measures with clear responsibilities and timetables are defined and executed. The focus is on entering into a dialogue with the companies and promoting the knowledge sharing in order to learn from one another, not only with regard to working conditions but also in terms of dialogue with employee representatives. Since financial year 2016/17, extensive reviews on compliance with the METRO principles have been performed on-site in 15 national subsidiaries (Pakistan, Bulgaria, Japan, Hungary, Italy, Serbia, India, Slovakia, Moldova, Spain, Russia, Croatia, Kazakhstan, Portugal and France). Many areas returned satisfactory results, while others showed potential for improvement, in particular in the area of occupational safety. The on-site reviews were followed by comprehensive training on the METRO principles on fair working conditions. No on-site audits were carried out during the reporting period.

Financial year 2019/20 was dominated by Covid-19, which is why we changed our audit procedure in the METRO companies and conducted a survey on the principles from May to July. Afterwards, limited audit procedures were carried out at 5 selected METRO companies. The goal was to assess the current implementation status of the principles on fair working conditions and social partnership (FWC & SP) in key units and to make recommendations for improving the FWC & SP process.

On a national and international level, METRO maintains constant communication with works councils and unions and encourages management to engage in constructive and mutually informative dialogue with our employees and their representatives. This dialogue results in several collective employment agreements at the level of business units, countries or individual stores – depending on local laws and customary practices. There is also the METRO Euro Forum (MEF), our European Works Council. This corporate body is notified and consulted in case of cross-border/transnational changes within the EU area. The MEF meets regularly. Plenary meetings are held once a year with a training session for all employee representatives of the METRO Euro Forum and up to 3 times a year with the steering committee of the MEF and management representatives. Also, in a periodic social dialogue with the international trade union organisation UNI Global at the global level, discussions include the commitment to fair working conditions and social partnership.

Development of employee numbers
The tables below show the year-on-year development of employee numbers as an average for the 4 quarters of the financial year and as of the closing date of 30 September, both based on full-time equivalents:

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENT

Full-time equivalents, average

	2018/19	2019/20
METRO	**93,133**	**89,359**
METRO Germany	11,770	**11,580**
METRO Western Europe (excl. Germany)	24,290	**23,483**
METRO Russia	13,623	**11,583**
METRO Eastern Europe (excl. Russia)	27,993	**27,681**
METRO Asia	7,585	**7,182**
Others	**7,017**	**7,054**
METRO AG	**855**	**796**

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENT

Full-time equivalents as of the closing date of 30/9

	2019	2020
METRO	**90,883**	**88,306**
METRO Germany	11,760	**11,396**
METRO Western Europe (excl. Germany)	24,044	**23,594**
METRO Russia	12,288	**11,280**
METRO Eastern Europe (excl. Russia)	27,589	**27,484**
METRO Asia	7,298	**7,079**
Others	**7,067**	**6,705**
METRO AG	**837**	**768**

Social matters

Respect for human rights

The principles of METRO include respect of all human rights, as set out in the United Nations' Universal Declaration of Human Rights, the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). This is manifested in our Policy for Human Rights, which applies to our own employees and to our business partners within our value chain[4]. Our goal is to identify and prevent violations of fundamental human rights in our own business operations and in the supply chain. We also strive to systematically improve working conditions in our supply chain.

Respect for similar values is also important to us on the part of our business partners. We formalised this in the METRO Code of Conduct for business partners. It includes compliance with human rights according to the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, UN and ILO standards, occupational and social matters based on the principles of the International Labour Organization's (ILO) 4 core labour standards, provisions for environmental protection and corporate ethics, in particular anti-corruption and anti-bribery, antitrust and competition laws as well as data protection. Furthermore, all of our own-brand contracts and framework contracts for brand suppliers contain a social standards clause that gives us legal means to enforce our requirements.

In case of violations of our basic human rights principles, our employees can contact their supervisors or the company's compliance officers. Using a tool that is publicly accessible via the METRO compliance page, every internal and external individual, including stakeholders of our suppliers, can report incidents. It is important for us that our suppliers also provide such a reporting system. The reported incidents will be promptly investigated and processed by our experts to take appropriate action, if necessary. We are also committed to working with our suppliers and within the group to remedy impacts, utilising joint initiatives and collaborating with stakeholders, and not obstructing access to other legal remedies.

[4] For the METRO AG holding company, the aspect of human rights in the supply chain is not essential because of its business orientation, but rather only in relation to its own employees.

Global labour and social standards in the supply chain and supplier development
In order to contribute to ensuring socially acceptable working conditions within our procurement channels and to prevent potential infringements, the application of social standard systems is a key part of the purchasing process in addition to the contractual manifestation of our requirements. We will require our producers to be audited in accordance with the supply chain management standard set out by the Amfori Business Social Compliance Initiative (Amfori BSCI), the Sedex audit according to SMETA or an equivalent social standards system. This applies to all producers in defined risk countries (based on the Amfori BSCI assessment) in which METRO SOURCING International (MSI) and METRO Food Sourcing (MFS) have imported goods manufactured. It also applies to all other producers who manufacture own brands or own imports for our sales lines. This risk assessment did not have to be adjusted in connection with the Covid-19 pandemic either, as it is generally applicable. For many years now, we have been working on the basis of a corresponding process for our non-food producers[5]. Since 1 June 2019, the same process was established analogously for all food and near-food producers in the own-brand sector. The national subsidiaries were trained in this respect and will be gradually integrated into the process over the next 1–2 years. Due to the disruptive circumstances of the Covid-19 pandemic, especially for supply chain management, only METRO Food Sourcing has fully implemented the process so far. The national subsidiaries in Turkey, Germany, India and Pakistan as well as our purchasing companies Valencia Trading Office (VTO) and Rotterdam Trading Office (RTO) are still in the process of introducing the process.

As of 30 September 2020, 675 of 863 active own-brand non-food producers and 60 of 109 corresponding food/near-food producers had undergone the audit process. Within this group, 99% (665) of non-food producers and 100% (60) of food/near-food producers have passed the audit. Effective 1 January 2019, non-food producers who fail the audit can only be commissioned as METRO contracting parties if they achieve an acceptable audit result. In other words, they have to receive an A, B or C for the Amfori BSCI assessment or an audit that is acknowledged as equivalent[6]. Until further notice, all food/near-food suppliers with Amfori BSCI D (and in exceptional cases also E) audit results (and corresponding equivalents of other standards recognised by METRO) can also be commissioned by METRO. This procedure realistically reflects the challenging way of re-integrating suppliers into the process and gradually working towards ensuring socially acceptable (working) conditions.

The verification of compliance with our requirements is performed via an internal IT-based process management database, which provides an overview of the portfolio management of the affected suppliers and the associated producers. The database is also used to monitor compliance with contractual agreements during the initiation and suspension of business relationships. The necessary documents are checked before the conclusion of a contract. Misconduct with regard to the so-called deal breakers specified by METRO in the course of ongoing business relations will trigger suspension of the supplier. Deal breakers include specific findings in the areas of child labour, forced labour, occupational safety hazards with regard to fire safety and ethical behaviour. If misconduct is discovered at suppliers and their producers concerning one of these areas, they are required by METRO to develop short-term and long-term solutions to remedy the deal breaker issue. New orders or follow-up orders are suspended until the findings in the deal breaker process have been resolved.

[5] This includes merchandise producers (non-food own-brand products and own non-food imports) in high-risk countries that carry out the final value-creating production step, for example produce the final item of clothing.

[6] A METRO company was granted an exemption in August 2020 for the (post-) coronavirus period to continue to use individual producers with D audit results if their D audit results are attributable to coronavirus-based failure. These producers will be granted a 6-month grace period until they can demonstrate a follow-up audit result of A through C.

Supplier development was also identified as a significant topic for the business activities of our operational business[7]. By training small and medium-sized suppliers on aspects of food safety, hygiene and implementation of fair working conditions, we support them in meeting relevant standards and thus help them successfully market their goods. The importance of this collaboration became particularly apparent with the outbreak of the Covid-19 pandemic, when it was used to compensate for the largely cancelled Amfori BSCI and Sedex audits with intermediate measures. With a questionnaire, instructions and discussions we were able to offer our producers assistance and thus fulfil our due diligence obligation to emphasise the respect of human rights even without audits. Special attention was paid to stricter hygiene rules and potential human rights violations as a consequence of the sometimes severe economic losses, such as the risk of unregulated overtime.

In order to contribute to the improvement of the social requirements in our production plants and thus to further increase the proportion of valid social audits, MSI, MFS and METRO Turkey work together with our local producers and support them with training courses that serve to teach understanding and compliance with the social standards. Since the start of the project in financial year 2017/18, the national subsidiaries in Turkey, Pakistan, Ukraine and Bulgaria have completed a training course on forced labour for employees in key positions, which is being conducted together with Amfori BSCI. Spain, Serbia, Croatia and Myanmar followed suit in financial year 2019/20. Successively, all METRO national subsidiaries will complete this training. The original target to achieve this by 30 September 2020 could not be kept due to process-related delays and circumstances caused by Covid-19.

- **With regard to the description of risks associated with non-compliance of standards by our suppliers, we refer to the section on ‘Supplier and products risks’ in chapter** 5 Opportunity and risk report ▶ page 89**. We did not identify any significant risks.**

Combating corruption and bribery

The Management Board of METRO AG is committed to complying with applicable laws, rules and regulations. METRO employs a group-wide compliance management system (CMS) to ensure compliance with laws and a self-imposed code of conduct, including key risks such as combating corruption and bribery. The aim of the CMS is to systematically and permanently prevent, detect and sanction violations within the company and to take measures to achieve future compliance.

The METRO Business Principles are at the heart of our compliance initiatives and are firmly anchored throughout the group particularly by ongoing training measures. The CMS is based on the METRO Business Principles. Business Principle no. 2, for example, explicitly prohibits corruption and bribery in dealing with business partners and authorities. When setting up the CMS, METRO was guided by the basic elements of such a system described in the IDW PS 980 auditing standard (principles for the proper performance of reasonable assurance engagements relating to compliance management systems). It operationalises the 7 CMS elements on a risk basis applying a wealth of organisational, structural, procedural and individual measures for all major group companies.

[7] Due to the company alignment, the aspect of supplier development is not significant for the holding company, METRO AG.

The Management Board of METRO AG and the management of the relevant METRO group companies demonstrate proper conduct. In addition to informal role model behaviour, frequent 'tone from the top' messages are foreseen in the organisations. New members of management committees and other executives undergo compliance onboarding at the beginning of their job. Indications of compliance incidents are investigated in a clearly defined and objective process. It involves all relevant functions including compliance, legal, auditing and HR.

The defined goal of the CMS is additionally implemented in the organisation via human resources management tools. As part of the regular performance reviews, compliance aspects from the METRO Guiding Principles are included in the evaluation.

Generally, the CMS compliance risks control is risk-based. As part of regular risk audits, for example in the form of workshops with relevant stakeholders in the respective units, the compliance risks are continuously checked for completeness and relevance. In addition, each relevant group unit is classified in 1 of 3 risk classes. External and internal indicators are used for this purpose, such as Transparency International's indices, employee turnover rates and compliance maturity in past periods.

A compliance programme with different intensities is defined for each risk class. It is based on the guidelines developed for each significant compliance risk and adopted by the Management Board. When it comes to combating corruption and bribery, this is one guideline for dealing with business partners, including guidelines for a business partner assessment, and dealing with public officials.

The CMS is implemented by the compliance organisation. A compliance officer has been appointed to each relevant METRO group company for this purpose, who reports directly to the METRO AG Corporate Compliance department as part of Corporate Legal Affairs & Compliance. Corporate Compliance keeps the concept and content of the CMS on a risk-appropriate level and provides the concepts and tools for implementation in the METRO group companies of each CMS element. The disciplinary and technical leadership of the compliance officers takes place via institutionalised reporting dates as well as target agreements. The compliance officers regularly report directly to the local management in their units. Moreover, identified key compliance risks are addressed in the context of the other GRC subsystems and integrated into the systems there.

An IT-based whistle-blower system provides employees and external third parties with an opportunity to provide information (under the protection of anonymity, if preferred) on regulatory infringements within the company. All reported regulatory infringements, irrespective of whether the measures for ensuring compliance with these rules fall within the area of responsibility of the compliance organisation, are investigated and – where appropriate and necessary – sanctioned systematically by the CMS, which relies on the compliance incident handling system operated by the compliance organisation.

Compliance topics and measures are systematically communicated to the workforce through a variety of channels in the company in a targeted manner. A core tool is compulsory compliance training, which is either carried out in person or through e-training. In financial year 2019/20, compliance training was executed in all relevant METRO group companies. The selection of relevant employee groups is risk-based. Practical content is taught in the training courses. A variety of other communication formats are used in addition to training, such as compliance talks, posters, flyers, intranet, department visits, function and leadership conferences as well as personnel development events.

The METRO companies collaborate with a large number of external business partners. Before entering into specific contractual relationships, a risk-based examination is performed to determine whether there are reasons from a compliance perspective not to engage a third party. Certain groups of business partners, such as consultants with contact to public officials as part of the order fulfilment, require an in-depth audit that is appropriate for the risk. To this end, the existing process has been digitalised. The group-wide roll-out of the digital tool for compliance verification of business partners, which began in the last financial year, is almost complete. The goal is to have it fully operational for relevant METRO group companies in the coming financial year. The audit approach is risk-based in various degrees of intensity, for example in the form of self-disclosure, but also by examining external databases with relevant risk information.

Proper implementation of the defined risk-based measures for the implementation of the CMS is ensured through frequent KPI reporting for each relevant METRO group company. Through KPI reporting, a compliance maturity level is determined annually, which in turn is incorporated into risk classification and definition of measures. The efficacy of our internal compliance controls is regularly assessed by our Internal Audit unit. As part of METRO'S GRC approach, the Group Audit department evaluates the effectiveness of the group-wide CMS every year. This assessment is presented to the Management Board and the Supervisory Board as part of the regular reporting on compliance issues.

Overall, the mentioned control and monitoring measures demonstrate an appropriate level of compliance maturity.

Customers

Customer satisfaction and innovation management

METRO focuses on identifying and addressing customers' current and future challenges at an early stage in a constantly changing environment. It is thereby elevating the customer relationship from a transactional merchandise trade to a sustainable and holistic partnership.

Customer focus and customer satisfaction are central elements of the corporate strategy. In order to continuously measure and improve customer satisfaction, METRO has implemented the Net Promoter Score throughout 24 METRO countries. Since its introduction, METRO has received about 3.7 million customer feedbacks. Besides the quantitative measurement of the satisfaction values, suggestions from customers can be systematically recorded and evaluated. Among other things, this is done through analysis tools with regard to, for example, product range availability or pricing. Subsequently, measures are implemented and tracked at country level to continuously optimise customer satisfaction.

An important aspect of customer satisfaction with regard to the Covid-19 pandemic is the protection of customer health. In order to ensure the best possible protection, METRO has issued recommendations on preventive measures, for example, by continuing to enforce safe distancing, mandatory mask wearing and by installing disinfectant dispensers. Corresponding measures were implemented in the countries on their own responsibility. In addition, best practices were exchanged between the national subsidiaries and product ranges were expanded to support our customers in implementing protective measures in their operations.

With its 2 companies, Hospitality Digital and METRO-NOM, METRO offers professional services and digital solutions that support professional customers in successfully conducting their business and strengthen their competitiveness.

Hospitality Digital develops customer- and user-oriented digital solutions specifically designed for the hospitality industry. After about 2 years, METRO has supported more than 200,000 restaurateurs in 15 countries with digital solutions through its online platform DISH (Digital Innovations and Solutions for Hospitality). The provided tools facilitate operating processes, ensure visibility on the internet or support the restaurateur in evaluating key business figures.

Protection of personal data

The protection of personal data of customers, employees and business partners is extremely important to METRO. This is particularly true considering the fact that corporate processes are increasingly being digitalised, requiring data collection, processing and storage.

METRO always undertakes to comply with the respective data protection laws of the countries in which METRO is active. In addition, METRO has a group-wide privacy policy that contains uniform standards for the handling of personal data and is binding for all group companies. In addition, national laws apply. For companies operating in Europe, this includes, in particular, provisions for dealing with the General Data Protection Regulation (GDPR).

METRO also has a group-wide data protection organisation, consisting of local data protection officers and data privacy managers responsible for corporate data protection. It facilitates the pursuit of overarching and national data protection and digitalisation developments in order to continue to meet the statutory data protection requirements across the group.

With the help of the structures created by the data protection organisation, METRO has set up a system for continuously and comprehensively monitoring compliance with data protection regulations within the group. The review covers internal requirements and provisions from laws and other legally binding provisions on data protection.

The concept of the METRO group’s data protection management system was also audited and certified by an external body in accordance with the international auditing standard IDW PS 980. There were no objections.

3 ECONOMIC REPORT

3.1 Macroeconomic and sector-specific parameters

The following description must be considered explicitly in the context of the ongoing Covid-19 pandemic. The underlying data were collected up to the closing date of 30 September 2020.

Global economy

At the beginning of financial year 2019/20, economic development continued at the moderate growth level of the previous year. Starting in China and followed by other countries in Asia and Europe as well as North and South America, the rapid spread of **Covid-19** led to comprehensive measures by the governments of the individual countries to contain the virus. These measures varied from country to country and restricted both social life and the economy – in some cases considerably.

From an economic perspective, this translated into a combination of immediate supply and demand shocks that led to a global recession. This is reflected in a decline in global real economic output of −2.9% in financial year 2019/20 compared to financial year 2018/19. Especially in Q3 2019/20, where many countries in the METRO portfolio were severely affected by the Covid-19 outbreak, the decline in GDP compared to the same quarter of the previous year was particularly high at −6.6%.

Individual economic sectors and industries were affected by the measures to varying degrees. While some sectors like civil aviation, tourism and hospitality as well as sports and cultural events suffered to some extent even drastic sales losses due to the restrictions imposed by the authorities, a few other sectors such as food retail, pharmaceuticals, IT and manufacturers of hygiene products were able to benefit from the situation.

Compared to previous recessions, the measures imposed to contain the pandemic had an immediate impact on the labour market. However, many countries have so far been able to mitigate the effects through short-time work programmes. In addition, China, the USA and Europe launched extensive and very large-scale economic stimulus programmes to cushion the economic impact and revive the economy. The gradual easing of restrictions on social and economic life also contributed to it. These efforts led to a slight GDP growth in Q4 2019/20 compared to the previous quarter.

However, as of the end of financial year 2019/20, the pandemic has not yet been fully overcome, especially in the largest economies – with the situation in China still being unclear. Due to the economy’s high dependence on the pandemic situation, it is unclear whether the first positive economic trends in Q4 2019/20 will already lead to a lasting recovery.

The effects of the pandemic were also visible in the food wholesale sector. This was mainly due to the massive and immediate slump in sales in the **HoReCa customer group**. That is particularly true in countries where the **hospitality industry** and tourism traditionally account for a higher proportion of economic output. Food wholesalers with a broad customer portfolio were able to cushion these negative effects to some extent through sales to other customer groups, for example **Traders**, or by opening up for end consumers for a short period. In the last quarter of financial year 2019/20, sales in the HoReCa sector as well as in domestic tourism increased in many countries.

Germany

In the course of financial year 2019/20, the German economy slid into a deep recession due to the Covid-19 pandemic and contracted by −4.7% compared to financial year 2018/19. Q3 2019/20 was the main contributor to this development, with a decline in growth of −11.3% compared to the same quarter in the previous year. In Germany, early far-reaching preventive measures meant that the economic and social restrictions were shorter and less extensive than in other countries.

Nevertheless, the measures affected almost all economic sectors, in particular hospitality and recreational services, civil aviation and tourism; meanwhile, domestic tourism already showed the first signs of recovery in the last quarter of financial year 2019/20. Exports, industrial production and private consumption slumped significantly in the course of the reporting year. Conversely, food expenditures increased significantly. Inflation stagnated in the course of the year, partly due to the reduction in value added tax starting on 1 July 2020.

To cushion the impact of the crisis, the German government adopted comprehensive assistance programmes for the entire economy, such as direct Covid-19 aid and an economic stimulus package worth over €200 billion, temporarily suspended the obligation to file for insolvency and extended the option of short-time work for companies. The last 2 measures were intended to definitely curb the otherwise expected increase in insolvency filings and unemployment. By May, the number of employees on short-time work was just under 20% of the workforce, well above the level of the financial crisis in 2008.

Although they are still of economic relevance, the trade conflicts with the USA and the Brexit negotiations have moved into the background of public perception.

After the positive growth at the beginning of financial year 2019/20, food wholesalers were ultimately also affected by the pandemic and the adopted countermeasures, which can be showcased by the sales achieved with these customer groups. The HoReCa customer group recorded massive sales losses from around March 2020, which had a direct impact on food wholesalers. Easing of countermeasures in connection with the hospitality industry led to a recovery in sales since Q3 2019/20. However, the comparable level of the previous year was not reached. By contrast, the Traders customer group, as part of the food retail sector, was able to benefit from the increased demand for food.

Western Europe

Covid-19 and the government countermeasures also had a massive impact on social and economic development in the other Western European countries. All Western European METRO countries recorded declines in economic output compared to financial year 2018/19: Spain (−8.9%), France (−8.1%) and Italy (−8.0%). So far, economic output for financial year 2019/20 is expected to decline by approximately −7.4% in Western Europe compared to the previous year.

In addition to national economic stimulus packages, the €750 billion package adopted by the EU in July 2020 is expected to help cushion the economic impact of Covid-19 and stimulate the economy. Furthermore, the countries launched their own programmes to support the labour market, for example through wage subsidies or short-time work. As a result, the negative effects of the crisis have not yet had a serious impact on the labour markets. However, in France, for example, more than 30% of the total workforce was already on short-time work by May.

In Western Europe, several countries in the METRO portfolio are strongly focused on the HoReCa customer group, especially countries with significant tourism activities such as Spain, Portugal, France and Italy. Since these countries were severely affected by Covid-19 and the associated social restrictions, this also had a direct impact on the HoReCa sector, which had previously been developing positively. Tourism came to a temporary halt and sales in the hospitality industry dropped sharply. However, from May onwards there was a positive development in domestic tourism, possibly triggered by the perceived risks and restrictions associated with travelling abroad. A similar trend was seen in the hospitality sector. This development continued until July (end of the available statistical reporting).

The food retail sector recorded significant growth since the outbreak of the pandemic – with especially high growth rates in March. This trend also likely benefited our Traders customer group.

The described development of the HoReCa and Traders customer groups also had consequences for the food wholesale sector; however, the specific impact depends on the customer group structure of the respective wholesaler.

Russia

Following a positive development in the first half of the financial year, the Russian economy contracted by −2.9% in financial year 2019/20 compared to the previous year. From March onwards, both imports and exports dropped sharply. The unemployment rate increased moderately, and private consumption declined significantly from Q3 2019/20 onwards. To support domestic demand, the Russian government ordered full wage compensation during the self-isolation period, which was imposed by the government to contain the Covid-19 pandemic and lasted several weeks. The measure to support household incomes is part of a stimulus package amounting to around 1.5% of the GDP. As a result of the partial easing of the Covid-19 measures, private consumption, a key driver of future economic growth, started developing in a positive direction again.

The impact of the economic development on the Traders sector was mixed. The traditional and independent small grocery stores recorded a decline in sales that was roughly on a par with previous years. By contrast, the modern small food retailers were able to benefit during the phase of restrictions as well as from the recent positive development of private consumption. The modern small-format grocery shops also include those operated by our franchisees under the Fasol brand. In the past financial year, we expanded the Fasol network considerably again. Overall, METRO performed better than the market in the Traders segment. Similar to the other regions, the HoReCa sector was much more restricted due to the measures imposed to contain the pandemic and correspondingly recorded lower sales.

Eastern Europe

While the remaining Eastern European countries had recorded growth above that of their Western European neighbours in previous years, their economic development in 2019/20 followed the global trend with a decline of −2.1%. Here too, the major factor was the spread of the pandemic and the corresponding government countermeasures. However, some countries such as Turkey, Croatia, the Czech Republic and Poland already recorded positive growth in the last quarter of the financial year compared to Q3 2019/20, which could indicate a trend reversal. In the light of the pandemic, the labour market across all countries has so far only recorded a slight increase in unemployment.

As in the other METRO regions, private consumption in Eastern Europe also collapsed during the reporting year. This applies equally to imports and exports, although they picked up again in Q4 2019/20 compared to Q3 2019/20. Overall, however, the level is significantly lower than in the same period of the previous year.

The exchange rate against the euro remained stable for the most part, while the Turkish lira again recorded a marked depreciation against the euro and the US dollar.

The HoReCa and Traders sectors followed a similar pattern as in Western Europe. Tourism-oriented countries such as Croatia and Turkey recorded a clearly negative development in the sales figures of the hospitality industry at the beginning of the pandemic; however, they bounced back with a more positive development in the last quarter of the financial year. The food retailers were also able to report positive sales growth in Eastern Europe.

Asia

The impact of the pandemic is also being felt in the emerging markets of Asia, most notably in China, where Covid-19 first appeared. After a strong Q1 2019/20, private consumption and economic growth in China dropped sharply during Q2 2019/20, affecting other countries due to China's important position in the global supply chain. However, a strong economic recovery started in Q3 2019/20 and continued in Q4 2019/20. This recovery had a significant impact on the overall GDP development in the Asian region.

With a slight delay, Covid-19 ultimately also appeared in other Asian countries. India in particular has been severely affected. By now India reports the second-most infections globally, which is also reflected in a very significant decline in economic output and a sharp rise in unemployment in Q3 and Q4 2019/20. These developments had a corresponding impact on private consumption.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN IMPORTANT WORLD REGIONS AND GERMANY

Year-on-year change in %

	2018/19[1]	**2019/20[2]**
World	2.6	**−2.9**
Germany	0.6	**−4.7**
Western Europe (excl. Germany)	1.4	**−7.4**
Russia	1.5	**−2.9**
Eastern Europe (excl. Russia)	1.6	**−2.1**
Asia	3.8	**−1.2**

Real GDP growth based on USD and adjusted for purchasing power – except for 'World'. Source: Oxford Economics.

[1] The previous year's figures may slightly deviate from the Annual Report 2018/19, since retrospective corrections are being made by the data provider and the conversion from calendar year to financial year h as taken place.

[2] Outlook.

3.2 Asset, financial and earnings position

Overall statement by the Management Board of METRO AG on the business development and situation of METRO

At the beginning of financial year 2019/20, the positive economic development of the previous year continued. Until the end of February 2020, the operational business developed clearly positively and seemed largely unaffected by the **Covid-19 pandemic**. Then the rapid spread of Covid-19 led to comprehensive government measures and restrictions in all countries where METRO operates in an effort to contain the virus. These measures varied from country to country, but all of them had in common that they restricted social life and the economy to a sometimes considerable extent. Therefore, just like the hospitality industry and hotel sector, METRO's business development was strongly impacted by the effects of the Covid-19 pandemic, especially in Q3 2019/20. In Q4 2019/20, the operational business has already almost reached the level of the previous year, in part supported by significant market share gains in the core business and a clearly positive development in Russia and Eastern Europe (excluding Russia).

With the exception of Q3 2019/20, which was impacted by Covid-19, the Management Board looks back on an overall stable and robust financial year, in which the transformation to a pure wholesaler was completed. In a challenging financial year, the **holistic wholesale approach**, the flexible channel programme with delivery and store-based business and the close cooperation with customers proved to be very crisis-resistant. METRO has emerged very satisfactorily from the first phase of the Covid-19 pandemic compared to the competition and managed to gain market share.

Sales and EBITDA developed in line with expectations at the upper end of the adjusted outlook. Accordingly, the Management Board is overall satisfied with the development of the business considering the current circumstances. The reported Earnings per Share (EPS) from continuing and discontinued operations amounts to €1.27 (2018/19: €0.89) and provides the basis for the dividend proposal. Accordingly, an attractive dividend will also be proposed to shareholders for financial year 2019/20.

Financial and asset position

Financial management

Principles and objectives of financial activities

METRO AG centrally performs the management of the group's financing activities. It ensures solvency of the group at all times, reduces financial risks where economically feasible and grants loans to group companies. The objective is to cover the financing requirements of the group companies cost-effectively and in sufficient amounts via the international banking and capital markets. The financial activities are based on a financial budget for the group, which covers all relevant companies. The selection of financial products is generally based on the maturities of the underlying transactions.

Through intra-group cash pooling, financial resources can be allocated as needed by group companies with financing needs using the liquidity surpluses of other group companies. This reduces the financing volume and thus the interest expense.

METRO's current long-term investment grade rating of BBB- and short-term rating of A-3 (Standard & Poor's) ensure access to the international financial and capital markets, which is particularly utilised within the scope of the Euro Commercial Paper Programme and the ongoing capital market bond programme as needed. Frequent dialogue with credit investors and analysts takes place.

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

- Central management of financing activities by METRO AG
- External presentation of METRO as a single financial unit
- Cost-effective capital procurement by using banking and capital markets
- Protection of our financial scope of action by limiting the volume of transactions with individual banks
- Segregation of duties for initiation, controlling and management of financial transactions
- Centralised financial risk management

— **For more information about the risks stemming from financial instruments and hedging relationships, see the notes to the consolidated financial statements in** no. 44 – management of financial risks ▸ page 242**.**

Rating

METRO AG has instructed Standard & Poor’s to assess and monitor its credit rating, which is currently presented as follows:

Category	2020
Long-term	BBB–
Short-term	A-3
Outlook	negative

Financing measures

The company’s medium-term and long-term financing needs are covered by a bond issuance programme with a maximum volume of €5 billion. On 20 January 2020, a due bond of €125 million with a coupon of 4.05% was repaid on time. As of 30 September 2020, the utilised bond issuance programme amounted to a total of €1,776 million .

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 €575 million during the reporting period. As of 30 September 2020, the utilisation amounted to €295 million (30/9/2019: €387 million).

Bilateral credit facilities totalling €150 million were drawn down as of 30 September 2020. As a cash reserve, 2 syndicated credit facilities of €1,750 million and additional multi-year bilateral credit facilities of €250 million were concluded.

In financial year 2019/20, a syndicated credit facility of €900 million as well as temporary multi-year bilateral credit facilities of €200 million were drawn down. The syndicated credit facility and the multi-year bilateral credit facilities were utilised because liquidity on the money market was limited in the wake of the Covid-19 pandemic and short-term refinancing via commercial papers was not ensured. All drawn credit facilities were repaid prior to maturity.

– **For more information about financing programmes and credit facilities, see the notes to the consolidated financial statements in** no. 36 – financial liabilities ▶ page 220**.**

UNDRAWN CREDIT FACILITIES BY METRO

	30/9/2019			**30/9/2020**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	609	279	330	**400**	**86**	**314**
Utilisation	−359	−279	−80	**−150**	**−86**	**−64**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**900**	**850**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**900**	**850**
Total credit facilities	**2,359**	**279**	**2,080**	**2,150**	**986**	**1,164**
Total utilisation	−359	−279	−80	**−150**	**−86**	**−64**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**900**	**1,100**

Investments/divestments

In financial year 2019/20, METRO invested €627 million, considerably less than the investment amount in the previous year. The decline in investments is partly due to more selective expansion activity. With 1 new store opening in financial year 2019/20, it declined compared to the previous year (2018/19: 3 new store openings). While 1 new METRO store was opened in Russia as well as 2 smaller and therefore more cost-effective formats were added in Turkey and Croatia in the previous financial year, 1 smaller store format was opened in Ukraine in the current financial year. In financial year 2019/20 there was 1 closure in Russia.

Furthermore, apart from isolated, country-specific Covid-19-related savings, the decline in capital expenditure is mainly due to sale and leaseback projects in the previous year, especially in the Eastern European region. Further progress was made in improving capital efficiency in the areas of modernisation, concept conversions and in the delivery business.

The investment focus in financial year 2019/20 still included IT and digitalisation. Here, too, funds were saved compared to the previous year as a result of a generally restrained investment attitude due to Covid-19. In addition to investments in the online marketplace METRO MARKETS and Hospitality Digital, above all digital services for wholesale customers and IT solutions for the delivery business were further expanded.

The divestments in financial year 2019/20 relate primarily to business and office equipment. In the previous year, there were also significant real estate divestments, from which payments of €74 million were received in the current year.

- **For more information about divestments, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements under** no. 41 – notes to the cash flow statement ▸ page 233**.**

METRO INVESTMENTS

€ million	2018/19[1]	2019/20	Change absolute	Change %
Germany	63	**77**	15	23.6
Western Europe (excl. Germany)	215	**213**	−3	−1.3
Russia	38	**17**	−21	−56.1
Eastern Europe (excl. Russia)	261	**107**	−154	−59.1
Asia	29	**24**	−5	−16.8
Others/consolidation	**220**	**189**	**−31**	**−13.9**
METRO	**826**	**627**	**−199**	**−24.1**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Liquidity (cash flow statement)

Cash inflow from operating activities from continuing operations amounted to €646 million in financial year 2019/20 (2018/19: cash inflow of €1.209 million). Cautious shopping behaviour and increased inventories in connection with Covid-19 led to a deterioration in cash flow from changes in net working capital. Investing activities led to cash outflow of €265 million (2018/19: cash inflow of €46 million). In the previous year, it included significant cash inflows from real estate sales. Compared with previous year's period, this represents a decrease in cash flow before financing activities of €875 million to €380 million. Cash flow from financing activities exhibited a cash outflow of €1,280 million (2018/19: cash outflow of €1.535 million). Total cash flows from continuing operations amount to €510 million (2018/19: €−368 million).

Total cash flows from discontinued operations resulted in a cash inflow of €1,410 million (2018/19: cash outflow of €88 million). This amount includes the proceeds from the disposal of the hypermarket business including the real estate portfolio and METRO China.

— **For more information, see the cash flow statement in the consolidated financial statements as well as** no. 41 – notes to the cash flow statement ▶ page 233.

CASH FLOW STATEMENT[1]

€ million	2018/19[2]	2019/20
Cash flow from operating activities of continuing operations	1,209	**646**
Cash flow from operating activities of discontinued operations	399	**416**
Cash flow from operating activities	**1,608**	**1,062**
Cash flow from investing activities of continuing operations	46	**−265**
Cash flow from investing activities of discontinued operations	−136	**1,271**
Cash flow from investing activities	**−90**	**1,006**
Cash flow before financing activities of continuing operations	1,255	**380**
Cash flow before financing activities of discontinued operations	263	**1,687**
Cash flow before financing activities	**1,518**	**2,068**
Cash flow from financing activities of continuing operations	−1,535	**−1,280**
Cash flow from financing activities of discontinued operations	−351	**−278**
Cash flow from financing activities	**−1,886**	**−1,557**
Total cash flows	**−368**	**510**
Currency effects on cash and cash equivalents	17	**−29**
Total change in cash and cash equivalents	**−351**	**482**

[1] Abridged version. The complete version is shown in the consolidated financial statements.
[2] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Capital structure

As of 30 September 2020, the METRO balance sheet reports equity in the amount of €2.1 billion (30/9/2019: €2.3 billion).

The profit or loss for the period attributable to the shareholders of METRO AG leads to an increase in reserves retained from earnings of €460 million. It was mainly offset by currency translation differences in equity, particularly due to the development of the rouble, and the dividend payment for financial year 2018/19. The equity ratio stands at 15.6% (30/9/2019: 13.2%). The increased equity ratio is particularly due to the decline in total assets following the disposal of the majority stake in METRO China and the hypermarket business.

Negative reserves retained from earnings are not due to a history of loss but mainly due to reclassification of the equity item net assets attributable to the former METRO GROUP, recognised in the combined financial statements of the MWFS GROUP as of 1 October 2016, to the legally defined equity items.

An amount of €1,070 million was withdrawn from the capital reserve in financial year 2019/20. Correspondingly, this amount was reclassified to reserves retained from earnings in the consolidated financial statements.

€ million	Note no.	30/9/2019[1]	30/9/2020
Equity	31	**2,345**	**2,061**
Share capital		363	**363**
Capital reserve		6,118	**5,048**
Reserves retained from earnings		−4,167	**−3,358**
Equity before non-controlling interests		**2,314**	**2,053**
Non-controlling interests		31	**8**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

- **For more information about our equity, see the notes to the consolidated financial statements in the number listed in the table.**

Net debt decreased by €1.6 billion and amounts to €3.8 billion as of 30 September 2020 (30/9/2019: €5.4 billion). Cash and cash equivalents increased by €1.0 billion as of 30 September 2020 to €1.5 billion (30/9/2019: €0.5 billion). By contrast, financial liabilities decreased by €0.6 billion to €5.3 billion (30/9/2019: €5.9 billion).

€ million	30/9/2019[1]	30/9/2020
Cash and cash equivalents	500	**1,525**
Short-term financial investments[2]	11	**19**
Financial liabilities (incl. liabilities from leases)	5,930	**5,314**
Net debt	**5,419**	**3,771**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Shown in the balance sheet under other financial assets (current).

The very substantial reduction in net debt is particularly due to the disposal of the majority stake in METRO China and the hypermarket business. The transaction proceeds had an impact of €2.0 billion. The attained purchase prices are fully attributable to cash, whereas the cash resources of the disposal groups were included in assets held for sale instead of in the basis for comparison of net debt. The cash of the disposal groups was also boosted by the improved business performance of the recent months.

CASH FLOW FROM DIVESTMENTS ACCORDING TO THE CASH FLOW STATEMENT (FROM DISCONTINUED OPERATIONS)

in € billion	
METRO China	**1.1**
Hypermarket business	**0.3**
Cash flow from corporate transactions[1]	**1.4**
plus cash of the disposal group	
METRO China	**0.5**
Hypermarket business	**0.1**
Total cash of the disposal group	**0.6**
Net cash inflow from continuing operations = Transaction-related reduction in net debt	
METRO China	**1.6**
Hypermarket business	**0.4**
Net cash inflow	**2.0**

[1] The total cash flow from investing activities of discontinued operations amounts to €1.3 billion and includes the current investment cash flow of the disposal group until the disposal.

As of 30 September 2020, METRO's non-current liabilities amounted to €5.5 billion (30/9/2019: €5.7 billion). Financial liabilities decreased by €0.2 billion to €4.5 billion.

As of 30 September 2020, METRO's current liabilities amount to €5.6 billion (30/9/2019: €9.8 billion). The decrease of €4.2 billion compared to the previous year's figure is mainly due to the disposal of the hypermarket business and the majority stake in METRO China. Financial liabilities decreased by €0.4 billion to €0.8 billion, partly due to the repayment of a bond. Trade liabilities decreased by €0.4 billion to €3.2 billion, mainly due to exchange rate fluctuations, changes in payment terms and changes in purchasing volumes.

Compared to 30 September 2019, the debt ratio decreased from 86.8% by 2.4 percentage points to 84.4%. It should be noted that previous year's figure includes current liabilities of €3.8 billion related to assets held for sale, which amounted to €7 million as of 30 September 2020.

— **For more information about the maturity, currency and interest rate structure of financial liabilities as well as the credit facilities, see the notes to the consolidated financial statements in** no. 36 – financial liabilities ▸ page 220**.**

€ million	Note no.	30/9/2019[1]	30/9/2020
Non-current liabilities		**5,652**	**5,506**
Provisions for post-employment benefits plans and similar obligations	32	543	**550**
Other provisions	33	108	**139**
Financial liabilities	34, 36	4,766	**4,541**
Other financial and other non-financial liabilities	34, 37	81	**210**
Deferred tax liabilities	25	155	**66**
Current liabilities		**9,832**	**5,625**
Trade liabilities	34, 35	3,572	**3,199**
Provisions	33	158	**287**
Financial liabilities	34, 36	1,164	**773**
Other financial and other non-financial liabilities	34, 37	955	**1,175**
Income tax liabilities	34	169	**184**
Liabilities related to assets held for sale	43	3,813	**7**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

— **For more information about the development of liabilities, see the notes to the consolidated financial statements in the numbers listed in the table. Information about contingent liabilities and other financial liabilities can be found in the notes to the consolidated financial statements in** no. 45 – contingent liabilities ▶ page 250 **and** no. 46 – other financial commitments ▶ page 250.

Asset position

In financial year 2019/20, METRO's total assets decreased by €4.6 billion to €13.2 billion (30/9/2019: €17.8 billion).

In financial year 2019/20, non-current assets from continuing operations decreased by €0.6 billion to €8.3 billion (30/9/2019: €8.8 billion), primarily relating to property, plant and equipment. This was largely due to negative currency effects, which reduced the carrying amounts. The increase in investments accounted for by using the equity method had the opposite effect. It was mainly due to the addition of 20.04% of the shares in WM Holding (HK) Limited. This company acquired the operational business of METRO China and the associated real estate as part of our partnership with Wumei.

€ million	Note no.	30/9/2019[1]	30/9/2020
Non-current assets		**8,838**	**8,277**
Goodwill	19	785	**731**
Other intangible assets	20	562	**576**
Property, plant and equipment	21	6,635	**5,811**
Investment properties	22	127	**188**
Financial assets	23	97	**98**
Investments accounted for using the equity method	23	179	**421**
Other financial and other non-financial assets	24	169	**201**
Deferred tax assets	25	284	**252**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

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

METRO's current assets decreased by €4.1 billion compared to previous year's figures to €4.9 billion (30/9/2019: €9.0 billion). The disposal of the hypermarket business and the majority stake in METRO China in the amount of €4.9 billion contributed to this development. By contrast, cash increased by €1.0 billion to €1.5 billion (30/9/2019: €0.5 billion).

€ million	Note no.	30/9/2019[1]	30/9/2020
Current assets		**8,992**	**4,915**
Inventories	26	1,946	**1,888**
Trade receivables	27	482	**429**
Financial assets		4	**3**
Other financial and other non-financial assets	24	901	**902**
Entitlements to income tax refunds		190	**145**
Cash and cash equivalents	29	500	**1,525**
Assets held for sale	30, 43	4,970	**22**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

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

Discontinued operations

With the exception of 1 individual property, the disposals of majority stake in METRO China and the hypermarket business have been completed.

The assets held for sale amount to €0.0 billion (30/9/2019: €5.0 billion). The liabilities recognised in this connection amount to €0.0 billion (30/9/2019: €3.8 billion).

Of the resulting net assets of the previous year, the hypermarket business accounted for €0.5 billion. The net assets attributable to METRO China in the previous year amounted to €0.7 billion.

- **For more information, see the notes to the consolidated financial statements in** no. 43 – discontinued business sectors ▶ page 236.

Earnings position

Overview of group business development

METRO's business development in the past financial year 2019/20 was markedly impacted by the Covid-19 pandemic and its consequences. After a successful start and positive operational development in Q1 and Q2 of 2019/20, government measures in relation to the Covid-19 pandemic had a noticeable negative impact on METRO's business development, especially from mid-March to the beginning of May 2020. From the second half of Q3 2019/20, thanks to the continuous easing of government restrictions and the roll-out of numerous operational initiatives, business development improved continuously again. In Q4 2019/20, another strong trend improvement was achieved in all regions and business development was almost at the level of the previous year. In this phase METRO benefited from the diversification of its business model and from its active positioning in the recovery phase of the HoReCa business.

The individual segments of METRO are affected by the Covid-19 pandemic to varying degrees. The development is dependent on

- the composition of the customer groups,
- the duration of government restrictions, and
- the extent of these measures in the respective countries.

The segments with a high Traders and SCO sales share were able to counteract the decline in HoReCa sales through the positive sales development in these 2 customer groups. The sales growth in Russia (31% Traders, 55% SCO sales share in financial year 2019/20) and Eastern Europe (excluding Russia) (33% Traders, 36% SCO sales share in financial year 2019/20) developed positively overall, while Germany (13% Traders, 46% SCO sales share in financial year 2019/20) remained roughly at previous year's level. In segments with a high HoReCa sales share and where government measures were more stringent, the restrictions imposed on restaurants and hotels had a greater impact on business development. This was particularly noticeable in Western Europe (excluding Germany), where the HoReCa sales share in financial year 2019/20 accounts for 60% with a country portfolio that was particularly affected by the restrictions in the reporting year, such as France, Italy, Spain and Portugal.

For financial year 2019/20, this results in a like-for-like sales development of −3.9%. The like-for-like sales development was positive in Russia and Eastern Europe (excluding Russia). Germany was roughly at previous year's level. Western Europe (excluding Germany) and Asia experienced significantly negative like-for-like sales growth, mainly due to the effects of the Covid-19 pandemic. Sales in local currency declined by −4.0%. Negatively impacted by adverse currency developments, especially in Turkey and Russia as well as other countries in Eastern Europe and Asia, reported sales of METRO AG decreased by −5.4% to €25.6 billion.

The adjusted EBITDA reached a total of €1,158 million in financial year 2019/20 (2018/19: €1,392 million). Government measures in the context of the Covid-19 pandemic had a negative impact on the majority of segments, especially in Western Europe. It was offset by cost savings (for example, in the course of the efficiency programme announced at the headquarters), improved earnings in logistics, licensing income from the partnership with Wumei and stable operating performance in Russia, Eastern Europe (excluding Russia) and Germany. Transformation costs of €47 million were incurred in financial year 2019/20 (2018/19: €0 million). They were exclusively incurred in the Others segment and relate in particular to the successful restructuring at the headquarters. The exchange rate developments of primarily the Russian and Turkish currencies had a negative impact on earnings. Adjusted for currency effects, the decrease was €−205 million (−15.1%) against the previous year.

Earnings contributions from real estate transactions amounted to €3 million (2018/19: €339 million). The EBITDA reached a total of €1,113 million (2018/19: €1,731 million).

€ million	2018/19[1]	**2019/20**	Change
Sales	27,082	**25,632**	−5.4%
Adjusted EBITDA	1,392	**1,158**	−16.8%
Transformation costs	0	**47**	–
Earnings contributions from real estate transactions	339	**3**	−99.2%
EBITDA	1,731	**1,113**	−35.7%
EBIT	957	**257**	−73.1%
Investments	826	**627**	−24.1%
Stores	678	**678**	0.0%
Selling space (1,000 m^2)	4,728	**4,723**	−0.1%

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

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

	Continuing operations		
€ million	2018/19	**2019/20**	Change
Total sales	**27,082**	**25,632**	**−5.4%**
Total sales in local currency[1]	26,691	**25,632**	−4.0%
Sales of stores that were not part of the like-for-like panel in 2019/20[2]	85	**73**	–
Like-for-like sales in local currency	**26,606**	**25,559**	**−3.9%**

[1] Sales in local currency of the previous year were calculated by converting reported sales of the previous year at the average exchange rate of the current financial year.
[2] Not included in the like-for-like panel are, among others, new openings, stores in start-up phase, closures, service companies and major refurbishments.

Comparison of outlook with actual business developments

The comparison of the actual business development with the outlook for financial year 2019/20 relates to the continuing operations of METRO.

The original sales and EBITDA outlook for financial year 2019/20 was retracted on 3 April 2020. The reason for it was the uncertainty over the duration of the restrictions imposed by the government in response to the Covid-19 pandemic and their effects on business development. For financial year 2019/20, METRO had originally expected 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 was based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covered METRO's continuing operations.

After the business development at the beginning of Q3 2019/20 was initially significantly negatively affected by government measures in connection with Covid-19 and the resulting impact on public life, the gradual easing of Covid-19 restrictions in the further course of Q3 and the measures taken by the Management Board in this regard to adjust to the prevailing conditions led to an enormous recovery in sales development. Against this background and considering the stable sales development and further trend improvement in the HoReCa business at the beginning of Q4, the Management Board decided on 3 August 2020 to issue the following outlook for financial year 2019/20:

For financial year 2019/20, METRO expects a decline in total sales in local currency and like-for-like sales of 3.5% to 5% and a decline in adjusted EBITDA of around €200 million to €250 million compared to the previous year. Russia and Eastern Europe (excluding Russia) are expected to demonstrate significantly better developments in terms of sales and EBITDA than the group average for financial year 2019/20, while Western Europe and Asia are expected to turn out weaker. As a result of savings and other effects, the adjusted EBITDA in the Others segment will also have a significant positive effect.

The outlook was based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covers METRO's continuing operations. The outlook was also based on the assumption that there will be no further escalations of the Covid-19 pandemic and no corresponding negative effects in countries relevant for METRO and that the stable recovery of the HoReCa sector will continue.

With a decline in total sales of −4.0% in local currency and like-for-like sales of −3.9%, METRO reached the upper end of the outlook (−3.5% to −5%). The significantly better development expected for Russia and Eastern Europe (excluding Russia) than the Group average in terms of sales occurred as projected. As expected, Western Europe and Asia did not develop as strongly. Germany was almost at the same level as the previous year.

In terms of adjusted EBITDA, the Management Board of METRO AG expected a decline of around €200 million to €250 million compared to the previous year (€1,392 million). As a result of savings and other effects, the adjusted EBITDA in the Others segment will also have a significant positive effect here. Adjusted for negative currency effects of €29 million, METRO'S adjusted EBITDA was €−205 million or −15.1% below the previous year's figures. It already reflects the unexpected circumstances surrounding the second voluntary takeover bid by EPGC in the mid to high single-digit million range. With this decline, METRO is at the upper end of its outlook. This also applies to the outlook for the segments Russia and Eastern Europe (excluding Russia), which, as expected, achieved a significantly better EBITDA development than the group average. The segments Western Europe and Asia developed weaker than expected. Germany was almost at previous year's level. As expected, the adjusted EBITDA in the Others segment developed significantly positively, reaching €42 million (2018/19: €−34 million).

METRO achieved its adjusted sales and earnings outlook for financial year 2019/20 at the upper end of the outlook range.

Sales and earnings development of the segments

In Germany, like-for-like sales declined by −0.8% in financial year 2019/20, thus remaining almost at the level of the previous year. Reported sales declined by −0.8%. Sales developed differently over the 4 quarters. In the first half of the year, sales developed positively and were above previous year's level, partly supported by stock up purchases at the beginning of the pandemic. In the course of the government-imposed restrictions, sales declined significantly in the Q3. The gradual re-opening of the hospitality industry and tourism business initiated a continuous, strong trend improvement, which points to market share gains. In Q4, positive like-for-like sales growth was thus already achieved again.

Like-for-like sales in Western Europe (excluding Germany) declined significantly in financial year 2019/20 due to the impact of the Covid-19 pandemic by −10.6%. Reported sales dropped by −10.7% to €9.7 billion. After Q1 started out at previous year's level, the effects of temporary restaurant closures due to the Covid-19 pandemic became clearly noticeable in the course of the financial year, particularly in France, Italy, Spain and at Pro à Pro. However, in Q4 the sales trend already improved significantly compared to Q3 2019/20, with clear signs of market share gains in France, Italy and Spain.

In Russia, like-for-like sales in financial year 2019/20 were clearly positive with an increase of 3.8%. This development is attributable to the strategic repositioning measures already initiated in the previous year as well as stock up purchases related to the Covid-19 pandemic. Increased demand from Traders and SCO customer groups, the expansion of the Fasol trader franchise business and the growing e-commerce business were positive drivers. Sales in local currency increased by 4.2% and have remained continuously above the level of the previous year since the beginning of calendar year 2020. As a result of negative currency effects, reported sales decreased by −0.7%.

In Eastern Europe (excluding Russia), like-for-like sales in the financial year increased by 2.2%. In most countries, government restrictions on HoReCa customers had a negative impact, with the Traders and SCO business exerting a supportive effect. The sales increase was predominantly attributable to the performance in Ukraine, Turkey and Romania. In local currency, sales also increased by 2.2%. Due to negative currency effects, especially in Turkey, reported sales decreased by −0.9% only. In the course of financial year 2019/20, Eastern Europe achieved a consistently positive like-for-like sales development, with the exception of Q3.

Like-for-like sales in Asia decreased significantly by −7.0% in financial year 2019/20. This is mainly due to the sales development in Classic Fine Foods, in Japan and in India as a consequence of the Covid-19 pandemic. However, Q4 showed an improvement in the trend compared to Q3. Sales in local currency for the financial year declined by −6.7%. As a result of negative currency effect developments, the reported sales decreased by −9.3%.

In financial year 2019/20, METRO's delivery sales dropped significantly by −14.3% to approximately €3.9 billion (2018/19: €4.6 billion) and achieved a sales share of 15% (2018/19: 17%). The delivery business also recovered towards the end of the financial year, albeit slightly delayed in comparison to the store-based business due to the current customer preference for greater purchasing flexibility provided by the store-based business.

As of 30 September 2020, the store network comprised 678 stores (1 new opening in Ukraine and 1 closure in Russia).

METRO KEY SALES FIGURES 2019/20

In year-on-year comparison

	Sales (€ million)		Change in % compared with the previous year's period			
	2018/19	**2019/20**	in group currency (€)	Currency effects in percentage points	in local currency	like-for-like sales (in local currency)
METRO	**27,082**	**25,632**	**−5.4%**	**−1.4%**	**−4.0%**	**−3.9%**
Germany	4,735	**4,699**	−0.8%	0.0%	−0.8%	−0.8%
Western Europe (excl. Germany)	10,752	**9,603**	−10.7%	0.0%	−10.7%	−10.6%
Russia	2,662	**2,644**	−0.7%	−4.9%	4.2%	3.8%
Eastern Europe (excl. Russia)	7,191	**7,125**	−0.9%	−3.1%	2.2%	2.2%
Asia	1,696	**1,539**	−9.3%	−2.5%	−6.7%	−7.0%
Others	46	**22**	−52.8%	0.0%	−52.7%	-

In Germany adjusted EBITDA reached a total of €125 million in financial year 2019/20 (2018/19: €128 million). In this segment, the strong sales development in H1 of 2019/20 had a positive effect and managed to largely compensate for the Covid-19-related declining sales development in Q3 2019/20. METRO Germany performed significantly better overall than Rungis Express, where government restrictions had a significantly more negative impact due to the strong focus on hospitality industry customers.

In Western Europe (excluding Germany) the adjusted EBITDA declined to €394 million in financial year 2019/20 (2018/19: €636 million). This significant decline is mainly a consequence of the Covid-19-related government restrictions on the hospitality and tourism industry. In particular in France, Italy, Spain and Pro à Pro, they had a significant negative impact on sales development in the context of the Covid-19 pandemic.

The adjusted EBITDA in Russia amounted to €224 million in financial year 2019/20 (2018/19: €235 million). Adjusted for currency effects, EBITDA was at the same level as last year, with an attractive pricing model contributing to sustained sales growth and stable earnings.

In Eastern Europe (excluding Russia) the adjusted EBITDA reached a total of €371 million in financial year 2019/20 (2018/19: €385 million). Among other things, this decline is due, to the negative currency development in Turkey and general cost developments in the region. Adjusted for currency effects, EBITDA adjusted in Eastern Europe (excluding Russia) dropped by €−1 million.

The adjusted EBITDA in Asia reached a total of €0 million in financial year 2019/20 (2018/19: €43 million). This is particularly a result of the development of Classic Fine Foods due to unstable political conditions and regulatory restrictions related to the Covid-19 pandemic. In India and Japan, the Covid-19 related government measures also had a negative impact on the sales development. Adjusted for currency effects, EBITDA adjusted in Asia dropped by €−40 million.

The adjusted EBITDA in the Others segment amounted to €42 million in financial year 2019/20 (2018/19: €−34 million). The non-recurring income from damages in the low double-digit millions included in the previous year, which was mainly generated in the Others segment, was more than offset by cost savings, including those from the implemented efficiency programme at the headquarters, an improved result in logistics and licensing income from the partnership with Wumei. Furthermore, the negative earnings contributions for the second voluntary takeover bid by EPGC, which were already partially incurred in Q4 of 2019/20, are lower than in the previous year.

	Adjusted EBITDA			Transformation costs		Earnings contributions from real estate transactions		EBITDA	
€ million	2018/19[1]	**2019/20**	Change (€)	2018/19[1]	**2019/20**	2018/19[1]	**2019/20**	2018/19[1]	**2019/20**
Total	**1,392**	**1,158**	**−234**	**0**	**47**	**339**	**3**	**1,731**	**1,113**
Germany	128	**125**	−3	0	**0**	0	**0**	128	**125**
Western Europe (excl. Germany)	636	**394**	−242	0	**0**	29	**1**	665	**395**
Russia	235	**224**	−11	0	**0**	0	**0**	235	**224**
Eastern Europe (excl. Russia)	385	**371**	−13	0	**0**	182	**2**	567	**373**
Asia	43	**0**	−43	0	**0**	107	**0**	150	**0**
Others	−34	**42**	76	0	**47**	21	**0**	−13	**−5**
Consolidation	0	**1**	2	0	**0**	0	**0**	0	**1**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Depreciation, financial result and taxes

DEPRECIATION, FINANCIAL RESULT AND TAXES

€ million	2018/19[1]	**2019/20**
EBITDA	**1,731**	**1,113**
Depreciation	782	**857**
Reversals of impairment losses	8	**1**
Earnings before interest and taxes EBIT	**957**	**257**
Earnings share of non-operating companies recognised at equity	0	**0**
Other investment result	−1	**3**
Interest income/expenses (interest result)	−241	**−220**
Other financial result	12	**−72**
Net financial result	**−230**	**−289**
Earnings before taxes EBT	**728**	**−32**
Income taxes	−301	**−108**
Profit or loss for the period from continuing operations	**427**	**−140**
Profit or loss for the period from discontinued operations after taxes	−93	**612**
Profit or loss for the period	**333**	**471**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Depreciation

Impairment losses rose by €74 million, from €782 million to €857 million. This increase was due in part to higher amortisation of intangible assets as a result of various digitalisation initiatives. On the other hand, impairments were higher than in the previous year. This in turn was mainly due to the full impairment of goodwill at Classic Fine Foods and selective impairment of individual locations, also as a result of regulatory restrictions related to the Covid-19 pandemic.

– **Further disclosures about impairment losses are providedin the notes to the consolidated financial statements in** no. 15 – depreciation/amortisation/impairment losses ▶ page 181**.**

Net financial result

The net financial result primarily comprises the interest result of €−220 million (2018/19: €−241 million) and the other financial result of €−72 million (2018/19: €12 million). Net interest result improved significantly as a result of more favourable refinancing terms as well as from declining interest expenses from leases. Compared to the previous year, the other financial result changed mainly due to weaker exchange rates for Eastern European currencies and the Turkish lira, which had a negative impact on the measurement of foreign currency lease liabilities.

– **For more information about the net financial result, see the notes to the consolidated financial statements in** no. 7 – earnings share of operating/non-operating companies recognised at equity ▶ page 176**,** no. 8 – other investment result ▶ page 176**,** no. 9 – net interest income/interest expenses ▶ page 177 **and** no. 10 – other financial result ▶page 177**.**

Taxes

At €108 million (2018/19: €301 million), recognised income tax expenses are €193 million below the previous year’s figures. The decline in current income taxes amounting to €82 million (2018/19: increase of €42 million) is mainly due to the lower consolidated earnings before tax compared to the previous year. The decrease in deferred tax expenses of €111 million (2018/19: increase by €40 million) is due to the write-downs of deferred taxes on domestic loss carry-forwards recognised in the previous year.

– **For more information about income taxes, see the notes to the consolidated financial statements in** no. 12 – income taxes ▶ page 179**.**

€ million	2018/19[1]	**2019/20**
Actual taxes	215	**133**
thereof Germany	(9)	**(10)**
thereof international	(206)	**(123)**
thereof tax expenses/income of current period	(221)	**(143)**
thereof tax expenses/income of previous periods	(−6)	**(−10)**
Deferred taxes	86	**−25**
thereof Germany	(105)	**(24)**
thereof international	(−19)	**(−49)**
	301	**108**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Discontinued operations

The development of the current business of discontinued operations does not permit an adequate comparison with the previous year, since METRO China is only included pro rata until 22 April 2020 and the hypermarket business pro rata until 24 June 2020 and

10 September 2020. Up to those dates, sales of METRO China and the hypermarket business developed noticeably above previous year's level.

In financial year 2019/20, the valuation/disposal earnings after tax amount to a total of €316 million (2018/19: €−209 million). Of this amount, METRO China accounts for €943 million (2018/19: €0 million) and the hypermarket business for €−627 million (2018/19: €−209 million). Including the ongoing business of the 2 disposal groups, the profit or loss for the period resulting from discontinued operations after taxes amounts to €612 million (2018/19: €−93 million).

– **For more information, see the notes to the consolidated financial statements in** no. 43 – discontinued operations ▸page 236.

Profit or loss for the period and earnings per share

The profit or loss for the period from continuing operations in financial year 2019/20 was €−140 million, €567 million below the profit or loss for the period of the previous year (2018/19: €427 million).

The profit or loss for the period from continuing and discontinued METRO AG operations was €471 million in financial year 2019/20, and was thus €138 million above the net result for the profit or loss for the previous year's period (2018/19: €333 million).

Net of profit or loss attributable to non-controlling interests, profit or loss for the period attributable to the shareholders of METRO AG from continuing and discontinued operations amounts to €460 million (2018/19: €322 million). This represents an increase of €138 million, with continuing operations contributing €−566 million.

On this basis, METRO achieved earnings of €1.27 per share from its continuing and discontinued operations in financial year 2019/20 (2018/19: €0.89), of which €−0.40 came from continuing operations (2018/19: €1.16). The calculation for the reporting period was based on a weighted number of 363,097,253 shares. Profit or loss for the period attributable to shareholders of METRO AG was distributed according to this number of shares. There was no dilution from so-called potential shares in financial year 2019/20 or in the previous year.

This result forms the basis for the dividend recommendation.

		2018/19[1]	**2019/20**	Change absolute
Profit or loss for the period from continuing operations	€ million	427	**−140**	−567
Profit or loss for the period from discontinued operations after taxes	€ million	−93	**612**	705
thereof impairment of the hypermarket business	€ million	(209)	**(598)**	(389)
Profit or loss for the period	€ million	333	**471**	138
Profit or loss for the period attributable to non-controlling interests	€ million	11	**11**	0
from continuing operations	€ million	(6)	**(5)**	(−1)
from discontinued operations	€ million	(5)	**(6)**	(1)
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	322	**460**	138
from continuing operations	€ million	(421)	**(−146)**	(−566)
from discontinued operations	€ million	(−99)	**(606)**	(705)
Earnings per share (basic = diluted)	€	0.89	**1.27**	0.38
from continuing operations	€	(1.16)	**(−0.40)**	(−1.56)
from discontinued operations	€	(−0.27)	**(1.67)**	(1.94)

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

4 REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

REPORT ON EVENTS AFTER THE CLOSING DATE

Events after the closing date

METRO is acquiring the Aviludo Group
METRO is acquiring the Aviludo Group, the second largest Portuguese food supplier based in Quarteira, Algarve. In addition to the operational business, the transaction also includes Aviludo's logistics platforms. The Aviludo Group's sales in 2019 (before the Covid-19 pandemic) amounted to approximately €152 million. The acquisition price is in the mid double-digit million range. This acquisition is a decisive step towards a complete focus on HoReCa customers. The acquisition is subject to approval by the relevant authorities. The transaction is expected to be completed in the first half of 2021.

EP Global Commerce GmbH increases its share of voting rights in METRO AG
EP Global Commerce GmbH, which currently holds 29.99% of the voting rights in METRO AG based on the notification of voting rights dated 10 October 2020, published a voluntary takeover bid on 1 October 2020 with regard to all shares in METRO AG. In its final announcement on 20 November 2020, EP Global Commerce GmbH declared that a total of 10.60% of the ordinary shares had been tendered to it until the end of the additional offer period. The finalisation of the takeover bid is subject to regulatory approvals. According to the information in the offer document, EP Global Commerce GmbH expects the closing by the end of 2020, but no later than by February 2021.

OUTLOOK

The outlook prepared by METRO considers relevant facts and events that were known at the time of preparing the consolidated financial statements and that may impact the future development of our business. The outlook on economic parameters is based on an analysis of primary data used to derive forecasts. Oxford Economics is the main data source used to forecast business conditions. It is important to understand that the statements below are made in the context of the current pandemic. Due to the volatile global development of the infection and of government countermeasures associated with combating it, all forecasts are subject to a high degree of uncertainty. Therefore, they could not only change quickly, but also significantly. The statements made for this report relate to the closing date of 20 November 2020. They may have become obsolete due to recent developments since then.

Macroeconomic parameters

Global economy

The global economy is expected to recover in the course of the coming financial year 2020/21. Due to the significant resurgence in Covid-19 infections in autumn 2020, particularly in Europe, many European countries have already responded by (re-)introducing economic and social restrictions. However, the current restrictions are less strict than they were in the spring, to avoid strong negative effects of a similar magnitude on national economies. Since the education sector as well as construction and industry are often excluded from the new restrictions, many European countries speak of a 'lockdown light' to clearly distinguish it from the lockdown in spring 2020. The current measures in most countries are especially aimed at reducing or avoiding personal contact. Accordingly, cultural life and leisure activities are particularly affected, which also results in far-reaching restrictions for tourism, the events industry as well as the accommodation and hospitality sector. Consequently, the measures again have a direct negative impact on the business activities of the HoReCa sector, which is one of our core customer groups. The resulting economic consequences should become particularly apparent in countries with strong tourism.

Before restrictions were tightened again, forecasts expected a return in global economic output up to the same level as the penultimate financial year 2018/19. However, a return to pre-crisis levels is likely to be delayed further due to the importance of Europe for the global economy. Meanwhile, a recovery of the global economy to the level before the pandemic still depends on the course of the pandemic on other continents and in individual countries. Apart from the European economy, the American and Chinese economies in particular contribute significantly to global economic growth.

In addition to the course of the Covid-19 pandemic, it will be important for a global economic recovery to which extent an escalation of existing trade conflicts, for example between the USA and China or the EU, can be avoided. Considering the UK's imminent withdrawal from the EU, a successful conclusion of a treaty governing the economic cooperation between the EU and the UK could also have a positive impact.

Germany

The forecast for the German economy for financial year 2020/21 so far assumes a clearly positive development and real growth of approximately 1%. However, real economic output will not yet reach the level of the penultimate financial year. In November, the authorities reintroduced restrictions in response to the outbreak of the infection, which, in addition to the cultural sector, primarily affect tourism and the hotel and hospitality industry as well as public events for a period of one month – with an extension possibility until December. Provided that the restrictions are only for a short period of time and, subject to the further pandemic development, the measures should only slow down overall economic recovery to a limited extent.

According to forecasts to date, recovery is spreading across almost all sectors, that is, imports, exports, private consumption and the labour market. In the hospitality and tourism sectors, recovery depends not only on lifting the restrictions, but also on the consumers feeling safe and their propensity to consume. While the labour market, supported by government stimulus measures, has so far proved to be robust, it cannot be ruled out that negative economic effects of the pandemic will only be felt with a time lag in the coming financial year. For example, the economy could be affected by a rise in insolvencies or unemployment and the resulting negative impact on private consumption.

Depending on the further course of the pandemic, we expect the hotel and hospitality industry to perform positively in calendar year 2021 compared to the previous year. Currently, there is no reason to assume that the pre-crisis level of calendar year 2019 can be reached again in 2021. Whether this level can be reached again in the year after that cannot be reliably predicted right now.

Western Europe

For the coming financial year, an economic recovery is expected for Western Europe as a whole. However, this will not yet match the level seen before the outbreak. The deterioration in the infection situation in all Western European countries in autumn 2020 could contribute to this by delaying economic recovery. As in Germany, the reintroduced measures to combat the pandemic in most Western European countries will not be on a par with the level of spring 2020. If the infection rate cannot be contained with the introduced measures or if the current restrictions, contrary to current plans, continue to be enforced for a longer period of time or are expanded to other areas, there is a risk that economic recovery will not materialise until the following financial year.

As in Germany, the manufacturing sector is a key building block of the recovery. In addition to higher domestic demand, exports, particularly to Asia, are also expected to increase again. In some Western European countries, such as Austria, Spain and Portugal, tourism accounts for an above-average proportion of the gross domestic product; therefore, economic development is more dependent on the tourism industry. However, due to the current situation and a possible change in consumer behaviour with regard to travel preferences, the development of tourism cannot be reliably forecast. However, we anticipate that it will take several years before tourism returns to pre-pandemic levels.

The development of the hospitality industry is closely linked to the tourism sector, especially in countries that are more dependent on the travel industry. While we expect a clearly positive development of the hospitality industry in Western Europe as a whole compared to 2020, the recovery in tourism countries could initially be weaker. However, we generally expect domestic demand in the hospitality industry to grow in all Western European countries over the next 2 financial years.

Russia

For Russia, current forecasts assume that overall economic growth will end up slightly below the level of financial year 2019/20, with the economy expected to continue to recover over the course of the year. The recovery is attributable to an increase in industrial production. The energy sector, above all oil and gas, accounts for a large share of the GDP at around 20% and more than 60% of Russian exports. A return to global economic growth could be associated with higher sales of oil and gas, and thus an improvement in public finances, which could also result from potential increases in commodity prices. The labour market is expected to develop increasingly positively throughout the course of the year. Private consumption, which declined as a result of the Covid-19 measures, is also projected to reverse over the course of the financial year, resulting in high growth momentum. A strong increase in private consumption should have a positive effect on demand for food, which is particularly important for the Traders sector. It should also result in increased sales in the hospitality industry.

Eastern Europe

The economy in Eastern Europe could already return to the level of financial year 2018/19 in the next year. The Eastern European countries were affected by the Covid-19 pandemic much later in spring and with significantly lower infection rates than in Western Europe. As a result, the economic losses in Eastern Europe were comparatively small. However, a return to pre-crisis levels in Eastern Europe requires that the recent sharp rise in infection figures, which already significantly exceeds the level of spring 2020, can be curbed quickly. In this case, the positive economic development should apply to most countries in this region. Industrial production as well as imports and exports should return to the level before the outbreak of the crisis. The same applies to private consumption, supported by an expected easing of the situation on the labour market, for example in Poland or Romania.

Even if the infection situation remains tense, we expect a positive development in demand among Traders due to the continued importance of the Traders sector for the basic food supply. By contrast, the development of the hospitality industry is strongly tied to the course of the pandemic and potential restrictions. It cannot be predicted under the current conditions.

Asia

Following the slump during the pandemic, the Asian economy is expected to grow strongly again, probably by more than 5% compared to the previous year. It could reach about the same level as before the crisis. India is likely to follow the positive development of the other Asian countries, albeit with a time delay, as the country continues to be relatively severely affected by Covid-19. If the pandemic can be kept under control, the labour market, private consumption, imports and exports should develop positively again according to the forecast. In contrast to Europe, a renewed outbreak of the pandemic has so far been largely prevented in Asian countries. This is also reflected in a faster recovery in travel activity in Asia compared to other regions, from which the hotel and hospitality industry should also benefit. Overall, strong year-on-year growth is expected for the hospitality industry in calendar year 2021 and beyond. However, this is based on the assumption that the Covid-19 situation will not worsen again. Another deterioration of the Covid-19 infection situation is expected to lead to a negative development of the economic situation in many countries in the region.

Outlook of METRO

The Management Board of METRO AG expects a return to sustainable sales and earnings growth after the Covid-19 pandemic and confirms the clear ambition to improve METRO's competitive position and to gain further market share. This conviction is backed by a continuously strong financial profile, learnings taken from the first wave of Covid-19, the ability to preempt the needs of the customers and to be a leading player in the expected consolidation of the wholesale industry.

For financial year 2020/21, however, METRO's financial performance will be impacted by the development of the Covid-19 pandemic. First, there is an impact of Covid-19-related governmental restrictions to public life, which is difficult to estimate. Duration and intensity of those restrictions determine that impact but are yet unknown. Second, there is an upside potential, which would result from an earlier than expected widely available vaccination. The Management Board therefore plans with different scenarios and updates them regularly.

Based on stable exchange rates and no adjustments to the portfolio METRO currently expect sales (both total sales and like-for-like) to be slightly below previous year. EBITDA adjusted is expected to decline by a mid-double-digit million euro amount. This outlook thereby assumes governmental restrictions to public life to last partially until mid Q2 of financial year 2020/21 and a fast and substantial recovery of the hospitality and tourism industry thereafter. Experiences gained from managing the first wave of Covid-19 will, along with cost efficiency and proven measures to protect the business, allow METRO to mitigate the impact on METRO's operations compared to spring 2020. In line with observations in November 2020, the Management Board expects one month of full lockdown in the entire country portfolio will result in average sales losses of around €400 million equalling sales losses of approximately 1.5 percentage points of sales growth compared to previous year.

The sensitivity of sales and earnings to the duration and severity of governmental restrictions is likely to follow the same pattern as in the previous year, with the by far highest impact in HoReCa driven regions, esp. in the segment Western Europe. In contrast, the segments Russia and Asia are expected to perform better than the group. On group level, the Management Board generally expect a back end-loaded performance, given the high comparison base in H1 (little to no Covid-19 impact on group level in previous year) and an expected more favourable business environment from spring 2021 onwards.

Given the uncertainty regarding the further development of Covid-19, the operational business keeps on following the "Protect-Preserve-Grow" strategy, which has proven to be effective in financial year 2019/20. This strategy was key for the continuous market outperformance and the rapid recovery METRO has shown during and after the first wave of Covid-19 and it includes,

- ensuring safety of employees and customers,
- optimising the cost base by adjusting capacities and scaling back discretionary capital expenditures,
- leveraging flexible store and delivery operations
- fostering strong customer relationships by being an uncompromising business partner.

5 OPPORTUNITIES AND RISK REPORT

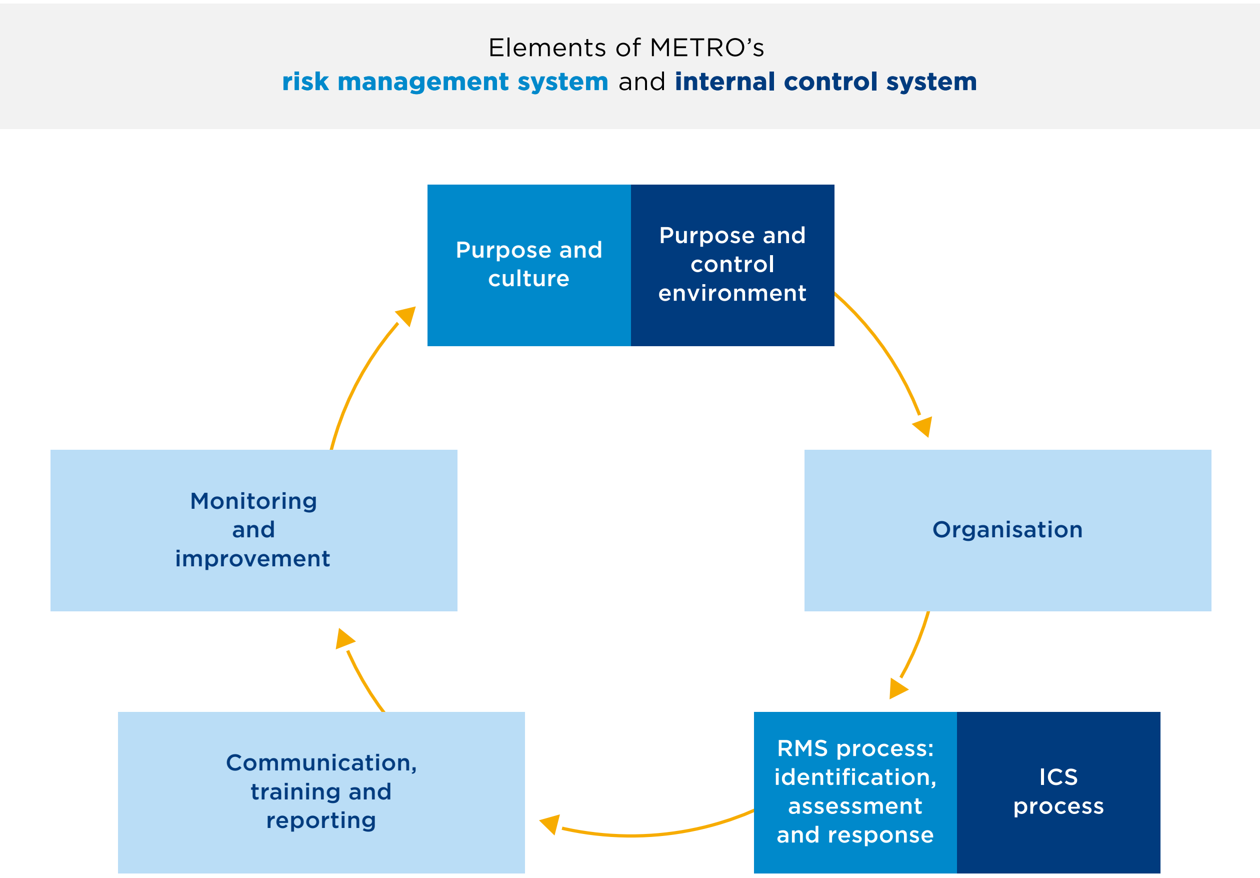
Risk management system and internal control system

A prerequisite for the long-term success of our company is to identify opportunities and risks at an early stage and to exploit or manage them.

The Management Board of METRO AG bears overall responsibility for an effective risk management system (RMS) and an effective internal control system (ICS). Both management systems and the opportunities and risks that are considered significant for METRO and the corresponding measures are presented in this chapter of the annual report.

The RMS and the ICS of METRO are implemented by the Group Governance department based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the requirements of the audit standards 981 and 982 of the Institut der Wirtschaftsprüfer in Deutschland e. V. (IDW, Institute of Public Auditors in Germany). Accordingly, the management systems consist of the following elements:

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM



Objectives of the RMS and ICS

The overarching objectives of the RMS and ICS are to protect assets and support sustainable growth for METRO. The RMS supports these objectives through systematic reporting on opportunities and risks. It facilitates informed decisions and creates transparency. The ICS supports the aforementioned objectives by creating reliable operational and financial processes in order to ensure accuracy, completeness and timeliness of financial reporting in particular and compliance with laws and guidelines.

Organisation of the RMS and ICS

Group-wide RMS and ICS tasks and responsibilities are clearly defined and reflect our corporate structure. We combine centralised business management by the management holding company METRO AG with the decentralised responsibility of the sales companies for the operational business and the service companies that support the operational business.

It is the responsibility and a legal obligation of the Management Board of METRO AG to organise a governance management system for METRO. We regard the risk management system, the internal control system, the compliance management system (CMS) as well as Internal Audit to be components of the governance, risk and compliance system (GRC system). This organisational structure is based on the governance elements identified in § 107 Section 3 of the German Stock Corporation Act (AktG) as well as the German Corporate Governance Code. The fundamental principles of the GRC system are defined and documented in our governance, risk and compliance guideline. On this basis, we continuously work on increasing the efficiency and effectiveness of the GRC system.

The group's Governance, Risk and Compliance Committee (GRCC) is chaired by the Chief Financial Officer of METRO AG and regularly discusses methods and further developments of the GRC subsystems. The structural and procedural organisation of the RMS and the ICS are clearly defined in the relevant guidelines and implemented throughout the group.

Identification, assessment and steering of risks

We only assume business risks if they are considered to be manageable and if the associated opportunities promise an appropriate increase in our value. We bear the risks associated with the core processes of the wholesale business ourselves. These core processes include the development and implementation of business models, decisions about store locations and the procurement and sale of merchandise and services. Risks associated with supporting processes are mitigated within the group or transferred to third parties where reasonable. We generally do not assume risks that are related neither to core nor to supporting processes. Risks assessed as probable are included in our business plans.

Risks are identified and assessed in the annual risk inventory for METRO AG and its subsidiaries. This is based on a standardised risk catalogue. In addition, business model-specific risks are supplemented locally.

We classify all risks according to standard criteria using quantitative and qualitative scales. One part of the assessment focuses on the loss potential, which includes negative effects on our business objectives. The key indicator here is EBIT. The other part of the assessment focuses on the probability of occurrence. We break risks down into the following 4 risk categories:

Loss potential	
Significant	> €300 million
Major	> €100–300 million
Moderate	> €50–100 million
Minor	≤ €50 million
Probability of occurrence	
Probable	> 50%
Possible	> 25–50%
Low	≥ 10–25%
Unlikely	< 10%

All risks are assessed with their potential impact at the time of the risk analysis and before potential mitigating measures (presentation of gross risks). The central IT tool myGRC is used to identify and assess risks and to document key control measures. We generally assess risks over a prospective 1-year period; strategic risks cover at least the medium-term planning horizon of 3 years. Longer-term risks and opportunities, for example related to climate change or political risks, are additionally assessed by the relevant functional experts.

After the risks are identified and assessed by the companies, they are allocated by topic to the various functions within METRO and validated by the respective divisional managers; if necessary, they are then adjusted and supplemented. Based on these so-called functional risk profiles, the Group Governance department prepares a proposal of consolidated risks. Before the proposal is submitted to the Management Board of METRO AG for authorisation, it is first reviewed and approved by the GRC Committee.

— **The consolidated risks considered significant by the Management Board of METRO AG are listed under ‘****description of the opportunity and risk situation ▸ page 94****’.**

Systematically identifying and communicating opportunities is an integral part of METRO’s corporate management.

For this purpose, we conduct macroeconomic analyses, study relevant trends and evaluate market, competition and locality analyses. We also analyse the critical success factors of our business models and the relevant cost drivers of our company. The Management Board of METRO AG specifies the derived market and business opportunities as well as efficiency enhancement potential in the context of strategic as well as short-term and medium-term planning. It does so by engaging in a regular dialogue with the management of the group companies and units at the central holding company. As a wholesale company, we pursue market- and customer-driven business approaches in this process and continually review our strategy to ensure long-term sustainable growth. The consolidated opportunities and risks are presented jointly to the GRC Committee and the Management Board.

The responsibility for steering risks lies with the functionally and operationally responsible persons within METRO. The ICS supports the group companies in fulfilling their responsibility to manage process risks.

Internal control system for financial and operational processes

METRO's ICS defines group-wide minimum requirements for the design of the internal control system for financial processes (for example accounting and tax processes) or operational processes (such as purchasing processes and processes in the markets) for METRO AG and its subsidiaries. Among others, these requirements cover the control design, control execution, monitoring the effectiveness of controls and reporting on effectiveness analyses. The METRO control framework, the local control design of the companies, the control execution and documentation as well as the effectiveness analyses of the subsidiaries are documented in the central IT tool myGRC.

IFRS accounting guideline

A group-wide IFRS accounting guideline that is compulsory for all companies included in the consolidated financial statements ensures the uniform METRO group-wide application of accounting procedures. The guidelines are periodically updated by the Corporate Accounting & Controlling department. The management of each major group company is obligated to confirm compliance with the guidelines in a formal declaration on each reporting date.

Accounting processes of companies included in the consolidated financial statements

The separate financial statements of the companies to be included in the consolidated financial statements are generally prepared using SAP-based accounting systems (SAP FI). Clearly assigned competencies and roles ensure clearly defined responsibilities for the individual financial statement preparation activities. This unambiguous functional separation also prevents potential conflicts of interest. Many group companies prepare their separate financial statements on the basis of a centrally managed table of accounts using uniform accounting rules.

To avoid risks relating to non-compliance with accounting rules, deadlines or dates and to document the work steps to be performed as part of the preparation of individual and consolidated financial statements in accordance with IFRS, planning tools are available to assist in monitoring the content and timing of work processes. The scheduling and monitoring of the milestones and activities as well as the design of individual company internal controls necessary for the preparation of separate financial statements are part of the responsibilities of the respective company's management.

Accounting processes for consolidation purposes

The consolidation of accounting-related data for the purpose of group reporting is performed by a centralised consolidation system (CCH Tagetik). Without exception, all consolidated METRO companies must work within this system. It provides a uniform accounts table to be used by all consolidated companies in accordance with the IFRS accounting guideline. Once they have been transmitted from the separate financial statements to the consolidation system, they are subjected to an automated plausibility review in relation to accounting-specific contexts and dependencies. Any errors or warning messages generated by the system during this validation process must be addressed by the person responsible for the separate financial statements before the data are transmitted to the consolidation facility.

The processes and controls used in the preparation of the consolidated financial statements include the completeness check of the consolidation group, verification of punctual, complete and correct data submission, avoidance of undesirable data changes and a complete and error-free execution of typical consolidation steps. The latter are subjected to system-based and manual controls. The automated plausibility reviews (validations) apply to the consolidation measures similarly as they are intended for the separate financial statement data.

IT security

To warrant the security of the group's information technology systems (IT), access to the accounting-related IT systems is regulated. Access authorisations are centrally managed and are subject to customary approval mechanisms. Each company included in the consolidated financial statements is subject to the regulations concerning IT security. These regulations are summarised in an IT security guideline, with group-wide compliance being monitored by the Internal Audit unit.

Reporting on RMS and ICS

All insights gained in the context of RMS, ICS and CMS reporting are added to the GRC reporting. It provides an overall view of the opportunity and risk situation of our company and an assessment of the effectiveness of the measures taken. The GRC report includes:

- the assessment of the management of METRO AG regarding the effectiveness of the governance management subsystems,
- the opportunity and risk profile of METRO, and
- the recommendations on risk steering measures and the optimisation of the governance approach

The Management Board regularly informs the Supervisory Board and the Audit Committee about issues relating to the management of opportunities and risks. Twice a year, the Supervisory Board is provided with a written report on the organisation and focus of the RMS and ICS as well as the current opportunity and risk situation.

In the event of sudden, serious risks to the net assets, financial position or earnings position, an ad hoc reporting system is used to ensure that the Management Board of METRO AG receives all necessary information directly and without delay.

Monitoring and improvement of the RMS and ICS

The Supervisory Board of METRO AG is responsible for monitoring the governance management systems in accordance with § 107 Section 3 of the German Stock Corporation Act (AktG). GRC reporting in particular enables the Supervisory Board to fulfil its duties. In accordance with the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG), the external auditor periodically assesses the company's early-warning system. The results of this audit are presented to the Management Board and the Supervisory Board.

Key elements of internal monitoring include effectiveness checks performed by Internal Audit based on risk-oriented annual audit planning as well as self-assessments of the management systems by the local management.

The Group Governance department has implemented monitoring controls for RMS and ICS, which are performed by Group Governance and documented in the central IT tool myGRC. One of these controls involves the annual systematic evaluation of all findings gathered throughout the year, such as those arising from audit results, findings of external auditors and feedback from users. In this way, the management systems are continuously improved.

Description of the opportunity and risk situation

METRO has numerous opportunities for a sustainable positive development of its business. On the other hand, there are risks that could impact us in reaching our goals. We have allocated the METRO opportunity and risk portfolio to various subject groups. The Management Board of METRO AG identified and assessed the following risks which are considered to be particularly relevant for METRO. They are listed in the following overview:

Subject group		No.	Particularly relevant risks 2019/20	Loss potential	Probability of occurrence
		#1	Risks from Covid-19 (new)	Significant	Probable
		#2	Macroeconomic and political risks	Moderate	Possible
Risks related to the business environment		#3	Interruption of business activities	Major	Low
Environmental risks		#4	Sustainability risks	Minor	Probable
	Risks related to the retail business	#5	Challenged business model	Significant	Possible
Sector-specific risks	Real estate risks	#6	Real estate risks	Moderate	Possible
Risks related to business performance	Supplier and product risks	#7	Quality risks	Major	Low
Financial risks		#8	Financial risks (new)	Major	Possible
	Transaction risks	#9	Risks from completed transactions	Major	Possible
		#10	Trade regulations	Moderate	Probable
		#11	More stringent regulation pertaining to deferred remuneration	Moderate	Possible
Other risks	Legal and tax risks	#12	Tax risks	Moderate	Possible

Risk no. 1 'Risks from Covid-19' was newly included, as it represented a major risk for METRO in the reporting period due to the loss potential and the probability of occurrence.

The risk 'Planning reliability' from the previous year is reported this year together with the newly included risk no. 8 'Financial risks'. This year, risk no. 9 'Risks from completed transactions' also includes the risks associated with the disposal of the hypermarket business, which were listed in risk no. 9 in the previous year.

Opportunities and risks related to the business environment

Opportunities in connection with Covid-19

Despite the significant impact of the Covid-19 pandemic on our HoReCa customers and the resulting decline in sales, there is a significant opportunity for METRO to emerge stronger. This is because METRO is distinguished from its competitors by a diversified business model and strong capital resources. Especially smaller competitors that are solely based on delivery sales are strongly affected by the Covid-19 pandemic due to the high HoReCa share of sales and limited financial possibilities. METRO has the opportunity to actively consolidate the market and gain market share. The pandemic has also changed consumer behaviour and boosted the convenience trend, which has a positive impact on our Traders customer group and Traders franchise business. METRO has also intensified strategic B2B partnerships with online food retailers such as SberMarket (B2B2C) in Russia or Zakaz in Hungary and Ukraine during this period and thus has the opportunity to benefit from future growth of these companies. Digitalisation has been accelerated by the Covid-19 pandemic and the importance of digital solutions for HoReCa and Traders customers has increased accordingly. As part of its Wholesale 360 strategic approach, METRO offers its customers sustainable solutions with superior economic added value through Hospitality Digital and METRO MARKETS. The goal is to strengthen customer loyalty in the long term, to further expand customer relationships and thereby increase the share of wallet. Moreover, a faster recovery of our customers' economic situation through successful government intervention would also have a positive impact on METRO.

Risks from Covid-19 (#1, new)

The global spread of Covid-19 and the associated lockdown measures had a significant impact on the operational business of METRO in the second half of the reporting period. While at the beginning of the Covid-19 pandemic the decline in HoReCa sales was still compensated by SCO sales, the government-ordered closure of HoReCa operations and the economic downturn led to METRO recording significant sales losses in March, April and May compared to the same period of the previous year. Since the restrictions were eased over the summer 2020, sales have recovered significantly, but due to the increase in infection figures since October and the renewed restrictions, a negative sales development has become more likely again. On the supplier side and in the supply chains, there may still be a shortage of inventories, irregular deliveries or even deteriorating purchasing conditions. We also hold real estate in our portfolio and lease some of it to third-party tenants. Political measures and a deterioration in the financial situation of tenants may lead to rent losses and, in addition to the scenarios listed under risk no. 6 'Real estate risks', to a deterioration in the financial situation of tenants. In order to counter the risks arising from a potential further spread of Covid-19 in a timely and comprehensive manner, we are systematically monitoring political measures and assessing the current pandemic situation. To this end, we have set up a crisis team at group level, which is responsible for the ongoing exchange of all relevant information and timely reporting. Furthermore, a large number of centralised and decentralised measures were initiated to support the operational business, such as campaigns to reopen the hospitality industry in several countries, advice and assistance for implementation of hygiene concepts, the provision of digital solutions, for example for guest registration in the hospitality industry, and selective opening of stores to end consumers. Furthermore, the hygiene standards of METRO's internal processes in the stores and at the point of delivery have also been subjected to a critical review from a Covid-19 perspective. Thus we are protecting our customers and employees, securing the liquidity of the group by reducing costs and supporting our customers' businesses.

Opportunities from the development of business and political conditions
An improvement in the economic and political environment worldwide or in countries where METRO is present, as well as improvements in free trade, could have a positive impact on sales, costs and earnings. METRO operates in a large number of markets where we could potentially benefit from these developments. Opportunities could arise from a sustained positive geopolitical and macroeconomic development, for example, in the form of a recovery of foreign exchange rates.

Macroeconomic and political risks (#2)
As a company with global operations, METRO depends on the political and economic situations in the countries in which the group operates. The fundamental business environment can change rapidly. Changes in political leadership, civil unrest, terrorist attacks or economic imbalances can jeopardise METRO's business. At the country level, the political and/or economic situations in Russia, Ukraine and Turkey are particularly noteworthy for the reporting period. The potential risks include the loss of property and real estate assets, changes in the exchange rate, product restrictions, capital controls, regulatory restrictions and unexpected weakening of demand. The global economy is increasingly marked by tense trade relations between the USA, Europe and China, as can be clearly seen in the expansion of the imposed punitive tariffs, as well as the approved withdrawal of the United Kingdom from the European Union (Brexit). We consider both issues risks. A continuous monitoring of the economic and political developments and a review of our strategic objectives allow us nonetheless to respond to these challenges in a timely and appropriate fashion. Our international presence comes with the advantage of being able to reduce the economic, legal and political risks as well as fluctuations in demand through diversification.

- **For more information about our assessment of the development of the economic environment, see chapter** 4 report on events after the closing date and outlook ▸ page 84**.**

Interruption of business activities (#3)
Our business operations could, for example, be compromised and/or interrupted by a failure of IT systems, natural disasters or pandemics. Important business processes such as purchasing/product ordering, marketing and sales rely on IT systems. Systems for online retailing must be continuously available, as these systems are a prerequisite for unlimited access outside normal store opening times. As a result, the continuous availability of the infrastructure is a critical factor in the development and implementation of our IT solutions. Systems that are essential for business operations in the stores, especially checkouts, are largely self-contained and can continue to be used for some time even during events such as network failures or the failure of central systems. In case of partial network failures, they can automatically reroute data or switch to redundant routes.

Centralised IT systems can be quickly restored to operational readiness if one or more servers fail. We operate several central IT centres, which enables us to compensate for major business interruptions or reduce their duration to the absolute minimum. We also have a disaster recovery plan to restore IT centres in Germany after extended outages (for example outages caused by fire, natural disasters or criminal actions).

We are also fully prepared for the risk of an interruption of our business activities by employing a comprehensive business continuity management system. A professional crisis management allows for a rapid crisis response and thereby ensures the protection of our employees and customers. This includes evacuation plans, training measures and specific instructions. We insure ourselves against the loss of tangible assets and any impending loss of sales or profits resultant from business interruptions wherever it is possible and reasonable.

Environmental opportunities and risks

Opportunities from sustainable business practices

Our company is more exposed than ever to economic, environmental, social and cultural challenges. Similarly, we experience that sustainability is the key to transforming these challenges into opportunities. METRO operates an active sustainability management system in order to enshrine sustainability systematically and organisationally in its core business. Our stakeholders evaluate the measures implemented by us, for example, through ratings.

Sustainability risks (#4)

The consumption of energy and other natural resources affects our operating costs and may have a negative impact on the environment, for example through the emission of climate-damaging greenhouse gases. National regulations aimed at reducing the climate impact of accumulated energy and fuel consumption could lead to higher energy price levels (for example for electricity, gas, fuel) and thus to higher overall energy costs for METRO. In particular, the levies under the German Combined Heat and Power Act (KWKG) and the German Renewable Energy Sources Act (EEG) are increasing year after year. These additional price components alone have caused our energy costs to rise compared to the previous year. We continue to assess the risk of further increases in energy prices as a result of a possible CO_2 price increase as probable. The climate target previously defined by METRO, which was expanded by the supply chain in 2019, will help to minimise this risk.

— **For more information about our social responsibility and environmental protection activities, see chapter 2 principles of the group – 2.4 ▸ page 44 combined non-financial statement of METRO AG ▸ page 44.**

Sector-specific opportunities and risks

Retail business

Opportunities from innovations and digitalisation

METRO is focused on identifying and addressing current and future challenges of its customers at an early stage in a constantly changing environment. In this case, innovations and digitalisation are areas with excellent potential for realising increases in value. We are convinced that the consistent implementation of innovative ideas relating to the progressing digitalisation will increasingly shape the future of the wholesale and retail industry. This may give rise to new business models, which in turn may present a variety of opportunities.

In order to exploit the opportunities derived from digitalisation and to realise synergies, we are bundling our corresponding initiatives with the business units Hospitality Digital and METRO-NOM. The focus on the core customer groups HoReCa and Traders is a key component of our digitalisation strategy, which we use to provide our customers with digital solutions such as the DISH (Digital Innovations and Solutions for Hospitality) platform. With Hospitality Digital, we see significant opportunities to benefit from faster digitalisation in the HoReCa and Traders sectors as well as in other business areas. The Covid-19 pandemic is motivating our customers to accelerate their digitalisation efforts. With our METRO-NOM business unit, we continue to digitalise our core business. METRO-NOM develops, optimises and supports all digital solutions used by our customers. METRO-NOM is also developing internal digital solutions, for example, to improve the efficiency of our logistics processes. These digital solutions provide opportunities for METRO to set itself apart from the competition.

Opportunities from customer focus

Customer focus and customer satisfaction are central elements of our strategy. In order to continuously measure and consistently improve customer satisfaction, we have implemented the Net Promoter Score across the board in 24 countries in which METRO is represented with wholesale stores. Besides the purely quantitative measurement of the current satisfaction values, suggestions from customers can be systematically recorded and evaluated. This will allow further potential for improving the shopping experience and supply as well as general consumer trends to be identified. In line with our omnichannel strategy, we are expanding our delivery sales and strengthening our online activities. With Wholesale 360, our goal is to become the partner of choice for our customers by offering METRO solutions that cover all aspects of their business. We are also intensifying our competitive analyses. Our various strategic projects aim at further improving our purchasing and sales processes and at creating additional value for our customers. The goal is to ensure the ongoing value of assets, thereby mastering the challenges faced by our business model. As a wholesale specialist, we want to further increase our customer focus, accelerate our growth, simplify our structures and increase the implementation speed. We are thus striving to increase our overall operating performance.

Challenged business model (#5)

Particularly, the retail and wholesale trade in the markets in which we operate is characterised by rapid changes and fierce competition. A significant risk is consumers' fluctuating propensity to consume. Changes in consumer behaviour and customer expectations pose additional risks, among others, in the face of demographic change, rising competition and increasing digitalisation. If we fail to adequately address our customers' needs and price developments or if we miss trends with regard to our assortments or appropriate sales formats and new sales channels, this could potentially impede the development of our sales and income and also jeopardise our objectives in terms of growth and profitability.

We counteract these risks in various ways. On the one hand, we develop country-specific value creation plans, which are geared to local conditions and customer needs and are supported and monitored in their implementation by our operating partners and international working groups (federations). On the other hand, with our Wholesale 360 strategy we are actively working on expanding our business model from transactional sales of goods to a holistic partnership that addresses all the needs of professional customers. Examples include the platform business of METRO MARKETS, the numerous initiatives for the digitalisation of our customers bundled on dish.co and the financial services under GastroFinanz.

Real estate

Opportunities from increase in value

We see potential for value increases in possible development projects for our existing real estate assets and other properties as well as in improved facility management.

Real estate risks (#6)

Loss of rental income caused by insolvencies of third-party tenants and vacancies due to unused selling space entail the risk of a deficient rental cover or an impairment of usufructuary rights. Delayed repair and maintenance work could lead to infringements and real estate impairments as well as reputational damage.

We counter these risks with our strategic and operational real estate management. To this end, we regularly evaluate properties in terms of value and income and perform projected investment planning. The safety and health of customers, suppliers and employees could be endangered by deficiencies in the properties. We take decisive action to prevent potential accidents and damage to health, thus ensuring a safe and healthy environment. In addition, we conduct risk assessments and specify clear sets of rules and procedures. We support implementation through frequent training, internal controls such as regularly scheduled safety and occupational safety inspections as well as external controls such as stability inspections.

Opportunities and risks related to business performance

Suppliers and products

Opportunities from responsible trading

Not only for us, but also for more and more customers, the environmental and social sustainability of the products we offer and their production process play an increasingly important role, in addition to quality and safety. We aim to ensure socially acceptable working conditions within our sourcing channels. For this purpose, METRO adopted a group-wide purchasing policy for a sustainable supply chain and procurement management that applies to all products.

- **For more information about our social responsibility and environmental protection activities, see chapter 2 principles of the group –** 2.4 combined non-financial statement of METRO AG ▸ page 44.

Opportunities from higher own-brand penetration

Own brands are a central part of METRO's strategy to increase the success of our customers. By offering own brands, we can provide high quality at relatively low prices, thus simultaneously increasing our customers' profitability as well as our own. Potential economic constraints and increased price pressure on our customers, for example as a result of the Covid-19 pandemic, could increase demand for own brands and thus have a positive effect on METRO's profitability.

Quality risks (#7)
As a wholesale company, METRO depends on external producers and service providers. Defective or unsafe products, exploitation of the natural environment, inhumane working conditions or infringements against our compliance standards could potentially cause major damage to the reputation of METRO and pose a lasting threat to the company's success. We therefore continuously audit our suppliers to assess their adherence to METRO's stringent procurement and compliance standards. These include the food safety and quality standards recognised by the Global Food Safety Initiative (GFSI), such as the International Food Safety Standard and the GLOBALGAP certification for agricultural products. They contribute to the safety of foods on all cultivation, production and sales levels. In order to be able to operate as a METRO own-brand supplier on a preliminary basis without a recognised and valid audit certificate, the supplier must pass a special test (METRO Assessment Solution) conducted by an accredited certification body. Violations of conditions can lead to exclusion from our supplier network or, in the case of unacceptable production methods, to a product being blacklisted. If suppliers do not provide a corresponding certificate, it jeopardises the due diligence of METRO towards the customer. Potentially non-safe products on the market which are unsuitable for human consumption or use or even harmful to health represent a very high reputation risk and comprise the threat of lasting damage to customer relationships. Should a quality incident occur despite these measures, the process steps for resolving interruptions and incidents described in our manual will set out the procedure to react to the incident in the interest of our customers. We also continuously identify potential improvements to our quality assurance systems and implement them.

Financial opportunities and risks

Financial risks (#8, new)
Financial risks were newly included in the opportunity and risk profile this year. This includes the risk 'planning reliability', which was previously listed separately. Unexpected deviations from the budget or the outlook could potentially result in METRO missing its budget targets and making wrong business decisions. This could lead to unexpected negative financial consequences. We therefore place high priority on measures designed to mitigate these risks. In order to minimise risks, we are consistently implementing strategic measures aimed at improving our financial result. We support the operational units in their proactive implementation of the strategy by providing them with value creation plans. We also mitigate risks by conducting effective internal controls, close interlocking of strategic planning and the budgeting process as well as strong involvement of the supervisory bodies. The fact that our financial year differs from the calendar year allows us a high degree of planning certainty at an early stage, with the profitable Christmas quarter being the first quarter of our financial year. Furthermore, potential insolvencies of commercial banks and customers represent a financial risk. In order to minimise the risk of bad debts, we monitor the ratings and credit spreads of counterparties on a daily basis in addition to the receivables portfolio. At the same time, we reduce the default risk to a minimum by distributing cash pooling among several parties (diversification) and by using standard scoring and limit authorisation tools.

- **For more information about financial risks and their management, please see the notes to the consolidated financial statements in** no. 44 – management of financial risks ▶ page 242.

Other opportunities and risks

Opportunities from portfolio simplification and efficiency improvements
The country portfolio is regularly reviewed with regard to the feasibility of a local market leadership and the attractiveness of the respective markets. Through the disposal of Real in Germany and the majority shareholding in METRO China, METRO has successfully completed its transformation into a focused wholesale company. Further portfolio adjustments cannot be ruled out in the future. We have successfully completed numerous transactions in recent years and can benefit from this experience. In the future, however, METRO will focus on investments to strengthen its wholesale business and secure further market shares. The focus on wholesale could lead to improved workflows along the value chain faster than expected and could have a positive effect on our business development through an increase in operating efficiency. In addition to focusing on the wholesale business, partnerships such as the one between METRO and Wumei in China can lead to additional innovations. Collaborations can help us reduce operational cost or give our customers access to innovative food products. For example, we participate in various food start-ups through NX-Food.

Opportunities from company acquisitions
Great potential for increases in value may arise from selected acquisitions, particularly in business segments of strategic importance. Following the completed transactions of METRO China and Real, METRO's liquidity situation is excellent and provides room for company acquisitions. We see opportunities in further expansion of our core business, for example through acquisitions in the delivery business, as well as in reinforcing our B2B e-commerce activities. The existing minority interests held by METRO offer the opportunity for additional increases in value if, for example, start-up companies were to develop faster and better than expected. We also want to solidify and expand the leading position our company has already attained in numerous markets. We expect that the consolidation of the wholesale stores in many of our portfolio countries will be intensified by the Covid-19 pandemic. Our goal here is to gain market share and, where appropriate, to take over individual locations of competitors and thus actively advance market consolidation.

Risks from completed transactions (#9)
This year, the risks from completed transactions for company acquisitions and disposals also include the risk associated with the disposal of the hypermarket business, which was listed separately in the previous year, and the risks in connection with the disposal of METRO China and other subsequent liability risks from completed sales of companies from previous years. Consequently, we now assess the overall risk as more probable than in the previous year and have arrived at an evaluation of the probability of occurrence as 'possible' rather than 'unlikely' as in the previous year. In connection with the disposal of the hypermarket business, the risks mainly consist of residual costs that will continue to be incurred after the sale and may not be sufficiently offset by proceeds from continuing operations to cover these costs, and potential results from the final determination of the purchase price or the utilisation of guarantees. Examples of residual costs are the loss of purchasing synergies and the temporary underutilisation of METRO LOGISTICS, which will only be realised in the medium term due to transitional agreements. During this transitional period, the development of third-party business is planned in order to utilise the capacity of METRO LOGISTICS.

The demerger of the former METRO GROUP was concluded on 13 July 2017 with the initial listing of METRO AG shares on the stock exchange. The former METRO GROUP has split into a wholesale specialist (the new METRO AG) and a company focused on consumer electronics and services (CECONOMY AG, formerly METRO AG). The demerger may be subject to additional legal risks, adding to the tax risks inherent in the implementation; in detail, these risks are:

- Continuing liability for all liabilities of CECONOMY AG occurring on the effective date of the demerger/spin-off for a period of 5 years
- Liability risks stemming from legal claims by shareholders of the former METRO AG in relation to the demerger, for which METRO AG has agreed to absorb the costs under the demerger agreement

We are continuously monitoring the financial position of CECONOMY AG. We are preparing for any potential complaints by way of legal defence strategies.

Information technology

Opportunities from master data

A reliable basis with regard to data quality leads to an improved understanding of customer needs and thus offers great potential for opportunities. Among other things, digital solutions from Hospitality Digital (online reservation tool, internet presence) generate master data that contribute to this data basis. In order to seize these opportunities, METRO is developing end-to-end master data solutions for customer master data and has also purchased a professional product information system, which will be introduced in all countries in the next few years. These solutions will ensure data reliability and support all distribution channels in the future.

Legal and tax risks

Trade regulations (#10)

The European Union and national governments are increasingly adopting or amending regulations to regulate trade that could affect our business. The EU directive on unfair trading practices was adopted in April 2019 and must be adopted into national law by April 2021. Further restrictions of local law are expected in EU countries in this context. Among other things, the European Parliament is discussing the proposal to ban procurement cooperations. In the Corporate Public Policy department, we collect, discuss and analyse important social, regulatory and political issues in order to represent our interests at the political level through responsible lobbying. We take increasing legal requirements into account by regularly revising regulations.

More stringent regulation pertaining to deferred compensation (#11)

Besides purchase price agreements, we enter into agreements on so-called subsequent remuneration with the suppliers. They include purchasing conditions, for example in the form of product-specific deferred rebates, cost reimbursements or payments for services such as specific customer data analyses.

For the last few years, we have observed that agreements on subsequent compensation between buyers and suppliers have been subjected to increased regulatory restrictions. This is mainly the case in Eastern Europe, but also in other countries in which METRO operates. Russia, in particular, is affected by a decline in subsequent compensations. Some restrictions mean that certain conditions are completely prohibited. At the same time, antitrust law is used to regulate conditions to the detriment of retailers and wholesalers , as it is presumed that they have market power.

We continuously and systematically monitor the risks arising from increasing regulation regarding subsequent compensation. We address these regulation trends in a preventative approach by adapting our contractual relationships with suppliers in the relevant jurisdictions and/or in relation to certain product categories to the respective developments. This allows us to ensure that any subsequent benefit arrangement complies with the applicable laws at all times. We also take care to appropriately provide for the respective limitation periods under civil law. As part of an ongoing monitoring programme, we analyse historical condition structures and update the current remuneration agreements based on these findings where it is deemed necessary. Without active management, there would be a risk that added value in the form of subsequent compensation in selected product groups and/or individual countries could no longer or only partially be collected as a result of changes to the regulatory framework. This could have a corresponding negative impact on the total comprehensive income of our company.

– **For more information about legal issues, see the notes to the consolidated financial statements in** no. 49 – remaining legal issues ▶ page 263**.**

Tax risks (#12)
Tax risks can primarily arise in relation to the assessment of financial matters by the tax authorities (including transfer price issues). Additional risks may result from differing interpretations of sales tax (VAT) regulations. In order to identify and minimise tax risks at an early stage, METRO AG has issued a group tax guideline, which is continuously monitored by the Corporate Group Tax department to ensure that it is up to date and properly implemented. These risks are regularly and systematically examined and assessed. Increasing tax requirements are taken into account in the regular revision of regulations. Moreover, an internal control system for the sales tax process was established and already implemented for German companies; the roll-out process to other national subsidiaries was initiated in financial year 2019/20.

Management’s overall assessment of the opportunity and risk situation

The Management Board and the Supervisory Board of METRO AG are regularly informed about the company’s situation in terms of opportunities and risks. To evaluate the present risk situation, we did not examine opportunities and risks in isolation. Instead we analysed and rated the interdependencies between risks according to probability and impact. Our assessment indicates that the overall risks can be borne or managed. For a period of 1 year after the closing date, the identified individual and cumulative risks do not represent any risks that could jeopardise the continued existence of the company in the form of possible illiquidity or over-indebtedness. We are confident that METRO’s earnings performance offers a solid foundation for the sustainable positive development of our business and the utilisation of numerous opportunities. The Management Board of METRO AG currently does not expect any fundamental change in the opportunities and risk situation.

6 REMUNERATION REPORT

The remuneration report describes the remuneration system for the Management Board and the Supervisory Board in accordance with the statutory provisions of the German Commercial Code[8] and the recommendations of the German Corporate Governance Code. It depicts the remuneration amount of the members of the Management Board and the Supervisory Board in individualised form and according to remuneration components. The report also complies with the applicable accounting standards for capital market-oriented companies according to GAS and IFRS.

The Supervisory Board of METRO AG decides on the remuneration system for the Management Board and reviews it on a regular basis. The Presidential Committee, chaired by the Chairman of the Supervisory Board, prepares the proposed resolutions for the full Supervisory Board. The remuneration system based on financial year 2019/20 was approved by the Supervisory Board on 2 March 2017, confirmed on 31 August 2017 and adjusted on 14 November 2017 with regard to the financial performance targets for the short-term incentive from financial year 2017/18. The Annual General Meeting on 16 February 2018 approved the existing remuneration system with 83.18% of the cast votes.

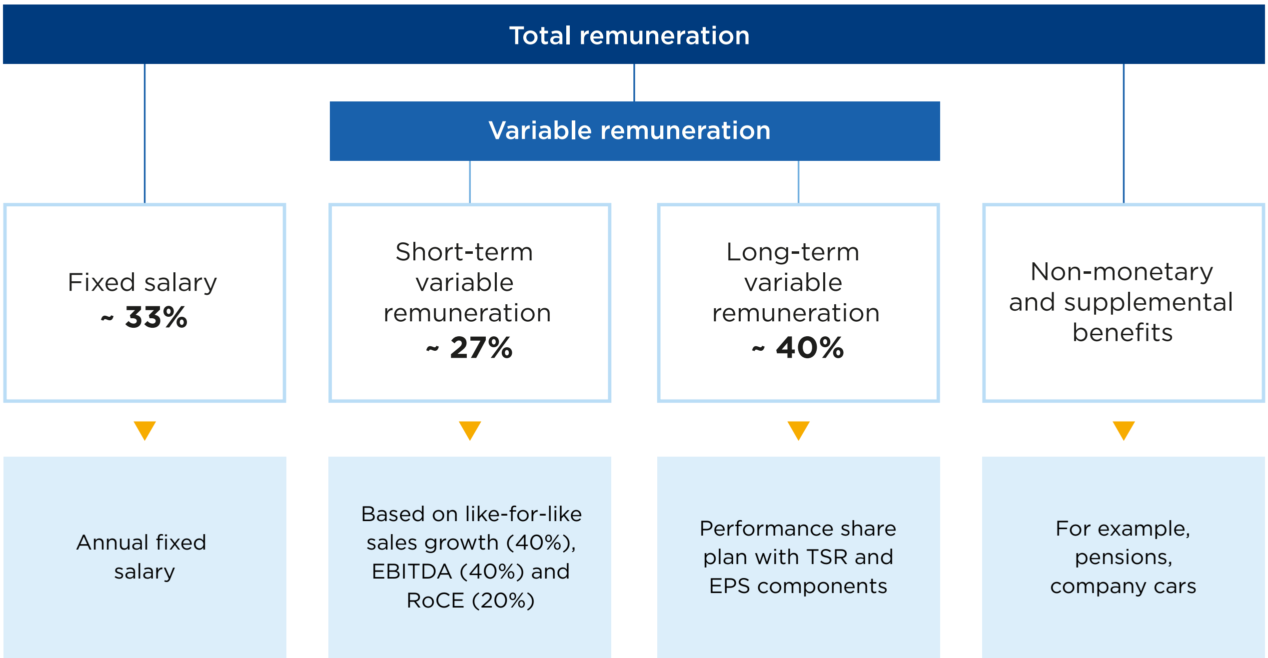
The remuneration system for members of the Management Board

The agreed remuneration of the members of the Management Board is made up of

- a fixed salary,
- a short-term variable remuneration,
- a long-term variable remuneration,
- a post-employment benefits plan as well as
- other non-monetary and supplemental benefits.

[8] For financial year 2019/20, the German Corporate Governance Code in the version dated 7 February 2017 was applicable. References to the German Corporate Governance Code relate to this version.

THE REMUNERATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD



Schematic diagram – percentage of the target values of fixed and variable remuneration.
The percentage distribution may occasionally be subject to slight differences.

Total remuneration and the individual remuneration components are geared appropriately to the responsibilities of each individual member of the Management Board, his or her personal performance and the company's economic situation. They fulfil legal stipulations regarding customary remuneration. The performance-based variable remuneration serves as an incentive for the Management Board to increase the company's value and is designed to generate sustainable, long-term corporate development.

According to the recommendation of the German Corporate Governance Code, the remuneration for each member of the Management Board is limited in individual amounts; in each case with regard to the individual remuneration components and also in aggregate (total payout cap). The upper threshold of remuneration for a financial year is set as follows for financial year 2019/20: €8,034,800 for Mr Koch, €4,048,600 for Mr Baier, €3,126,000 for Ms Euenheim, €4,040,000 for Mr Gasset and €4,065,000 for Mr Poirier. For Mr Hutmacher, whose employment contract ended on 31 December 2019, the maximum amount was €6,043,600 and for Mr Palazzi, whose employment contract ended on 31 May 2020, it was €4,228,600.

Insofar as a member of the Management Board negligently or intentionally violates his or her duties and the company incurs a loss damage as a result, the Supervisory Board has the right to withhold payment of the remuneration of this member of the Management Board in full or in part. A so-called holdback (malus)/clawback clause (retention/repayment agreement) was agreed with Mr Gasset and Mr Poirier upon conclusion of their employment contracts. The clause provides for the retention or recovery of payments made in the past from variable remuneration components. Payments from short-term variable remuneration and long-term variable remuneration are generally only made after the performance targets have been met and the performance period has ended. Without prejudice to this, a reduction of future payments to be paid in the event of a deterioration of the company's position according to § 87 Section 2 of the German Stock Corporation Act (AktG) remains.

Fixed salary

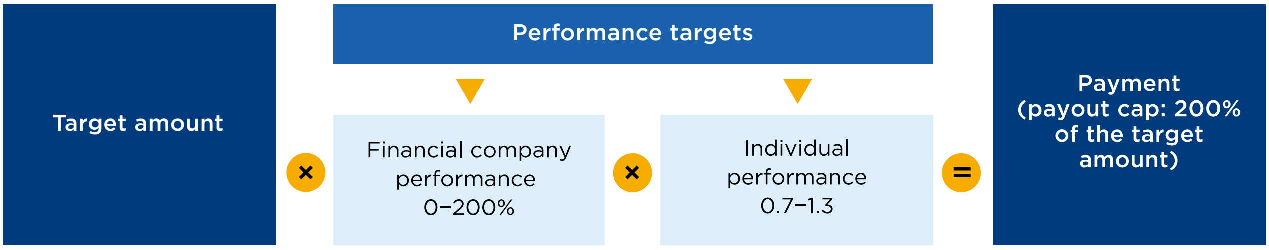
The fixed salary is contractually set and is paid in monthly instalments.

Short-term variable remuneration (short-term incentive, STI)

The short-term incentive remunerates the company's operating performance on the basis of financial performance targets pertaining to that specific financial year.

A target value is set for each member of the Management Board. The payout amount is calculated by multiplying the target value by the factor of overall target achievement. This, in turn, is calculated by determining the target achievement factors for each of the financial performance targets. The weighted arithmetic mean of the individual factors results in the overall target achievement factor. The overall target achievement is limited to a factor of 2.0.

SHORT-TERM INCENTIVE



Schematic diagram.

The short-term incentive for financial year 2019/20 is based on the following parameters of the group:

- like-for-like sales development (sales growth in local currency related to a comparable area or a comparable portfolio of stores or distribution concepts such as delivery and online business) at 40%,
- exchange rate-adjusted earnings before deduction of interest expenses, taxes, depreciation/amortisation (EBITDA), excluding real estate transactions and transformation costs, at 40%,
- exchange rate-adjusted Return on Capital Employed (RoCE), excluding real estate transactions and transformation costs, at 20%,

in each case based on the target amount.

— **For more information about the key performance indicators, see chapter 2 principles of the group –** 2.2 management system ▸ page 42.

In general, performance targets are set by the Supervisory Board for each of the 3 parameters before the beginning of the financial year. The basis for determining the targets is the budget plan, which requires the approval of the Supervisory Board. To determine whether a target has been achieved, the Supervisory Board defines a lower threshold/entry hurdle for each performance target and a target value for 100% target achievement. A factor is allocated to the specific degree of target achievement for each performance target:

- If the degree of target achievement is 100%, the factor is 1.0.

- If the degree of target achievement is lower or equal to the entry hurdle, then the factor is 0.0.
- In the case of intermediate values and values over 100%, the factor for target achievement is calculated using linear interpolation and/or extrapolation.

To determine whether the EBITDA target has been achieved, the Supervisory Board is authorised to adjust the EBITDA for any possible impairment losses on company value.

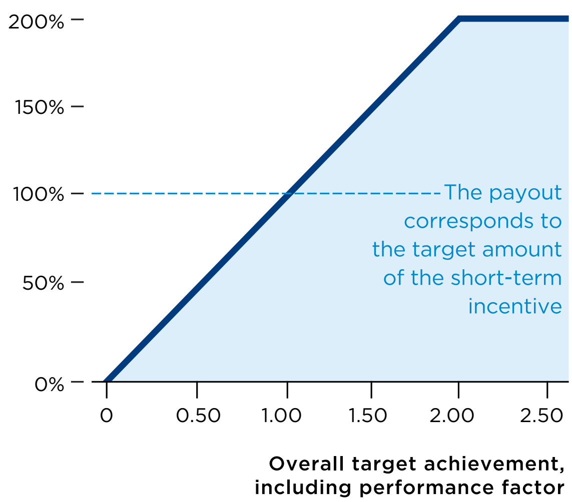
To ensure the individual performance orientation of Management Board remuneration, the Supervisory Board reserves the general right to reduce or increase the individual short-term incentive by up to 30%. The basis for this are targets that were agreed individually with the respective members of the Management Board as well as overlapping strategic targets for all members of the Management Board, such as customer satisfaction, employee satisfaction and sustainability in the context of the group's overall strategy.

The payout amount of the short-term incentive is limited to a maximum of 200% of the individually determined target value (payout cap). The short-term incentive of the members of the Management Board is generally payable 4 months after the end of the financial year, but not before approval of the annual and consolidated financial statements by the Supervisory Board for the financial year for which the incentive was agreed.

No payments were made under the regular short-term incentive for financial year 2019/20.

In addition, the Supervisory Board may grant special bonuses to members of the Management Board for exceptional performance. Mr Koch and Mr Baier were paid a corresponding special bonus for the sale of a majority shareholding in METRO China in the reporting year.

SHORT-TERM INCENTIVE – PAYOUT CALCULATION



Long-term variable remuneration (long-term incentive, LTI)

The long-term variable remuneration incentivises the company's long-term and sustainable corporate development, taking into account the internal and external value development as well as the concerns of the shareholders and the other stakeholders associated with the company.

Performance share plan (since financial year 2016/17)

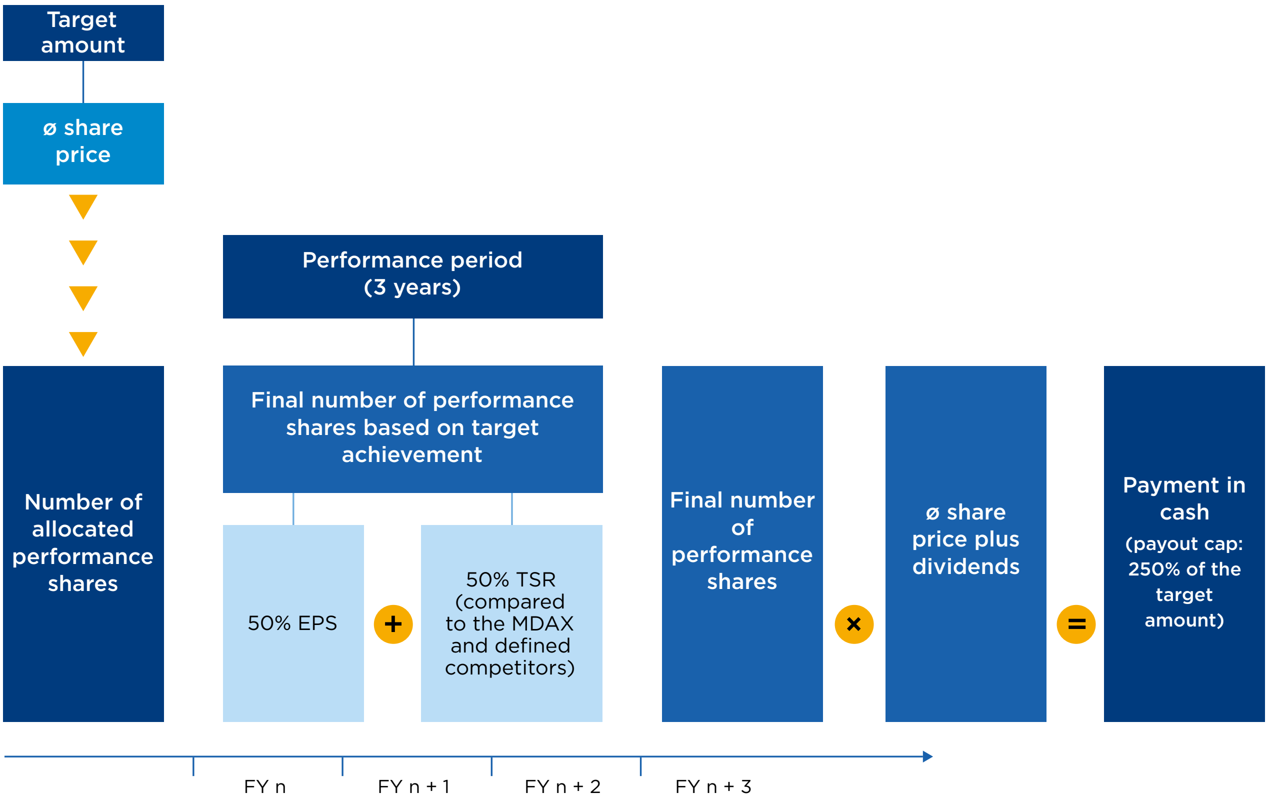
The annual tranches of the performance share plan and their associated performance targets are generally based on a multi-year assessment. The performance period is usually 3 years. The payout amount is limited to a maximum of 250% of the individually determined target value (payout cap). In case of employment termination of a member of the Management Board before the end of a performance period, separate rules for the payout of the tranches have been agreed upon.

Each member of the Management Board is initially allocated conditional performance shares. Their amount corresponds to the quotient of the individual target amount and the arithmetic mean of the share price of the company's ordinary share upon allocation. The decisive factor here are the average Xetra closing prices of the company's ordinary share over a period of 40 consecutive stock exchange trading days immediately after the Annual General Meeting of the company in the year of the allocation.

The performance period ends after the 40th stock exchange trading day following the Annual General Meeting in the 3rd financial year following the issuance of the tranche. After the performance period of a tranche, the final number of performance shares is determined, which depends on the achievement of 2 performance targets, which are weighted equally in the target amount of the performance share plan:

- Earnings per share (EPS),
- Total shareholder return (TSR).

LONG-TERM INCENTIVE

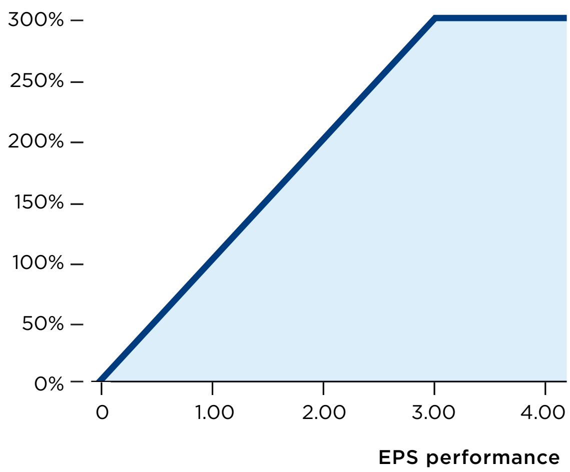


Schematic diagram.

For the EPS component, the Supervisory Board generally decides at the beginning of the financial year in which the tranche of the performance share plan is granted on a lower threshold/entry hurdle for target achievement and an EPS target value for 100% target performance for the 3rd financial year of the performance period. A factor is allocated to the specific degree of target achievement:

- If the degree of target achievement at the end of the performance period is 100%, the factor is 1.0.
- If the degree of target achievement is lower or equal to the entry hurdle, then the factor is 0.0.
- In the case of intermediate values and values over 100% up to a maximum of 300%, the factor for target achievement is calculated using linear interpolation and/or extrapolation.

DETERMINING THE TARGET ACHIEVEMENT OF THE EPS COMPONENT



The target achievement factor of the TSR component is measured by the development of the total shareholder return of the company's ordinary share in the performance period relative to a defined benchmark index and to a defined peer group – half against the development of the MDAX TSR and half against the development of the average TSR of a defined peer group of competitors over the same period as the TSR of the company. The TSR value of the peer group of the competitors is determined individually for the members of the peer group and then the arithmetic mean is established. The peer group of competitors, which is in line with the Wholesale 360 approach, is composed of the following companies: Bidcorp, Bizim Toptan, Marr, Eurocash Group, Performance Food Group, US Foods, Sysco and Sligro. Only companies that are listed for the entire performance period are included in this group. If TSR values are available for fewer than 6 companies in this peer group, then the METRO TSR will be exclusively compared with the MDAX TSR – and the comparison with the peer group will not apply.

For the TSR component, the Supervisory Board also usually establishes a lower threshold/ entry hurdle and a TSR target value for the 100% target achievement at the beginning of the financial year in which the tranche of the performance share plan is granted.

To determine the target achievement, the Xetra closing prices of the company's ordinary share are determined over a period of 40 consecutive stock exchange trading days immediately after the Annual General Meeting of the company in the grant year of the tranche. This is used to establish the arithmetic mean, which is known as the starting share price. The performance period for the respective tranche will begin on the 41st trading day following the Annual General Meeting, or for the tranche granted in financial year 2016/17 on the 41st stock exchange trading day following the initial listing of the ordinary share of the company. 3 years after the starting share price has been determined and the tranche has been issued, the Xetra closing prices of the ordinary share of the company will be determined over a period of 40 consecutive stock exchange trading days immediately following the Annual General Meeting. This is used again to establish the arithmetic mean, which is known as the closing share price. The TSR is determined as a percentage on the basis of the change in the company's ordinary share price and the total amount of hypothetically reinvested dividends throughout the performance period in relation to the starting share price.

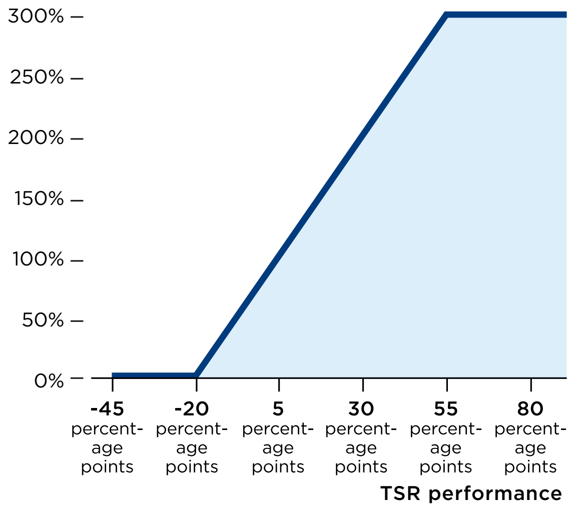
The resulting TSR of the company is compared to the TSR of the 2 peer groups in the performance period determined in the same way. A factor is allocated to the specific degree of target achievement:

- If the degree of target achievement at the end of the performance period is 100%, the factor is 1.0. This requires an outperformance of 5 percentage points versus the peer groups.
- If the degree of target achievement is lower or equal to the entry hurdle, then the factor is 0.0.
- In the case of intermediate values and values over 100% up to a maximum of 300%, the factor for target achievement is calculated using linear interpolation and/or extrapolation.

The target achievement factors of the EPS and TSR components are used to form the arithmetic mean that establishes the overall target achievement factor. This is used to determine the target number of performance shares, which results in a cash payment at the end of the performance period of the tranche:

- If the total target achievement factor for both components is 1.0, then the target number of performance shares equals the number of conditionally allocated performance shares.
- If the total target achievement factor is 0.0, then the number of performance shares decreases to 0.
- For all other target achievements, the target number of performance shares is determined by means of linear interpolation or extrapolation.

DETERMINING THE TARGET ACHIEVEMENT OF THE TSR COMPONENT



The target number of performance shares is limited to a maximum of 300% of the conditionally allocated number of performance shares.

The payout amount is calculated per performance share as follows: 3 years after the starting share price has been determined and the tranche has been issued, the Xetra closing prices of the ordinary share of the company will be determined over a period of 40 consecutive stock exchange trading days immediately following the Annual General Meeting. This is used to form the arithmetic mean and all the dividends paid during the performance period for the ordinary share of the company are added to it. This so-called share factor is multiplied by the number of calculated performance shares and establishes the gross payout amount.

The payout amount is limited to a maximum of 250% of the individually determined target amount (payout cap).

The tranches of the performance share plan will be paid no later than 4 months after the Annual General Meeting that decides on the appropriation of the balance sheet profit of the last financial year of the performance period, but not before the approval of all annual and consolidated financial statements for the financial years of the performance period by the Supervisory Board.

The targets for the tranche of the performance share plan granted in financial year 2019/20 were set by the Supervisory Board based on the medium-term plan for financial year 2021/22, which was submitted in September 2019. At that time, the Covid-19 pandemic was not foreseeable. In light of the effects of Covid-19, the current medium-term plan for financial year 2021/22 also had to be adjusted in terms of earnings per share. Therefore, the Supervisory Board resolved on 24 September 2020 to adjust the LTI tranche 2019/20 to the current medium-term planning with regard to the target of the EPS component in order to mitigate the effects on the remuneration of the Management Board and to maintain the incentive effect. Furthermore, the TSR component was adjusted with regard to the composition and valuation of the competitor peer group. The competitor peer group was reduced by the company Bizim Toptan and the median is used instead of the arithmetic mean to determine the TSR value for the peer group. This is also reflected in the revised remuneration system to be presented to the Annual General Meeting in February 2021.

Share ownership guidelines

Along with the performance share plan, share ownership guidelines were introduced. As a prerequisite for the cash payment of performance shares, the members of the Management Board are obligated for each tranche to build up a self-financed investment in ordinary shares of the company by the end of February in the 3rd year of the performance period. The amount to be invested per tranche for the Chairman of the Management Board is two thirds of his gross annual fixed salary and for an ordinary member of the Management Board 50% of his or her gross annual fixed salary. The plan aims to ensure that, after no more than 5 years of service, the Chairman of the Management Board has invested 200% and an ordinary member of the Management Board 150% of his or her gross fixed salary in ordinary shares of the company, based on the calculated purchase price for the respective shares. The key factor for calculating the purchase price and thus the number of ordinary shares to be acquired is the average price of the Xetra closing prices of the company's ordinary share over the 40 consecutive stock exchange trading days immediately after the annual press conference, which takes place before February in the 3rd year of the performance period. The purchase price corresponds to the quotient of the amount to be invested, which results from the gross annual fixed salary and the determined average price. If the personal investment to be made in ordinary shares of the company is not, or not fully, met on the relevant closing date, the payout amount will initially be paid out in cash, but with the obligation to invest it in ordinary shares of the company until the share ownership guidelines are met.

Post-employment benefits plans

The members of the Management Board usually receive post-employment benefits plans in the form of a direct commitment. The financing is provided jointly by the Management Board and the company. This is based on an apportionment of '7 +14'. When a member of the Management Board makes a contribution of 7% of his or her defined basis for assessment, the company will contribute twice the amount. The assessment is based on the amount of the fixed salary and the target amount of the short-term incentive. When a member of the Management Board leaves the company before benefits become due, the contributions retain the level they have reached. This component of post-employment benefits plans is insured on the basis of matching life insurance policies by Hamburger Pensionsrückdeckungskasse VVaG (HPR). The interest rate for the contributions is paid in accordance with the Articles of Association of the HPR with regard to profit participation, with a guarantee applying to the paid-in contribution.

Entitlement to pension plans exists

- if the employment ends with or after reaching the statutory retirement age in the German statutory pension insurance,
- as premature post-employment benefit if the employment ends after the age of 60 or after the age of 62 for pension commitments granted after 31 December 2011 and before reaching the regular retirement age,
- in the event of disability or death, provided that the relevant conditions of eligibility are met.

Payment can be made in the form of a one-time capital payment, instalments or a life-long pension. A minimum benefit is granted in the case of invalidity or death. In such instances, the total amount of contributions that would have been credited to the member of the Management Board for every calendar year up to a contribution period of 10 years, but limited to the point when the individual turns 60, will be added to the benefits balance. This component of post-employment benefits plans is not covered by life insurance policies and will be provided directly by the company when the benefit becomes due.

Arrangements differing from this form of post-employment benefits plans were agreed for Mr Gasset, Mr Poirier and Mr Palazzi. They are granted company contributions to build up an individual pension plan without having to make a personal contribution. These commitments given to Mr Gasset, Mr Poirier and Mr Palazzi ensure that the company contribution does not exceed 14% of the defined basis for assessment.

Furthermore, members of the Management Board have been offered the option of converting future remuneration components in the fixed salary as well as in the variable remuneration into post-employment benefits plans with Hamburger Pensionsrückdeckungskasse VVaG as part of a tax-privileged remuneration conversion scheme.

The members of the Management Board have no further pension commitments beyond the described retirement benefits. In particular, no retirement payments will be granted.

Further benefits in case of an end to employment

Severance payments in cases of premature terminations of management roles without good cause are limited to 2 annual remunerations (severance cap) and must not exceed the remuneration that would be paid for the remaining term of the employment contract. The recommendation by the German Corporate Governance Code is observed.

In the event of a change of control, Mr Koch, Mr Baier, Mr Hutmacher and Mr Palazzi have or had the right to resign from their office, within 6 months after the change of control, for good cause by giving 3 months' prior notice to the end of each month and to terminate their employment contract with effect from this date (extraordinary termination right).

The contractual provisions assume a change of control if either a single shareholder or a number of jointly acting shareholders acquire a controlling interest in the meaning of § 29 of the German Securities Acquisition and Takeover Act (WpÜG) by way of holding at least 30% of the voting rights and the change of control significantly interferes with the responsibilities of a member of the Management Board.

If the extraordinary termination right is exercised, or if the employment contract is terminated on the basis of an amicable agreement within 6 months from the change of control, there is an entitlement to a one-time remuneration payment for contractual claims during the remaining term of the employment contract. The recommendation by the German Corporate Governance Code is observed with the amount of the severance payment being limited to 150% of the severance payment cap. The entitlement to a severance payment lapses if the employment is terminated by the company for good cause pursuant to § 626 of the German Civil Code (BGB).

In addition, the employment contracts of the members of the Management Board generally provide for a post-contractual restraint on competition. They are prohibited from providing services to or for a competitor for a period of 12 months after termination of the employment contract. For this purpose, compensation for non-competition has been agreed which corresponds to the target remuneration consisting of the fixed salary, short-term incentive and long-term incentive for the duration of the post-contractual restraint on competition and is paid in monthly instalments. These payments are offset against remuneration earned by other use of the ability to work. The company has the option of waiving the post-contractual restraint on competition prior to or upon termination of the employment contract, while observing any notice periods.

In the event of the death of a member of the Management Board during active service, his or her surviving dependants will be paid the fixed salary for the month in which the death occurred as well as for an additional 6 months.

Other non-monetary and supplemental benefits

The supplemental benefits granted to members of the Management Board include non-cash benefits and expense allowances, such as company cars, contributions to individual pension plans and other.

Remuneration of the Management Board in financial year 2019/20

The remuneration of members of the Management Board in financial year 2019/20 is as follows:

REMUNERATION OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2019/20[1]

€1,000	Financial year	Fixed salary	Supple-mental benefits	Short-term variable remunera-tion[6]	Long-term variable remuneration: Value of the granted tranche[7]	Long-term variable remuneration: (Payout from tranches granted in the past)	Total[8]	(Effective salary[9])
Olaf Koch	2018/19	1,200	16	757	1,453	(0)	3,426	(1,973)
	2019/20	**1,200**	**14**	**950**	**1,828**	**(0)**	**3,992**	**(2,164)**
Christian Baier	2018/19	700	13	372	701	(0)	1,786	(1,085)
	2019/20	**700**	**17**	**950**	**881**	**(0)**	**2,548**	**(1,667)**
Andrea Euenheim[2]	2018/19	–	–	–	–	–	–	–
	2019/20	**458**	**134**	**0**	**653**	**(0)**	**1,245**	**(592)**
Rafael Gasset[3]	2018/19	–	–	–	–	–	–	–
	2019/20	**360**	**110**	**0**	**870**	**(0)**	**1,340**	**(470)**
Eric Poirier[3]	2018/19	–	–	–	–	–	–	–
	2019/20	**360**	**116**	**0**	**870**	**(0)**	**1,346**	**(476)**
Heiko Hutmacher[4]	2018/19	900	17	546	1,090	(0)	2,553	(1,463)
	2019/20	**225**	**1**	**-**	**-**	**(0)**	**226**	**(226)**
Philippe Palazzi[5]	2018/19	700	270	372	701	(0)	2,043	(1,342)
	2019/20	**467**	**141**	**205**	**-**	**(0)**	**813**	**(813)**
Total	2018/19	**3,500**	**316**	**2,047**	**3,945**	**(0)**	**9,808**	**(5,863)**
	2019/20	**3,770**	**533**	**2,105**	**5,102**	**(0)**	**11,510**	**(6,408)**

[1] Disclosures pursuant to § 285 Sentence 1 No. 9a and § 314 Section 1 No. 6a of the German Commercial Code (HGB) (excluding provisions for post-employment benefits plans).

[2] Employment contract with the company since 1 November 2019.

[3] Employment contract with the company since 1 April 2020. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[4] Employment contract with the company until 31 December 2019.

[5] Employment contract with the company until 31 May 2020. The tranches of the long-term incentive for Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[6] For Mr Koch and Mr Baier, the short-term variable remuneration includes the special bonuses granted for financial year 2019/20 for the sale of the majority share in METRO China, amounting to €950 thousand for each. No payments were made from the short-term variable remuneration for financial year 2019/20. In accordance with the agreement concluded with Mr Palazzi, the short-term variable remuneration paid to him is based on the semi-annual figures for financial year 2019/20.

[7] Shown here is the fair value of the performance share plan, taking into account the revised performance targets.

[8] Total of the columns fixed salary, supplemental benefits, short-term variable remuneration and value of the granted tranche of the long-term incentive.

[9] Total of the columns fixed salary, supplemental benefits, short-term variable remuneration and payout from tranches granted in the past of the long-term incentive.

BENEFITS GRANTED

	Olaf Koch				Christian Baier			
	Chairman of the Management Board Member of the Management Board since 2/3/2017				Chief Financial Officer Member of the Management Board since 11/11/2016			
	2018/19	**2019/20**	**2019/20**	**2019/20**	2018/19	**2019/20**	**2019/20**	**2019/20**
€1,000			**Minimum value**	**Maximum value**			**Minimum value**	**Maximum value**
Fixed salary	1,200	**1,200**	**1,200**	**1,200**	700	**700**	**700**	**700**
Supplemental benefits	16	**14**	**14**	**70**	13	**17**	**17**	**70**
Total	**1,216**	**1,214**	**1,214**	**1,270**	**713**	**717**	**717**	**770**
1-year variable remuneration[3]	1,120	**1,120**	**0**	**2,240**	540	**540**	**0**	**1,080**
Multi-year variable remuneration								
Performance Share Plan – tranche 2018/19[4]	1,453	**–**	**–**	**–**	701	**–**	**–**	**–**
Performance Share Plan – tranche 2019/20[5]	–	**1,828**	**0**	**4,200**	–	**881**	**0**	**2,025**
Total	**3,789**	**4,162**	**1,214**	**7,710**	**1,954**	**2,138**	**717**	**3,875**
Pension expenditure	325	**325**	**325**	**325**	174	**174**	**174**	**174**
Total remuneration	**4,114**	**4,487**	**1,539**	**8,035**	**2,128**	**2,312**	**891**	**4,049**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] The figures shown here relate to the short-term incentive excluding any special bonuses.

[4] Shown here is the fair value at the time of granting the tranche. (Allocation 15/4/2019, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

[5] Shown here is the fair value of the tranche, taking into account the revised performance targets. (Allocation 15/4/2020, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

BENEFITS GRANTED

	Andrea Euenheim				Rafael Gasset[1]			
	Chief Human Resources Officer and Labour Director Member of the Management Board since 1/11/2019				Chief Operating Officer (Convenience Cluster) Member of the Management Board since 1/4/2020			
	2018/19	**2019/20**	**2019/20**	**2019/20**	2018/19	**2019/20**	**2019/20**	**2019/20**
€1,000			**Minimum value**	**Maximum value**			**Minimum value**	**Maximum value**
Fixed salary	–	**458**	**458**	**458**	–	**360**	**360**	**360**
Supplemental benefits	–	**134**	**134**	**183**	–	**110**	**110**	**130**
Total	**–**	**592**	**592**	**641**	**–**	**470**	**470**	**490**
1-year variable remuneration[3]	–	**367**	**0**	**734**	–	**265**	**0**	**530**
Multi-year variable remuneration								
Performance Share Plan – tranche 2018/19[4]	–	**–**	**–**	**–**	–	**–**	**–**	**–**
Performance Share Plan – tranche 2019/20[5]	–	**653**	**0**	**1,500**	–	**870**	**0**	**2,000**
Total	**–**	**1,612**	**592**	**2,875**	**–**	**1,605**	**470**	**3,020**
Pension expenditure	–	**116**	**116**	**116**	–	**–**	**–**	**–**
Total remuneration	**–**	**1,728**	**708**	**2,991**	**–**	**1,605**	**470**	**3,020**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] The figures shown here relate to the short-term incentive excluding any special bonuses.

[4] Shown here is the fair value at the time of granting the tranche. (Allocation 15/4/2019, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

[5] Shown here is the fair value of the tranche, taking into account the revised performance targets. (Allocation 15/4/2020, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

BENEFITS GRANTED

	Eric Poirier[1]				Heiko Hutmacher			
	Chief Operating Officer (Hospitality Cluster) Member of the Management Board since 1/4/2020				Chief Human Resources Officer and Labour Director Member of the Management Board from 2/3/2017 until 31/12/2019			
	2018/19	**2019/20**	**2019/20**	**2019/20**	2018/19	**2019/20**	**2019/20**	**2019/20**
€1,000			**Minimum value**	**Maximum value**			**Minimum value**	**Maximum value**
Fixed salary	–	**360**	**360**	**360**	900	**225**	**225**	**225**
Supplemental benefits	–	**116**	**116**	**143**	17	**1**	**1**	**18**
Total	**–**	**476**	**476**	**503**	**917**	**226**	**226**	**243**
1-year variable remuneration[3]	–	**265**	**0**	**530**	840	**210**	**0**	**420**
Multi-year variable remuneration								
Performance Share Plan – tranche 2018/19[4]	–	**–**	**–**	**–**	1,090	**–**	**–**	**–**
Performance Share Plan – tranche 2019/20[5]	–	**870**	**0**	**2,000**	–	**–**	**–**	**–**
Total	**–**	**1,611**	**476**	**3,033**	**2,847**	**436**	**226**	**663**
Pension expenditure	–	**–**	**–**	**–**	244	**61**	**61**	**61**
Total remuneration	**–**	**1,611**	**476**	**3,033**	**3,091**	**497**	**287**	**724**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] The figures shown here relate to the short-term incentive excluding any special bonuses.

[4] Shown here is the fair value at the time of granting the tranche. (Allocation 15/4/2019, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

[5] Shown here is the fair value of the tranche, taking into account the revised performance targets. (Allocation 15/4/2020, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

BENEFITS GRANTED

€1,000	Philippe Palazzi[2] Chief Operating Officer Member of the Management Board from 7/5/2018 until 31/5/2020 2018/19	2019/20	2019/20 Minimum value	2019/20 Maximum value
Fixed salary	700	**467**	**467**	**467**
Supplemental benefits	270	**141**	**141**	**180**
Total	**970**	**608**	**608**	**647**
1-year variable remuneration[3]	540	**360**	**0**	**720**
Multi-year variable remuneration				
Performance Share Plan – tranche 2018/19[4]	701	**–**	**–**	**–**
Performance Share Plan – tranche 2019/20[5]	–	**–**	**–**	**–**
Total	**2,211**	**968**	**608**	**1,367**
Pension expenditure	–	**–**	**–**	**–**
Total remuneration	**2,211**	**968**	**608**	**1,367**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] The figures shown here relate to the short-term incentive excluding any special bonuses.

[4] Shown here is the fair value at the time of granting the tranche. (Allocation 15/4/2019, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

[5] Shown here is the fair value of the tranche, taking into account the revised performance targets. (Allocation 15/4/2020, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche.)

ACCRUALS

	Olaf Koch		Christian Baier		Andrea Euenheim		Rafael Gasset[1]	
	Chairman of the Management Board Member of the Management Board since 2/3/2017		Chief Financial Officer Member of the Management Board since 11/11/2016		Chief Human Resources Officer and Labour Director Member of the Management Board since 1/11/2019		Chief Operating Officer (Convenience Cluster) Member of the Management Board since 1/4/2020	
€1,000	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Fixed salary	**1,200**	1,200	**700**	700	**458**	–	**360**	–
Supplemental benefits	**14**	16	**17**	13	**134**	–	**110**	–
Total	**1,214**	**1,216**	**717**	**713**	**592**	**–**	**470**	**–**
1-year variable remuneration[3]	**950**	757	**950**	372	**0**	–	**0**	–
Multi-year variable remuneration	**0**	0	**0**	0	**0**	–	**0**	–
Other	**0**	0	**0**	0	**0**	–	**0**	–
Total	**2,164**	**1,973**	**1,667**	**1,085**	**592**	**–**	**470**	**–**
Pension expenditure	**325**	325	**174**	174	**116**	–	**–**	–
Total remuneration	**2,489**	**2,298**	**1,841**	**1,259**	**708**	**–**	**470**	**–**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] For Mr Koch and Mr Baier, the short-term variable remuneration includes the special bonuses granted for financial year 2019/20 for the sale of the majority share in METRO China, amounting to €950 thousand for each. No payments were made from the short-term variable remuneration for financial year 2019/20. In accordance with the agreement concluded with Mr Palazzi, the short-term variable remuneration paid to him is based on the semi-annual figures for financial year 2019/20.

ACCRUALS

	Eric Poirier[1]		Heiko Hutmacher		Philippe Palazzi[2]	
	Chief Operating Officer (Hospitality Cluster) Member of the Management Board since 1/4/2020		Chief Human Resources Officer and Labour Director Member of the Management Board from 2/3/2017 until 31/12/2019		Chief Operating Officer Member of the Management Board from 7/5/2018 until 31/5/2020	
€1,000	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Fixed salary	**360**	–	**225**	900	**467**	700
Supplemental benefits	**116**	–	**1**	17	**141**	270
Total	**476**	**–**	**226**	**917**	**608**	**970**
1-year variable remuneration[3]	**0**	–	**0**	546	**205**	372
Multi-year variable remuneration	**0**	–	**0**	0	**0**	0
Other	**0**	–	**0**	0	**0**	0
Total	**476**	**–**	**226**	**1,463**	**813**	**1,342**
Pension expenditure	**–**	–	**61**	244	**–**	–
Total remuneration	**476**	**–**	**287**	**1,707**	**813**	**1,342**

[1] The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit.

[2] The tranches of the long-term incentive granted to Mr Palazzi have lapsed. The employer contribution to establish a pension scheme, the use of which can be determined individually, is reported as a supplemental benefit. His appointment as a member of the Management Board ended on 31 March 2020.

[3] For Mr Koch and Mr Baier, the short-term variable remuneration includes the special bonuses granted for financial year 2019/20 for the sale of the majority share in METRO China, amounting to €950 thousand for each. No payments were made from the short-term variable remuneration for financial year 2019/20. In accordance with the agreement concluded with Mr Palazzi, the short-term variable remuneration paid to him is based on the semi-annual figures for financial year 2019/20.

Long-term incentive (performance share plan) in financial year 2019/20

For the tranche of the performance share plan granted in financial year 2019/20, the target amount for Mr Koch is €1.68 million, for Mr Baier €0.81 million, for Ms Euenheim €0.6 million as well as €0.8 million for Mr Gasset and Mr Poirier each. Mr Hutmacher and Mr Palazzi were not granted a tranche of the performance share plan in financial year 2019/20.

The number of (initially conditionally) vested performance shares amounts to 184,413 for Mr Koch, 88,914 for Mr Baier, 65,862 for Ms Euenheim as well as 87,816 for Mr Gasset and Mr Poirier each.

The value of the tranche allocated in financial year 2019/20 as part of the performance share plan was calculated by external experts using recognised financial-mathematical methods.

PERFORMANCE SHARE PLAN

Tranche	End of the performance period	Starting price for the TSR component	Target amount of Management Board as of 30/9/2020
2016/17	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	€17.14	expired
2017/18	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	€15.10	€3,750,000
2018/19	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	€14.64	€3,750,000
2019/20	**after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche**	**€9.11**	**€4,690,000**

In addition to the tranche from the performance share plan issued in the reporting year, the active members of the Management Board have access to the following tranches of the long-term incentive that were granted during their Management Board activities: Mr Koch and Mr Baier each have access to the 2017/18 and 2018/19 tranches of the performance share plan.

No payments were made from the 2016/17 tranche of the performance share plan, whose performance period ended in financial year 2019/20.

In financial year 2019/20, value adjustments resulted from the current tranches of long-term variable remuneration. The company's expenses amounted to €0.464 million for Mr Koch, €0.126 million for Ms Euenheim and €0.145 million each for Mr Gasset and Mr Poirier. Provisions of €0.376 million for Mr Baier, €1.171 million for Mr Hutmacher and €0.087 million for Mr Palazzi were released in financial year 2019/20.

As of 30 September 2020, the provisions for the members of the Management Board totalled €2.710 million.

Services after the end of employment in financial year 2019/20 (including provisions for post-employment benefits plans)

In financial year 2019/20, a total of €0.68 million was used in accordance with the International Financial Reporting Standards (IFRS) and the German Commercial Code (HGB) for the remuneration of the active members of the Management Board of METRO AG for benefits to be provided after the end of their employment (2018/19: €0.74 million determined according to IFRS and HGB). Of this total, according to IFRS and the German Commercial Code (HGB), approximately €0.33 million accounted for pension plans for Mr Koch, approximately €0.17 million for Mr Baier, approximately €0.12 million for Ms Euenheim and approximately €0.06 million for Mr Hutmacher.

Provisions according to IFRS and the German Commercial Code (HGB) amount to approximately €0.001 million for Ms Euenheim. No further provisions are to be formed.

The present value of the commitment volume according to IFRS and the German Commercial Code (HGB) amount to approximately €4.4 million for Mr Koch, approximately €1.3 million for Mr Baier, approximately €0.2 million for Ms Euenheim and approximately €4.9 million for Mr Hutmacher. With the exception of the provision listed in the last paragraph, the cash value of the commitment volume is offset by assets. There is no commitment volume for Mr Gasset, Mr Palazzi and Mr Poirier.

Termination benefits in financial year 2019/20

An agreement was reached with Mr Hutmacher in financial year 2018/19 for the premature termination of his employment contract with effect from the end of 31 December 2019. A severance payment of €2,957,700 was agreed to settle the remaining term of his employment contract (1 January 2020 to 30 September 2020) and the short-term incentive for the period from 1 October 2019 to 31 December 2019. This settlement covers Mr Hutmacher's claims, taking into account the contractually agreed severance payment cap in accordance with the German Corporate Governance Code. The severance payment, which was paid out in that financial year, was fully accrued in financial year 2018/19. The tranches of the long-term incentive already granted to Mr Hutmacher will be settled in accordance with the terms of the plan.

In financial year 2019/20, an agreement was reached with Mr Palazzi regarding the early termination of his employment contract with effect from the end of 31 May 2020. The short-term incentive for the period from 1 October 2019 to 31 May 2020 was paid out in May 2020 based on the semi-annual figures for financial year 2019/20. No severance payment was agreed with Mr Palazzi and the tranches of the long-term incentive granted to him were cancelled without compensation.

In financial year 2019/20, an agreement was also reached on the early termination of the employment contract with Mr Koch with effect from the end of 31 December 2020. In accordance with his contract, the short-term incentive until 31 December 2020 will be paid to Mr Koch. The tranches of the long-term incentive already granted to Mr Koch remain in place and will be settled in accordance with the terms of the plan. No severance payment will be paid to Mr Koch.

Outlook

In financial year 2019/20, the Supervisory Board of METRO AG passed a resolution in its September meeting for a revised remuneration system for the members of the Management Board in order to incorporate the new legal and regulatory requirements. This remuneration system will be presented by the Supervisory Board to the Annual General Meeting in February 2021.

Moreover, the Supervisory Board decided on an orderly procedure for the selection of a new CEO after having agreed to the amicable termination of Mr Koch's employment contract as of 31 December 2020.

Remuneration of members of the Supervisory Board

The members of the Supervisory Board receive a fixed yearly remuneration amount in accordance with § 13 of METRO AG's Articles of Association. In financial year 2019/20, this amounted to €80,000 per ordinary member. The value added tax payable to the respective remuneration is reimbursed to the members of the Supervisory Board in accordance with § 13 Section 5 of METRO AG's Articles of Association.

The individual amount of Supervisory Board remuneration takes into account the duties and responsibilities of the individual members of the Supervisory Board by considering special assignments. The remuneration of the Chairman of the Supervisory Board is 3 times higher than that of an ordinary member of the Supervisory Board; that of the Vice Chairman and the chairpersons of the committees is twice as high; and that of the other members of the committees is 1.5 times higher. The remuneration for membership or chairmanship of a committee will be paid only if at least 2 meetings or other resolutions took place during the respective financial year. A member of the Supervisory Board who holds several offices at once receives remuneration for only one office; in the case of different levels of remuneration, the member receives remuneration for the most highly paid office.

Remuneration factors	
Chairman of the Supervisory Board	●●●
Vice Chairman	●●
Committee chairpersons[1]	●●
Committee members[1]	●◖
Members of the Supervisory Board	●

[1] With a minimum of 2 meetings/resolutions.

The relevant individual amounts for financial year 2019/20 are as follows:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2019/20 PURSUANT TO §13 OF THE ARTICLES OF ASSOCIATION[1]

€	Financial year	Multiplier	Fixed remuneration
Jürgen Steinemann, Chairman	2018/19	●●●	240,000
	2019/20	●●●	**240,000**
Werner Klockhaus, Vice Chairman (until 25 June 2020)	2018/19	●●	160,000
	2019/20	●●	**120,000**
Xaver Schiller, Vice Chairman (since 20 July 2020)	2018/19	●◖	120,000
	2019/20	●◖	●●	**130,000**
Marco Arcelli (since 22 January 2020)	2018/19	-	0
	2019/20	●	●◖	**70,000**
Stefanie Blaser	2018/19	●	80,000
	2019/20	●	●◖	**90,000**
Herbert Bolliger	2018/19	●	80,000
	2019/20	●	●◖	**90,000**
Gwyn Burr	2018/19	●◖	120,000
	2019/20	●◖	**120,000**
Thomas Dommel	2018/19	●◖	120,000
	2019/20	●◖	**120,000**
Prof. Dr. Edgar Ernst	2018/19	●●	160,000
	2019/20	●●	**160,000**
Dr. Florian Funck (until 7 December 2019)	2018/19	●◖	120,000
	2019/20	●◖	**30,000**
Michael Heider	2018/19	●	80,000
	2019/20	●	●◖	**90,000**
Udo Höfer (since 17 July 2020)	2018/19	●	0
	2019/20	●	**20,000**
Peter Küpfer	2018/19	●	80,000
	2019/20	●	**80,000**
Rosalinde Lax (since 17 July 2020)	2018/19	●	0
	2019/20	●	**20,000**
Susanne Meister (until 25 June 2020)	2018/19	●	80,000
	2019/20	●	**60,000**
Dr. Angela Pilkmann (until 25 June 2020)	2018/19	●	80,000
	2019/20	●	**60,000**
Dr. Fredy Raas	2018/19	●◖	120,000
	2019/20	●◖	**120,000**
Eva-Lotta Sjöstedt	2018/19	●	80,000
	2019/20	●	**80,000**
Dr. Liliana Solomon	2018/19	●◖	120,000
	2019/20	●◖	●	**113,333**
Alexandra Soto	2018/19	●	120,000
	2019/20	●	**80,000**
Manuela Wetzko (since 17 July 2020)	2018/19	●	0
	2019/20	●	**20,000**

Angelika Will	2018/19	•	80,000
	2019/20	•	**80,000**
Manfred Wirsch	2018/19	•	80,000
	2019/20	•	**80,000**
Silke Zimmer	2018/19	•	80,000
	2019/20	•	**80,000**
Total[2]	2018/19		**2,200,000**
	2019/20		**2,153,333**

[1] Plus applicable value added tax in accordance with § 13 Section 5 of the Articles of Association.

[2] Reported figures for financial year 2018/19 relate to active members of the Supervisory Board in financial year 2019/20.

In financial year 2019/20, individual members of the Supervisory Board of METRO AG also received remuneration from the group companies for Supervisory Board mandates at group companies.

OTHER INTRA-GROUP COMPENSATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2019/20[1]

€	Financial year	
Werner Klockhaus	2018/19	10,075
	2019/20	**9,300**
Thomas Dommel	2018/19	4,500
	2019/20	**4,500**
Michael Heider	2018/19	6,000
	2019/20	**6,000**
Rosalinde Lax	2018/19	6,000
	2019/20	**6,000**
Xaver Schiller	2018/19	9,000
	2019/20	**9,000**
Manuela Wetzko	2018/19	6,000
	2019/20	**6,000**
Manfred Wirsch	2018/19	6,000
	2019/20	**6,000**
Total	2018/19	**47,575**
	2019/20	**46,800**

[1] Plus potentially applicable value added tax.

Beyond this, the members of the Supervisory Board were not granted any remuneration or benefits for work performed, in particular not for consulting and brokerage services, on behalf of companies of METRO in the sense of Subsection 5.4.6 of the German Corporate Governance Code.

7 TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures as of 30 September 2020 required under §§ 289a Section 1 and 315a Section 1 of the German Commercial Code (HGB) are shown below:

Composition of the subscribed capital

As of 30 September 2020, the share capital of METRO AG amounted to €363,097,253. It is divided into a total of 360,121,736 ordinary no-par-value bearer shares (pro rata value of the share capital: €360,121,736, approximately 99.18%), as well as 2,975,517 preference no-par-value bearer shares (pro rata value of the share capital: €2,975,517, approximately 0.82%). Each share in the company has a notional interest of €1.00 in the share capital.

Each ordinary share grants a single vote in the company's Annual General Meeting. The ordinary shares carry full dividend rights. In contrast to ordinary shares, preference shares do not carry voting rights but confer a preferential entitlement to profits as prescribed in § 21 of the Articles of Association of METRO AG, which state:

'(1) Holders of non-voting preference shares will receive a preliminary dividend from the annual balance sheet profit in the amount of €0.17 for each preference share.

(2) Should the balance sheet profit available for distribution not suffice in any one financial year to pay the preliminary dividend, the arrears (excluding any interest) shall be paid from the balance sheet profit of subsequent financial years in an order based on age, meaning in such manner that any older arrears are paid off prior to any more recent ones and that the preference dividends payable from the profit of a financial year are not distributed until all accrued arrears have been paid.

(3) Following distribution of the preliminary dividends, the holders of ordinary shares will be paid a dividend of €0.17 for each ordinary share. Subsequently, a non-cumulative extra dividend per share will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10% of the dividend paid to the holders of ordinary shares under observation of Section 4, provided such dividend equals or exceeds €1.02 per ordinary share.

(4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution in the proportion of their shares in the share capital.'

Other rights associated with ordinary and preference shares include in particular the right to attend the Annual General Meeting (§ 118 Section 1 of the German Stock Corporation Act (AktG)), the right to information (§ 131 of the German Stock Corporation Act) and the right to file a legal challenge or a complaint for nullity (§§ 245 Nos. 1–3, 246, 249 of the German Stock Corporation Act). In addition to the previously mentioned right to receive dividends, shareholders principally have a subscription right when the share capital is increased (§ 186 Section 1 of the German Stock Corporation Act), claims to liquidation proceeds after the closure of the company (§ 271 of the German Stock Corporation Act) and to severance payment and settlements as a result of certain structural measures, particularly pursuant to §§ 304 et seqq., 320b and 327b of the German Stock Corporation Act.

Voting rights and transfer-related restrictions

To the best knowledge of the Management Board, the following agreements exist or existed during financial year 2019/20, which may be construed as restrictions in the sense of § 315a Section 1 No. 2 and § 289a Section 1 No. 2 of the German Commercial Code.

Beisheim Capital GmbH, Dusseldorf (Germany), Beisheim Holding GmbH, Baar (Switzerland), and Palatin Verwaltungsgesellschaft mbH, Essen (Germany), a subsidiary of Meridian Stiftung, Essen, have been part of a pool of voting rights since 29 July 2019. Based on the registration for the Annual General Meeting 2020, the partners in the voting pool hold 23.06% of the ordinary shares. The declared objective of Meridian Stiftung and the Beisheim Group is to exercise the voting rights from the METRO shares held by them jointly. In the future they plan to act uniformly vis-a-vis METRO and its shareholders in all material matters. The existing pooling agreement between Beisheim Capital GmbH, Düsseldorf (Germany), and Beisheim Holding GmbH, Baar (Switzerland), is suspended for the duration of the new voting rights pool with Meridian Stiftung, Essen (Germany). In connection with the demerger of the former METRO AG, CECONOMY AG (formerly operating as METRO AG) has assumed a lock-up agreement with respect to the shares held by it in accordance with the Group Separation Agreement dated 13 December 2016. According to this agreement, CECONOMY AG is obligated not to sell its approximately 1% of the shares in METRO AG, which were granted as part of the demerger within the spin-off from the group, until 1 October 2023.

In addition, legal restrictions on voting rights may apply, for example pursuant to § 136 of the German Stock Corporation Act or, if the company holds own shares, pursuant to § 71 of the German Stock Corporation Act.

Shares held in capital

As of 30 September 2020, the following direct and indirect capital interests existed and entitled their respective holders to more than 10% of the voting rights:

Name/company	Direct/indirect capital interest entitling to more than 10 % of voting rights
Beisheim Capital GmbH, Düsseldorf, Germany[1]	Direct
Beisheim Holding GmbH, Baar, Switzerland[1]	Direct
Beisheim Group GmbH & Co. KG, Düsseldorf, Germany	Indirect
Beisheim Verwaltungs GmbH, Düsseldorf, Germany	Indirect
Prof. Otto Beisheim Stiftung, Munich, Germany	Indirect
Prof. Otto Beisheim Stiftung, Baar, Switzerland	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany[1]	Direct
BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen, Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Meridian Stiftung, Essen, Germany	Indirect
EP Global Commerce GmbH, Grünwald, Germany	Direct
EP Global Commerce VII GmbH, Grünwald, Germany	Indirect
EP Global Commerce IV GmbH, Grünwald, Germany	Indirect
EP Global Commerce III GmbH, Grünwald, Germany	Indirect
EP Global Commerce a.s., Prague, Czech Republic	Indirect
Daniel Křetínský	Indirect
Patrik Tkáč[2]	Indirect

[1] Coordination of exercising voting rights based on a pool of voting rights between Beisheim Capital GmbH, Beisheim Holding GmbH and Palatin Verwaltungsgesellschaft mbH.

[2] Attribution of voting rights due to concerted behaviour within the meaning of § 34 Section 2 of the German Securities Trading Act.

The information above is in particular based on notifications issued under § 33 et seqq. of the German Securities Trading Act that were received and published by METRO AG.

Voting rights notifications published by METRO AG can be found on the website www.metroag.de/en in the section Newsroom – Legal Announcements.

Holders of shares with special rights as well as type of voting right control of employee shares

The company has not issued any shares with special rights pursuant to § 315a Section 1 No. 4 and § 289a Section 1 No. 4 of the German Commercial Code. No capital interests are held by employees pursuant to § 315a Section 1 No. 5 and § 289a Section 1 No. 5 of the German Commercial Code.

Provisions governing the appointment and dismissal of members of the Management Board and changes to the Articles of Association

The appointment and dismissal of members of the Management Board of METRO AG are governed in §§ 84, 85 of the German Stock Corporation Act and §§ 30, 31, 33 of the German Co-determination Act. § 5 of the Articles of Association of METRO AG stipulates that the Management Board shall comprise at least 2 members and that the actual number of members of the Management Board is determined by the Supervisory Board.

Changes to the Articles of Association of METRO AG are determined principally in accordance with §§ 179, 181, 133, 119 Section 1 No. 5 of the German Stock Corporation Act. There are numerous other sections of the German Stock Corporation Act that could possibly govern a change to the Articles of Association and that may amend or supersede the previously mentioned regulations, for example §§ 182 et seqq. of the German Stock Corporation Act in the case of capital increases, §§ 222 et seqq. of the German Stock Corporation Act in the case of capital reductions or § 262 of the German Stock Corporation Act in the case of the public limited company (‘AG’) being dissolved. Pursuant to § 14 Section 1 of the Articles of Association of METRO AG, the Supervisory Board may resolve to change the wording of the Articles of Association without a resolution passed by the Annual General Meeting.

Authorities of the Management Board to issue or buy back shares

Authorities to issue new shares

With resolution passed by the Annual General Meeting on 16 February 2018, the Management Board was authorised to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital).

Existing shareholders may exercise their subscription rights. The newly issued shares may also be acquired by banks or similarly situated companies selected by the Management Board pursuant to § 186 Section 5 Sentence 1 of the German Stock Corporation Act, given these institutions agree to tender such shares to the shareholders.

However, subject to the consent of the Supervisory Board, the Management Board is authorised to exclude shareholder subscription rights in the following cases:

- to balance fractional amounts;

- if shares are issued in exchange for non-cash contributions for the purpose of business combinations, for the acquisition of companies, for the purchase of parts of companies, operations, parts of operations or shares in companies;
- to grant a so-called scrip dividend, in which the shareholders are offered the right to use their dividend entitlement (in whole or in part) as a contribution in kind in exchange for new shares from the authorised capital;
- in the event of a capital increase in exchange for cash capital contributions to the extent necessary to grant subscription rights to new ordinary shares to the holders of warrant or convertible bearer bonds issued by METRO AG and affiliates thereof in which METRO AG holds at least 90% of shares, directly or indirectly, in the extent to which they would be entitled upon exercise of the warrant or conversion rights or performance of the warrant or conversion obligations or upon exercise of METRO AG's right to substitute as shareholder;
- in the event of capital increases in exchange for cash capital contributions if the aggregate par value of such capital increases does not exceed 10% of the company's share capital and the issue price of the new ordinary shares is not substantially lower than the listed stock exchange price of existing ordinary shares of the same class. The limit of 10% of the company's share capital is diminished by the proportion of the share capital represented by the company's own shares which are (i) used as own shares or sold during the term of authorised capital while excluding subscription rights of the shareholders in corresponding application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act or (ii) issued from contingent capital to service warrant or convertible bearer bonds which, in turn, have been or are issued while excluding subscription rights in corresponding application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act. The proportional share capital attributable to shares issued under this authority and under exclusion of the shareholders' subscription rights in exchange for cash or non-cash capital contributions must not exceed 20% of the company's share capital.

The Management Board is authorised to define further details of the capital increases, subject to the consent of the Supervisory Board. To date, the authorised capital has not been fully utilised.

Authorities to issue warrant bonds and/or convertible bearer bonds

With resolution passed by the Annual General Meeting on 16 February 2018, the Management Board was authorised to issue, in each case with the consent of the Supervisory Board, warrant or convertible bearer bonds (in aggregate, 'bonds') with an aggregate par value of €1,500,000,000 prior to 15 February 2023, on one or several occasions, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or impose warrant or conversion obligations upon them for ordinary bearer shares in METRO AG representing up to €50,000,000 of the share capital in accordance with the terms of the warrant or convertible bearer bonds. This authority results in contingent capital of up to €50,000,000 pursuant to § 4 Section 8 of the METRO AG Articles of Association.

The bonds may also be issued by a METRO AG subsidiary in the meaning of § 18 of the German Stock Corporation Act in which METRO AG holds a direct or indirect interest of at least 90%. In that case, the Management Board is authorised to assume, in each case with the consent of the Supervisory Board, a guarantee for those bonds on behalf of METRO AG and grant their holders warrant or conversion rights to ordinary bearer shares in METRO AG or impose warrant or conversion obligations upon them.

Shareholders will be granted their statutory subscription rights by way of the bonds being acquired by a bank or syndicate of banks with an undertaking to offer such bonds to the shareholders. If bonds are issued by a METRO AG subsidiary in accordance with § 18 of the German Stock Corporation Act in which METRO AG holds a direct or indirect interest of at least

90%, METRO AG must ensure that statutory subscription rights are granted to the shareholders of METRO AG in accordance with the preceding sentence.

Subject to the consent of the Supervisory Board, the Management Board is however authorised to exclude shareholder subscription rights for fractional amounts arising from proportional subscriptions to the extent necessary to grant or impose warrant or conversion rights or obligations with respect to the holders of existing warrant or conversion rights or obligations in the amount to which they would be entitled to as shareholders after exercising the warrant or conversion right or performance of the warrant or conversion obligation.

Subject to the consent of the Supervisory Board, the Management Board is also authorised to entirely exclude shareholder subscription rights to bonds issued in exchange for cash payment carrying warrant or conversion rights or warrant or conversion obligations, insofar as the Management Board concludes, after careful review, that the issue price of the bonds is not substantially lower than the hypothetical market value ascertained using recognised financial mathematical methods. This authorisation to exclude subscription rights applies to bonds issued with warrant or conversion rights or warrant or conversion obligations to pro rata ordinary shares comprising no more than 10% of the share capital at the time the authority takes effect or, if this figure is lower, at the time the authorisation is exercised. The limit of 10% of the share capital is reduced by the pro rata amount of share capital represented by any shares issued (i) during the effective period of this authority under exclusion of subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act, or (ii) to service warrant or convertible bearer bonds providing for warrant or conversion rights or obligations, insofar as such bonds were issued during the effective period of this authorisation under exclusion of subscription rights by application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis.

If bonds carrying warrant or conversion rights or warrant or conversion obligations are issued, the warrant or conversion price is determined pursuant to the rules in § 4 Section 8 of the Articles of Association of METRO AG.

In the case of bonds carrying warrant or conversion rights or warrant or conversion obligations, the warrant or conversion price may be adjusted after closer determination in order to preserve the value of such warrant or conversion rights or warrant or conversion obligations in the event their economic value is diluted, to the extent that such an adjustment is not already provided for by law. The bonds' terms may also provide for an adjustment of warrant or conversion rights or warrant or conversion obligations in case of a capital reduction or other extraordinary measures or events (for example unusually high dividends, third parties gaining a controlling interest). In the case of a third party gaining a controlling interest, the bonds' terms may provide for adjustment of the warrant or conversion price to reflect market conditions. Furthermore, the terms of the bonds may provide for a variable conversion ratio and/or variable warrant and conversion price, where the warrant or conversion price is determined within a range to be determined on the basis of the share price development during the term. The minimum issue price based on the stipulations of § 4 Section 8 of METRO AG's Articles of Association may not be undercut.

The bonds' terms may grant METRO AG the right, in lieu of providing ordinary shares upon the exercise of warrant or conversion rights, to make a cash payment corresponding to the volume-weighted average price of METRO AG ordinary shares on the Xetra trading system (or a functionally comparable successor system replacing the Xetra system) of the Frankfurt Stock Exchange during a period of several days before or after the exercise of warrant or conversion rights is announced for the number of ordinary shares that would otherwise be delivered. This period is to be determined by the Management Board. The bonds' terms may, at METRO AG's discretion, also provide for the warrant or convertible bearer bonds to be converted into existing ordinary shares in METRO AG or shares in another listed company in lieu of converting them into new ordinary shares from contingent capital and that warrant rights or obligations can be performed by the delivery of such shares.

The bonds' terms may also provide for a warrant or conversion obligation at the end of the term (or at any other time), or authorise METRO AG to grant bondholders ordinary shares in METRO AG or shares in another listed company upon maturity of bonds carrying warrant or conversion rights (including bonds which mature due to termination), in whole or in part, in lieu of a maturity payment in cash. The percentage of share capital represented by the ordinary shares in METRO AG issued upon the exercise of warrant or conversion rights must not exceed the par value of the bonds. §§ 9 Section 1, 199 Section 2 of the German Stock Corporation Act apply.

The Management Board is authorised to determine, in each case with the consent of the Supervisory Board, the further details pertaining to the issuance and terms of the bonds, particularly the coupon, issue price, term, division into shares, rules for the protection against dilution and the warrant or conversion period, or to define such details in consultation with the corporate bodies of the affiliate of METRO AG which issues the warrant or convertible bonds in accordance with § 18 of the German Stock Corporation Act.

To date, the authority to issue warrant and/or convertible bearer bonds has not been exercised.

Authorities to repurchase own shares

The company is authorised to buy back its own shares in accordance with § 71 of the German Stock Corporation Act. Pursuant to § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting authorised the company by resolution on 11 April 2017 to acquire its own shares of any class until 28 February 2022. The authority is limited to the repurchase of shares collectively representing a maximum of 10% of the share capital issued as of the date the Annual General Meeting resolution is passed or – if this figure is lower – at the time the authority is exercised. The shares transferred under this authority, together with any own shares acquired for other reasons and held by the company or attributable to it pursuant to §§ 71a et seqq. of the German Stock Corporation Act, shall collectively not exceed a pro rata proportion of 10% in the share capital at any time.

Shares may be acquired on the stock exchange or by way of a tender offer aimed at all shareholders. In the process, the authorisation includes specifications regarding the purchase price and procedures to be followed in case a public offering is oversubscribed.

The Management Board is authorised to use the shares in the company acquired based on the above authorisation for the following purposes in particular:

- disposal of shares in the company on the stock exchange or by means of a purchase offer expressed to all shareholders;
- listing of shares in the company on foreign stock exchanges where they were not hitherto admitted for trading, where the authorisation includes stipulations regarding the initial listing price;
- transfer of shares in the company to third parties for non-cash consideration in connection with business combinations or the acquisition of other companies, divisions of other companies, businesses or interests in other companies or other assets;

- disposal of shares in the company outside of the stock exchange or via a purchase offer expressed to all shareholders, provided that the disposal is for cash payment and at a price not substantially lower than the stock exchange price in effect for listed shares of the company with the same terms on the date of the disposal. This authority is limited to the disposal of shares collectively representing a maximum of 10% of the share capital at the time the authority takes effect or – if this figure is lower – at the time the authority is exercised. The maximum limit of 10% of the share capital is reduced by the pro rata amount of share capital represented by any shares issued (i) during the effective period of this authority under exclusion of subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act, or (ii) to service warrant or convertible bearer bonds providing for warrant or conversion rights or obligations, insofar as such bonds were issued during the effective period of this authority under exclusion of subscription rights by application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis;
- delivery of shares to holders of warrant or convertible bearer bonds of the company or its affiliates, in accordance with § 18 of the German Stock Corporation Act under the terms and conditions applicable to such warrant or convertible bonds; this also applies to the delivery of shares based upon the exercise of subscription rights, which in the event of a disposal of company shares through an offer to all shareholders or in the event of a capital increase with subscription rights may be granted to holders of warrant or convertible bonds of the company or any of its affiliates in accordance with § 18 of the German Stock Corporation Act to the same extent that holders of such warrant or convertible bonds would have subscription rights for shares of the company after exercising the warrant or conversion rights or performing the warrant or conversion obligations. The shares transferred under this authority shall collectively not exceed a pro rata proportion of 10% of the share capital at the time the authority takes effect or – if this figure is lower – at the time the authorisation is exercised, insofar as such shares were issued to service warrant or conversion rights or warrant or conversion obligations granted or imposed in application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis. The maximum limit of 10% of the share capital is reduced by the pro rata amount of share capital represented by any shares issued or sold during the effective period of this authority by application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis;
- distribution of a stock dividend (scrip dividend), where company shares are used (also partially and selectively) to service dividend rights of shareholders;
- redemption of shares in the company, without the need for any further resolution by the Annual General Meeting. Such redemption may also be accomplished without a capital reduction by increasing the proportional value of the remaining no-par-value shares in the share capital of the company. In this case, the Management Board is authorised to adjust the number of no-par-value shares stipulated in the Articles of Association.

The above authorisations to acquire and use the company's own shares based on the above or previous authorisations may be exercised in whole or in part, on one or several occasions, individually or collectively by the company or its group companies in accordance with § 18 of the German Stock Corporation Act or by third parties acting for their account or for the account of the company. The above authorities may be exercised for the acquisition and use of ordinary shares as well as preference shares or only for the acquisition and use of ordinary shares or for preference shares only.

Using own shares in accordance with the above authorisations other than selling acquired company shares on the stock exchange or by offer to all shareholders requires consent of the Supervisory Board.

The subscription rights of shareholders are excluded if own shares are used for any of the purposes authorised above, with the exception of the authority to sell the company's shares by making a purchase offer to all shareholders, the authority to distribute dividends in the form of a scrip dividend and the authority to redeem shares without the need for any further resolution by the Annual General Meeting.

The Management Board is authorised to exclude shareholder subscription rights for residual amounts if own shares are used in accordance with the authority to sell the company's shares by making a purchase offer to all shareholders in compliance with the principle of equal treatment stipulated in § 53a of the German Stock Corporation Act. The Management Board is further authorised to exclude shareholder subscription rights if own shares are used to distribute dividends in the form of a scrip dividend.

To date, the authorisation to repurchase the company's own shares has not been exercised.

Fundamental agreements related to the conditions of a change of control

METRO AG is currently a borrower under 2 syndicated loan agreements, which the lender may cancel in the case of a change of control, provided that, additionally and as a result of the change of control, the credit rating of METRO AG deteriorates to a certain degree as defined in respective agreements. By the definition included in the syndicated loan agreements, 'change of control' refers to the loss and acquisition of control as per § 29 of the German Securities Acquisition and Takeover Act (WpÜG). Prerequisites of such a change of control are (1) that the shareholders who controlled METRO AG at the time at which each contract was signed lose control over METRO AG and that (2) one or more parties acquire control of METRO AG. The lending banks may only cancel the contract and demand the return of the loans if the change of control and a resulting drop in the credit rating occur cumulatively. The arrangements described are common market practice and serve the purpose of protecting creditors.

Compensation agreements in the event of a takeover bid

The company has entered into compensation agreements with the members of the Management Board to provide for the case of a takeover bid. In the event of a change of control, individual members of the Management Board, with whom this clause has already been agreed in their existing employment contracts, may exercise their right to resign from their office, within 6 months after the change of control, for good cause at the end of each month by giving 3 months' prior notice and to terminate their employment contract with effect to this date (extraordinary termination right). No change of control clause is agreed for new employment contracts (initial appointment).

Based on the contractual provisions a change of control can be assumed if either a single shareholder or a number of jointly acting shareholders have acquired a controlling interest in the meaning of § 29 of the German Securities Acquisition and Takeover Act (WpÜG) by way of holding at least 30% of the voting rights and the change of control significantly interferes with the responsibilities of a member of the Management Board.

If the extraordinary termination right is exercised, or if the service contract is terminated on the basis of an amicable agreement within 6 months from the change of control, the respective member of the Management Board shall be entitled to a lump sum compensation for his or her contractual entitlements during the remaining term of the member's management contract. The recommendation by the German Corporate Governance Code is observed with the amount of the severance payment being limited to 150% of the severance payment cap. The entitlement to a severance payment lapses if the employment was terminated by the company for good cause pursuant to § 626 of the German Civil Code (BGB).

However, no compensation agreements with employees have been concluded in the event of a takeover bid.

8 SUPPLEMENTARY NOTES FOR METRO AG (PURSUANT TO THE GERMAN COMMERCIAL CODE)

Overview of financial year 2019/20 and outlook of METRO AG

METRO AG, in its function as the management holding company of the METRO group, is highly dependent on the development of METRO in terms of its own business development, position and potential development with its key opportunities and risks.

In light of the holding structure, the most important key performance indicator for METRO AG in terms of GAS 20 is commercial net profit or loss – contrary to the case for the group as a whole.

Business development of METRO AG

The business development of METRO AG is primarily characterised by the development of its subsidiaries and the intra-group dividend policies. In financial year 2019/20, it is particularly noteworthy that the losses from the hypermarket business up to its disposal and the results of the disposal itself have been taken into account in the Annual Financial Statements of METRO AG, while the capital gains from the sale of METRO China were essentially incurred at the level of an intermediate holding company based abroad. No decision has yet been made on the appropriation of the profits of this intermediate holding company and of other operating companies. In this respect, the Annual Financial Statements of METRO AG technically show a high and unanticipated net loss for the year, although the liquid funds from the disposal of the majority stake in METRO China have already accrued to METRO's cash pool. Since the Annual Financial Statements of METRO AG prepared under German commercial law serve as the basis for dividend distribution, a withdrawal was made from the capital reserves in order to generate the balance sheet profit required for the proposed dividend payment. While the proposed dividend is generally based on the earnings per share reported in the consolidated financial statements, the income statement and balance sheet from the Annual Financial Statements of METRO AG are prepared in accordance with the regulations stipulated by the German Commercial Code (HGB) as outlined below.

Earnings position of METRO AG and profit appropriation

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2019 TO 30 SEPTEMBER 2020 IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE

€ million	2018/19	**2019/20**
Sales	393	**358**
Other operating income	387	**443**
Cost of services purchased	−51	**−40**
Personnel expenses	−139	**−167**
Depreciation/amortisation/impairment losses on intangible and tangible assets	−66	**−65**
Other operating expenses	−571	**−736**
Investment result	293	**−527**
Net financial result	−5	**−34**
Income taxes	−2	**−43**
Earnings after taxes	**239**	**−811**
Other taxes	−2	**−4**
Net profit or loss (+)/net loss for the year (−)	**237**	**−815**
Retained earnings from the previous year	29	**11**
Withdrawal from the capital reserve	0	**1,070**
Balance sheet profit	**266**	**267**

METRO AG essentially serves as a licensor and service provider for the operational METRO national subsidiaries and settles them using the transfer pricing system.

The key services provided in this context include various operational services (consulting services), holding company services as well as services related to the development and operation of various in-house IT solutions. In order to be able to render these services, the company purchases IT services from subcontractors within the group as well as from third-party providers, in particular, which leads to higher costs for services purchased, other operating expenses and depreciation/amortisation. METRO AG acts as a centralised licensor for its current and, temporarily, also for its former subsidiaries with respect to its METRO and MAKRO brands as well as its own-brand products.

Revenue €358 million in settlement amounts received by METRO AG were recognised as sales in the reporting period. They are broken down into €250 million for settlement amounts received in the form of licensing fees for the METRO and MAKRO brands as well as €108 million relating to IT and business services. The reason for the decline in sales is the earnings development in Western Europe, which was impacted by Covid-19, since the licensing fees for the use of the METRO and MAKRO brands are mainly based on earnings. Increased licence fees in Eastern Europe (excluding Russia) and Asia could only partially offset this effect.

The item other operating income consists mainly of settlement amounts from subsidiaries that are not classified as sales. The increase compared to the previous year mainly relates to risk provisions that are no longer required for the settlement of licensing fees in certain countries (reversal of provisions) and one-off income in connection with the disposal of METRO China and the hypermarket business (miscellaneous other operating income).

To perform its function as a central management holding company, METRO AG has subcontracted service performances which predominantly relate to costs of marketing and IT services to subsidiaries as well as third-party companies. To the extent such expenses are related to settlement payments recognised in the item sales revenues, the corresponding amounts have been recognised in the item cost of services purchased.

On average during the 4 quarters of financial year 2019/20, METRO AG employed 796 people. Part-time employees and temporary workers were converted into full-time equivalents. Despite a lower number of employees, personnel expenses were higher than in the previous year due to higher restructuring expenses.

Impairment losses in the amount of €40 million are attributable to amortisation of the usage rights to the METRO and MAKRO brands and the remainder to scheduled depreciation of other assets.

Other operating expenses consist of expenses incurred by METRO AG in exercising its function as a management holding and concern costs for services subcontracted to companies both within and outside of the group. The increase compared to the previous year is mainly due to higher currency losses and higher risk provisions for the settlement of licensing fees in various countries.

For financial year 2019/20, METRO AG posted an investment result of €−527 million. Profit and loss transfer agreements with other group companies accounted for revenues in the amount of €219 million. Losses were absorbed in the amount of €252 million. These losses predominantly result from the hypermarket business (Real). The income from investments without profit and loss transfer agreements amounted to €352 million in financial year 2019/20 and was attributable to the group’s real estate companies. In the reporting year, depreciation in shares in affiliated companies in the real estate sector amounted to €624 million, mainly as a result of impairment losses following dividend distributions. In addition, the sale of the hypermarket business resulted in a disposal loss of €222 million.

The net financial result amounted to €−34 million, mainly due to a reduced net interest result.

The net loss for the year comes in at €−815 million. Including retained earnings from the previous year in the amount of €11 million and the withdrawal of €1,070 million from the capital reserve, the company’s balance sheet profit amounted to €267 million.

Regarding the appropriation of the balance sheet profit for 2019/20, the Management Board of METRO AG will propose to the Annual General Meeting to distribute from the reported balance sheet profit of €267 million a dividend in the amount of €0.70 per ordinary share and in the amount of €0.70 per preference share – that is, a total of €254 million – and to carry forward the remaining amount to the new account.

Financial position of METRO AG

Cash flows

As of the closing date, cash on hand amounted to €1,083 million. This item essentially includes bank deposits through cash pool income from the subsidiaries towards the end of the reporting period.

Capital structure

EQUITY AND LIABILITIES

€ million	30/9/2019	**30/9/2020**
Equity		
Share capital	363	**363**
Capital reserve	6,118	**5,048**
Balance sheet profit	266	**267**
	6,747	**5,678**
Provisions	**451**	**702**
Liabilities		
Bonds	2,288	**2,071**
Liabilities to banks	262	**60**
Liabilities to affiliated companies	8,380	**2,663**
Miscellaneous liabilities	81	**48**
	11,011	**4,841**
Deferred income	**12**	**159**
	18,221	**11,380**

Liabilities consist of equity in the amount of €5,678 million and provisions, liabilities and deferred income in the amount of €5,702 million. The equity ratio as of the closing date was 49.9%. Provisions as of the closing date totalled €702 million. Liabilities consist of €2,071 million in bonds and €60 million in liabilities to banks. The balance sheet also reports liabilities to affiliated companies in the amount of €2,663 million. They mainly relate to short-term financial investments of subsidiaries. The balance was significantly reduced due to a reconciliation of receivables and liabilities within the group.

Asset position of METRO AG

ASSETS

€ million	30/9/2019	**30/9/2020**
Non-current assets		
Intangible assets	939	**875**
Tangible assets	3	**2**
Financial assets	9,005	**8,147**
	9,947	**9,024**
Current assets		
Receivables and other assets	8,218	**1,263**
Cash on hand, bank deposits and cheques	44	**1,083**
	8,262	**2,346**
Deferred income	**12**	**10**
	18,221	**11,380**

As of the closing date, METRO had total assets of €11,380 million, which are predominantly comprised of financial assets in the amount of €8,147 million, receivables from affiliated companies at €1,231 million and the usufructuary rights to the METRO and MAKRO brands which were recognised as an intangible asset (€840 million). The financial assets predominantly consist of shares held in affiliated companies in the amount of €8,141 million which are essentially comprised of shares in the holding for wholesale companies (€6,731 million), in real estate companies (€670 million), in service providers (€519 million) and in other companies (€221 million). The reduction resulted from the divestment of the hypermarket business as well as through the disposal of shares and through dividend distribution-related impairments. The financial assets account for 71.6% of the total assets. Receivables from affiliated companies amount to €1,231 million. This corresponds to 10.8% of the total assets. This item mainly reflects the short-term financing requirements of group companies as of the closing date. Cash on hand, bank deposits and cheques amounted to €1,083 million, the increase being largely due to the payments received from corporate transactions.

Risk situation of METRO AG

As METRO AG is closely engaged with the companies of the METRO group through financing and guarantee commitments as well as direct and indirect investments, among other things, the risk situation of METRO AG is highly dependent on the risk situation of the METRO group. This is why the summary of the risk situation of METRO AG issued by the company’s management also reflects the risk situation of the METRO group.

Outlook of METRO AG

The business development of METRO AG as the management holding company essentially depends on the development and dividend distributions of its investments. In light of the ongoing Covid-19 pandemic, we anticipate that lower licence income from subsidiaries will be offset by ongoing cost savings as a result of the implemented efficiency programme as well as changes in investment results. Accordingly, we expect that a positive net profit will be reported again in the coming financial year 2020/21.

Planned investments of METRO AG

In the context of METRO's investment activities, METRO AG will support group companies with increases in shareholdings or loans, where necessary. In addition, investments in shareholdings in affiliated companies may result from intra-group share transfers.

Declaration on corporate management

The declaration on corporate management, summarised in the corporate governance report, pursuant to § 289f of the German Commercial Code (HGB) and § 315d of the German Commercial Code (HGB) is permanently and publicly available on the company's website (**www.metroag.de/en**) in the section Company – Corporate Governance.

CONSOLIDATED FINANCIAL REPORTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

for the financial year from from 1 October 2019 to 30 September 2020

€ million	Note no.	2018/19[1]	2019/20
Sales revenues	1	**27,082**	**25,632**
Cost of sales		−22,466	**−21,271**
Gross profit on sales		**4,617**	**4,361**
Other operating income	2	1,376	**948**
Selling expenses	3	−3,955	**−3,849**
General administrative expenses	4	−811	**−831**
Other operating expenses	5	−279	**−321**
Earnings from impairment of financial assets	6	−14	**−64**
Earnings share of operating companies recognised at equity	7	24	**14**
Earnings before interest and taxes EBIT		**957**	**257**
Earnings share of non-operating companies recognised at equity	7	0	**0**
Other investment result	8	−1	**3**
Interest income	9	45	**31**
Interest expenses	9	−285	**−252**
Other financial result	10	12	**−72**
Net financial result		**−230**	**−289**
Earnings before taxes EBT		**728**	**−32**
Income taxes	12	−301	**−108**
Profit or loss for the period from continuing operations		**427**	**−140**
Profit or loss for the period from discontinued operations after taxes	43	−93	**612**
Profit or loss for the period		**333**	**471**
Profit or loss for the period attributable to non-controlling interests	13	11	**11**
from continuing operations		(6)	**(5)**
from discontinued operations		(5)	**(6)**
Profit or loss for the period attributable to the shareholders of METRO AG		322	**460**
from continuing operations		(421)	**(−146)**
from discontinued operations		(−99)	**(606)**
Earnings per share in € (basic = diluted)	14	**0.89**	**1.27**
from continuing operations		(1.16)	**(−0.40)**
from discontinued operations		(−0.27)	**(1.67)**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

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

for the financial year from from 1 October 2019 to 30 September 2020

€ million	Note no.	2018/19[1]	2019/20
Profit or loss for the period		**333**	**471**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	31	**−75**	**5**
Remeasurement of defined benefit pension plans		−94	**7**
Subsequent measurement of associates/joint ventures accounted for using the equity method		0	**0**
Effects from the fair value measurements of equity instruments		−3	**0**
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		22	**−2**
Items of other comprehensive income that may be reclassified subsequently to profit or loss	31	**129**	**−470**
Currency translation differences from translating the financial statements of foreign operations		132	**−468**
Effective portion of gains/losses from cash flow hedges		2	**−2**
Effects from the fair value measurements of debt instruments		0	**0**
Subsequent measurement of associates/joint ventures accounted for using the equity method		0	**0**
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		−5	**0**
Other comprehensive income	31	**54**	**−466**
Total comprehensive income	31	**387**	**6**
Total comprehensive income attributable to non-controlling interests	31	12	**11**
Total comprehensive income attributable to the shareholders of METRO AG	31	375	**−5**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

BALANCE SHEET

as of 30 September 2020

ASSETS

€ million	Note no.	1/10/2018[1, 2]	30/9/2019[2]	**30/9/2020**
Non-current assets		**9,740**	**8,838**	**8,277**
Goodwill	19	797	785	**731**
Other intangible assets	20	499	562	**576**
Property, plant and equipment	21	7,469	6,635	**5,811**
Investment properties	22	135	127	**188**
Financial assets	23	86	97	**98**
Investments accounted for using the equity method	23	178	179	**421**
Other financial assets	24	164	150	**185**
Other non-financial assets	24	30	20	**16**
Deferred tax assets	25	382	284	**252**
Current assets		**8,504**	**8,992**	**4,915**
Inventories	26	2,108	1,946	**1,888**
Trade receivables	27	568	482	**429**
Financial assets		2	4	**3**
Other financial assets	24	580	622	**525**
Other non-financial assets	24	349	279	**377**
Entitlements to income tax refunds		206	190	**145**
Cash and cash equivalents	29	1,298	500	**1,525**
Assets held for sale	30, 43	3,393	4,970	**22**
		18,244	**17,830**	**13,192**

[1] Adjustment due to application of IFRS 9 and IFRS 15.

[2] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

EQUITY AND LIABILITIES

€ million	Note no.	1/10/2018[1, 2]	30/9/2019[2]	**30/9/2020**
Equity	31	**2,234**	**2,345**	**2,061**
Share capital		363	363	**363**
Capital reserve		6,118	6,118	**5,048**
Reserves retained from earnings		−4,287	−4,167	**−3,358**
Equity before non-controlling interests		2,194	2,314	**2,053**
Non-controlling interests		40	31	**8**
Non-current liabilities		**5,804**	**5,652**	**5,506**
Provisions for post-employment benefits plans and similar obligations	32	468	543	**550**
Other provisions	33	88	108	**139**
Financial liabilities	34, 36	5,055	4,766	**4,541**
Other financial liabilities	34, 37	56	55	**17**
Other non-financial liabilities	34, 37	24	25	**193**
Deferred tax liabilities	25	114	155	**66**
Current liabilities		**10,206**	**9,832**	**5,625**
Trade liabilities	34, 35	3,993	3,572	**3,199**
Provisions	33	230	158	**287**
Financial liabilities	34, 36	1,742	1,164	**773**
Other financial liabilities	34, 37	744	728	**724**
Other non-financial liabilities	34, 37	389	228	**451**
Income tax liabilities	34	191	169	**184**
Liabilities related to assets held for sale	33, 43	2,915	3,813	**7**
		18,244	**17,830**	**13,192**

[1] Adjustment due to application of IFRS 9 and IFRS 15.

[2] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

STATEMENT OF CHANGES IN EQUITY

for the financial year from from 1 October 2019 to 30 September 2020

€ million	Note no.	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Equity and debt instruments	Currency translation differences from translating the financial statements of foreign operations	Remeasurement of defined benefit pension plans
1/10/2018[1]	31	**363**	**6,118**	**0**	**0**	**−738**	**−410**
Balance sheet changes due to IFRS 16		0	0	0	0	0	0
1/10/2018 adjusted		363	6,118	0	0	−738	−410
Earnings after taxes		**0**	**0**	**0**	**0**	**0**	**0**
Other comprehensive income		0	0	2	−3	130	−94
Total comprehensive income		0	0	2	−3	130	−94
Capital increases		0	0	0	0	0	0
Dividends		0	0	0	0	0	0
Capital transactions with a change in the participation rate		**0**	**0**	**0**	**0**	**0**	**0**
Other changes		**0**	**0**	**0**	**0**	**0**	**3**
30/9/2019	31	363	6,118	2	−3	−607	−500
1/10/2019		**363**	**6,118**	**2**	**−3**	**−607**	**−500**
Earnings after taxes		0	0	0	0	0	0
Other comprehensive income		0	0	−2	0	−468	7
Total comprehensive income		**0**	**0**	**−2**	**0**	**−468**	**7**
Capital increases		0	0	0	0	0	0
Dividends		0	0	0	0	0	0
Capital transactions with a change in the participation rate		0	0	0	0	0	0
Other changes		0	−1,070	0	4	0	3
30/9/2020	31	**363**	**5,048**	**1**	**1**	**−1,076**	**−491**

[1] Adjustment due to application of IFRS 9 and IFRS 15.

€ million	Income tax on components of other compre-hensive income	Other reserves retained from earnings	Total reserves retained from earnings	Total equity before non-controlling interests	Non-controlling interests	**Total equity**
1/10/2018[1]	**91**	**−2,399**	**−3,456**	**3,025**	**41**	**3,066**
Balance sheet changes due to IFRS 16	0	−831	−831	−831	−1	**−832**
1/10/2018 adjusted	91	−3,230	−4,287	2,194	40	**2,234**
Earnings after taxes	**0**	**322**	**322**	**322**	**11**	**333**
Other comprehensive income	17	0	53	53	1	**54**
Total comprehensive income	17	322	375	375	12	**387**
Capital increases	0	0	0	0	0	**0**
Dividends	0	−254	−254	−254	−21	**−275**
Capital transactions with a change in the participation rate	**0**	**−1**	**−1**	**−1**	**0**	**−1**
Other changes	**−1**	**−2**	**0**	**0**	**−1**	**0**
30/9/2019	106	−3,165	−4,167	2,314	31	**2,345**
1/10/2019	**106**	**−3,165**	**−4,167**	**2,314**	**31**	**2,345**
Earnings after taxes	0	460	460	460	11	**471**
Other comprehensive income	−2	0	−466	−466	0	**−466**
Total comprehensive income	**−2**	**460**	**−5**	**−5**	**11**	**6**
Capital increases	0	0	0	0	0	**0**
Dividends	0	−254	−254	−254	−7	**−261**
Capital transactions with a change in the participation rate	0	−1	−1	−1	1	**0**
Other changes	−1	1,064	1,070	0	−28	**−29**
30/9/2020	**103**	**−1,896**	**−3,358**	**2,053**	**8**	**2,061**

CASH FLOW STATEMENT[1]

for the financial year from from 1 October 2019 to 30 September 2020

FOR THE FINANCIAL YEAR FROM FROM 1 OCTOBER 2019 TO 30 SEPTEMBER 2020

€ million	Note no.[2]	2018/19[3]	**2019/20**
EBIT		957	**257**
Depreciation/amortisation/impairment losses/reversal of impairment losses of fixed assets excl. financial investments	15	774	**856**
Change in provisions for pensions and other provisions	32, 33	−31	**−10**
Change in net working capital	26, 27, 35	27	**−172**
Income taxes paid	12	−215	**−140**
Reclassification of gains (−)/losses (+) from the disposal of fixed assets		−357	**−4**
Other		53	**−140**
Cash flow from operating activities of continuing operations		**1,209**	**646**
Cash flow from operating activities of discontinued operations	43	399	**416**
Cash flow from operating activities		**1,608**	**1,062**
Acquisition of subsidiaries		−1	**0**
Investments in property, plant and equipment and in investment property (excl. rights of use)	21, 22	−258	**−211**
Other investments		−198	**−160**
Investments in monetary assets		−9	**−8**
Disposals of subsidiaries		0	**0**
Divestments	20, 21, 22, 23	505	**114**
Disposal of financial investments		7	**0**
Cash flow from investing activities of continuing operations		**46**	**−265**
Cash flow from investing activities of discontinued operations	43	−136	**1,271**
Cash flow from investing activities		**−90**	**1,006**
Dividends paid	31		
to METRO AG shareholders		−254	**−254**
to other shareholders		−7	**−7**
Redemption of liabilities from put options of non-controlling shareholders		−2	**0**
Proceeds from long-term borrowings	36	6,122	**6,066**
Redemption of borrowings	36	−6,767	**−6,487**
Lease payments		−540	**−547**
Interest paid		−112	**−82**
Interest received		28	**16**
Other financing activities		−4	**16**
Cash flow from financing activities of continuing operations		**−1,535**	**−1,280**
Cash flow from financing activities of discontinued operations	43	−351	**−278**
Cash flow from financing activities		**−1,886**	**−1,557**
Total cash flows		**−368**	**510**
Currency effects on cash and cash equivalents		17	**−29**
Total change in cash and cash equivalents		**−351**	**482**
Cash and cash equivalents as of 1 October		1,395	**1,044**

less cash and cash equivalents reported in assets in accordance with IFRS 5		97	**544**
Cash and cash equivalents as of 1 October		**1,298**	**500**
Cash and cash equivalents as of 30 September		1,044	**1,525**
less cash and cash equivalents reported in assets in accordance with IFRS 5		544	**0**
Cash and cash equivalents as of 30 September	29	**500**	**1,525**

[1] The cash flow statement is explained in the notes to the consolidated financial statements in no. 41 – notes to the cash flow statement.

[2] Deviations from the balance sheet values result from adjusted translation effects and changes in the consolidation group.

[3] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

NOTES

SEGMENT REPORTING[1, 2]

€ million	METRO Germany 2018/19	METRO Germany 2019/20	METRO Western Europe (excl. Germany) 2018/19	METRO Western Europe (excl. Germany) 2019/20	METRO Russia 2018/19	METRO Russia 2019/20	METRO Eastern Europe (excl. Russia) 2018/19	METRO Eastern Europe (excl. Russia) 2019/20
External sales (net)	4,735	**4,699**	10,752	**9,603**	2,662	**2,644**	7,191	**7,125**
Internal sales (net)	16	**15**	2	**2**	38	**36**	0	**0**
Sales (net)	4,751	**4,714**	10,753	**9,605**	2,700	**2,679**	7,191	**7,125**
Adjusted EBITDA	128	**125**	636	**394**	235	**224**	385	**371**
Transformation costs	0	**0**	0	**0**	0	**0**	0	**0**
Earnings contributions from real estate transactions	0	**0**	29	**1**	0	**0**	182	**2**
EBITDA	128	**125**	665	**395**	235	**224**	567	**373**
Depreciation/amortisation/ impairment losses	107	**114**	241	**257**	64	**64**	126	**133**
Reversals of impairment losses	0	**0**	7	**0**	0	**0**	0	**0**
EBIT	20	**11**	432	**138**	171	**161**	441	**241**
Investments	63	**77**	215	**213**	38	**17**	261	**107**
Non-current segment assets	1,027	**976**	2,597	**2,531**	1,052	**770**	1,658	**1,468**
Selling space (1,000 m^2)	915	**915**	1,531	**1,533**	688	**682**	1,391	**1,386**
Locations (number)	103	**103**	240	**240**	94	**93**	195	**196**

€ million	METRO Asia 2018/19	METRO Asia 2019/20	Others 2018/19	Others 2019/20	Consolidation 2018/19	Consolidation 2019/20	METRO Continuing operations 2018/19	METRO Continuing operations 2019/20
External sales (net)	1,696	**1,539**	46	**22**	0	**0**	27,082	**25,632**
Internal sales (net)	0	**0**	667	**753**	−723	**−806**	0	**0**
Sales (net)	1,696	**1,539**	713	**774**	−723	**−806**	27,082	**25,632**
Adjusted EBITDA	43	**0**	−34	**42**	0	**1**	1,392	**1,158**
Transformation costs	0	**0**	0	**47**	0	**0**	0	**47**
Earnings contributions from real estate transactions	107	**0**	21	**0**	0	**0**	339	**3**
EBITDA	150	**0**	−13	**−5**	0	**1**	1,731	**1,113**
Depreciation/amortisation/ impairment losses	37	**66**	207	**224**	1	**0**	782	**857**
Reversals of impairment losses	0	**0**	0	**0**	0	**0**	8	**1**
EBIT	113	**−65**	−220	**−229**	−1	**1**	957	**257**
Investments	29	**24**	222	**189**	−2	**0**	826	**627**
Non-current segment assets	613	**516**	1,320	**1,235**	11	**9**	8,277	**7,504**
Selling space (1,000 m^2)	202	**206**	0	**0**	0	**0**	4,728	**4,723**
Locations (number)	46	**46**	0	**0**	0	**0**	678	**678**

[1] Segment reporting is explained in the notes to the consolidated financial statements in no. 42 – segment reporting.
[2] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

NOTES TO THE GROUP ACCOUNTING PRINCIPLES AND METHODS

Accounting principles

METRO AG, the parent company of the METRO group (hereinafter referred to as METRO), is a German corporation with registered office at METRO-Straße 1 in 40235 Düsseldorf, Germany. The company is registered in the commercial register at the District Court in Düsseldorf under HRB 79055.

These consolidated financial statements of METRO AG as of 30 September 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements in their present form comply with the stipulations of § 315e of the German Commercial Code (HGB). Together with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, they form the legal basis for group accounting according to international standards in Germany.

The date at which the Management Board of METRO AG signed the consolidated financial statements (1 December 2020) also represents the date at which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

The income statement has been prepared using the cost of sales method.

Assets and liabilities are classified as current if the respective asset is expected to be realised or the liability settled within 12 months of the closing date.

Certain items in the income statement and the balance sheet have been combined to increase transparency and informative value. These items are explained separately in the notes.

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

The following accounting and measurement methods were used in the preparation of the consolidated financial statements.

Application of new accounting methods

Accounting standards applied for the first time in financial year 2019/20

The following IFRS, issued or revised by the International Accounting Standards Board (IASB), that were binding for METRO AG in financial year 2019/20 were applied for the first time in these consolidated financial statements:

IFRS 16 (Leases)

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.

Exercising of options

Lessees can choose from several policy options. For accounting and measurement, they have the option to build a portfolio of leases with similar characteristics of which METRO did not make use of. METRO is exercising the option of not applying the right-of-use approach to leases involving assets of minor value (mainly business and office equipment) and short-term leases (maximum terms of 12 months). Rental expenses for these assets were therefore recognised 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.

Furthermore, the option to capitalise leased intangible assets was not exercised. They still fall within the scope of IAS 38.

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 measured at cost, which is the initial amount of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initially incurred direct costs, minus any incentives received. The right of use is subsequently amortised on a straight-line basis over the shorter lease term or the useful life of the underlying asset. Moreover, the right of use is reduced by any impairment loss and adjusted for certain remeasurements of the lease liabilities. The lease liability is initially measured at the present value of the lease payments, which are discounted at the interest rate inherent in the lease agreement or, if this interest rate cannot be readily determined, at the company's incremental borrowing rate.

The lease payments included in the measurement of the lease liability consist of the following items:

- Fixed payments, including substantially fixed payments
- Variable lease payments that depend on an index or instalment, which are initially valued using the index or instalment on the starting date
- Amounts expected to be paid under a residual value guarantee
- Exercise price of a call option which the company assumes with sufficient certainty will be exercised
- Lease payments in an optional extension period, if the company exercises an extension option with sufficient certainty
- 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 the future lease payments change as a result of a change in the 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 way, a corresponding adjustment to the carrying amount of the right of use is made or recognised in the income statement if the carrying amount of the right of use is reduced to 0. Rights of use are disclosed in the balance sheet under property, plant and equipment. Rights of use that meet the definition of investment property are included under 'Investment properties' and are recognised separately in the financial statements. Lease liabilities are included in 'Other current financial liabilities' and 'Other non-current financial liabilities'.

In the cash flow statement, the company has classified the repayment of lease payments and the interest portion within financing activities. Lease payments are divided into a redemption and an interest portion and are included in the cash flow statement in the line 'Redemption of lease liabilities'. 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 a lessor under IAS 17 do not differ materially from the new rules under IFRS 16. However, there are differences with regard to subleases, which are classified under IFRS 16 with reference to the right of use and not, as previously under IAS 17, by reference to the underlying asset. As a result, the number of subleases classified as finance leases has risen, and the amount of receivables to be reported in the balance sheet has increased accordingly.

Even if the company is the lessor in 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 generally transfers all the risks and benefits associated with ownership of the underlying asset. If this is the case, the lease is a finance lease; otherwise, it is an operating lease. As part of this assessment, the company considers certain indicators, for example, whether the lease covers most of the lease term of the main lease of the asset.

If the lease is a finance lease, a net investment (receivable) equal to the discounted future lease payments to be received is recognised in the balance sheet. The interest rate underlying the lease is used to determine the discount. Interest income from leases is disclosed in cash flow from operating activities.

If the company is an intermediate lessor, it accounts for its interest in the main lease agreement and the sub-lease agreement separately. If a main lease is a short-term lease to which the company applies the exception described above, the company classifies the sub-lease as an operating lease. The company recognises lease payments it receives under operating leases as rental income.

Sale-and-leaseback transactions

If a sale and leaseback transaction involves the sale of the asset as defined by IFRS 15 (Revenue from Customer Agreements), the lessee (seller) must derecognise the asset and recognise any gain or loss relating to the rights transferred to the lessor (buyer). Retrospective application of the new accounting treatment of sale and leaseback transactions is not required and was thus not applied to METRO.

METRO is applying the standard fully retrospectively, which requires restatement of previous year's comparative figures.

– **For further information, please refer to** No. 48 Adjustment of comparative figures for 2018/19 due to IFRS 16 ▸ page 255.

Additional IFRS amendments

Other accounting rules to be applied for the first time in financial year 2019/20 without material effects on METRO are:

- IAS 12 – Income Taxes (clarification as part of the annual improvements cycle 2015–2017: Income Tax Consequences of Payments on Instruments Classified as Equity)
- IAS 19 – Employee Benefits (clarification: Plan Amendment, Curtailment or Settlement)
- IAS 23 – Borrowing Costs (clarification as part of the annual improvements cycle 2015–2017: Borrowing Costs Eligible for Capitalisation)
- IAS 28 – Investments in Associates and Joint Ventures (clarification: Long-term Interests in Associates and Joint Ventures)
- IFRS 3 – Business Combinations/IFRS 11 – Joint Arrangements (clarification as part of the annual improvements cycle 2015–2017: Previously Held Interest in a Joint Operation)
- IFRS 9 – Financial Instruments (clarification: Prepayment Features with Negative Compensation)
- IFRIC 23 – Uncertainty over Income Tax Treatments (IFRIC interpretation to be applied for the first time)

In addition, METRO is voluntarily applying the amendments to IFRS 16 (Leases) adopted by the IASB in May 2020 early, which made it possible to simplify the accounting treatment of concessions granted by lessors to lessees due to the Covid-19 pandemic.

Accounting standards that were published but are not yet applied in financial year 2019/20

A number of other standards and interpretations amended or newly issued by the IASB were not yet applied by METRO in financial year 2019/20 because they were either not yet mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Titel	Effective date according to IFRS[1]	Application at METRO AG from[2]	Endorsed by EU[3]
Amendments to IFRS 1	Changes resulting from the annual improvements cycle 2018–2020 (Subsidiary as a First-time Adopter)	1/1/2022	1/10/2022	No
Amendments to IFRS 3	Business Combinations (Definition of a Business)	1/1/2020	1/10/2020	Yes
Amendments to IFRS 3	Business Combinations (Reference to the Conceptual Framework)	1/1/2022	1/10/2022	No
Amendments to IFRS 4	Insurance Contracts (Extension of the Temporary Exemption from Applying IFRS 9)	1/1/2023	1/10/2023	No
Amendments to IFRS 9	Changes resulting from the annual improvements cycle 2018–2020 (Fees in the 10 % Test for Derecognition of Financial Liabilities)	1/1/2022	1/10/2022	No
Amendments to IFRS 9/ IFRS 7/ IAS 39	Financial Instruments (Interest Rate Benchmark Reform – Phase 1)	1/1/2020	1/10/2020	Yes
Amendments to IFRS 9/ IFRS 7/ IFRS 16/ IAS 39	Financial Instruments (Interest Rate Benchmark Reform – Phase 2)	1/1/2021	1/10/2021	No
Amendments to IFRS 10/ IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	Unknown[4]	Unknown[4]	No
Amendments to IFRS 16	Leases (Covid-19-Related Rental Concessions)	1/6/2020	1/10/2019	Yes
IFRS 17	Insurance Contracts – including adopted amendments to the standard	1/1/2023	1/10/2023	No
Amendments to IAS 1	Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1/1/2023	1/10/2023	No
Amendments to IAS 1/ IAS 8	Definition of 'Material'	1/1/2020	1/10/2020	Yes
Amendments to IAS 16	Property, Plant and Equipment (Proceeds before Intended Use)	1/1/2022	1/10/2022	No
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Costs of Fulfilling a Contract)	1/1/2022	1/10/2022	No
Amendments to IAS 41	Changes resulting from the annual improvements cycle 2018–2020 (Taxation in Fair Value Measurement)	1/1/2022	1/10/2022	No
Changes to the Conceptual Framework	Conceptual Framework for Financial Reporting (Amendments to References to the Conceptual Framework in IFRS Standards)	1/1/2020	1/10/2020	Yes

[1] Without earlier application (exception: IFRS 16 – Covid-19-Related Rental Concessions).
[2] Application as of 1 October due to deviation of financial year from calendar year, if the approval for use (endorsement) has been granted by the EU.
[3] As of: Early November 2020.
[4] Indefinite deferral of effective date by IASB.

Effect of the additional IFRS amendments

The first-time application of the other standards and interpretations listed in the above table as well as amendments to IFRS is not expected to have a material impact on the group's asset, financial and earnings position.

Consolidation group

Besides METRO AG, all companies indirectly or directly controlled by METRO AG are included in the consolidated financial statements if these companies individually or as a group are not immaterial to the consolidated financial statements. Control exists if there is a possibility to control a company's financial and business policy through a majority of voting rights or according to the Articles of Association, company contract or contractual agreement in order to benefit from this company's business activities.

Including METRO AG, 177 German (30/9/2019: 200) and 174 international (30/9/2019: 223) companies are included in the consolidated financial statements.

The group of consolidated companies changed as follows in financial year 2019/20:

As of 1/10/2019	423
Changes in financial year 2019/20	
Companies merged with other consolidated subsidiaries	7
Disposal of shares	80
Other disposals	4
Newly founded companies	17
Acquisitions	2
As of 30/9/2020	**351**

Deconsolidated companies are treated as group companies up to the date of their disposal.

The sales include the disposals from the divestment of METRO China (46 companies) and from the divestment of the hypermarket business (34 companies).

The remaining disposals relate primarily to liquidations. Effects from changes in the consolidation group that are of special significance are explained separately in the notes relating to the respective items.

For materiality reasons, 1 (30/9/2019: 3) affiliated subsidiary is not fully consolidated.

Investments accounted for using the equity method

25 associated companies (30/9/2019: 24) and 9 joint ventures (30/9/2019: 8) are accounted in the consolidated financial statements using the equity method.

OVERVIEW OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

€ million

30/9/2019		Non-controlling interests								
Name	Registered office	in %	as of 30/9/2019	Dividends paid[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales revenues	Profit shares[1]
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	14	13	298	897	3	1,045	2,812	5
METRO Cash & Carry Österreich GmbH	Vösendorf, Österreich	27.00	8	2	80	129	31	135	760	3

[1] Attributable to non-controlling interests.

€ million

30/9/2020		**Non-controlling interests**								
Name	**Registered office**	**in %**	**as of 30/9/2020**	**Dividends paid[1]**	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Sales revenues**	**Profit shares[1]**
METRO Cash & Carry Österreich GmbH	**Vösendorf, Austria**	**27.00**	**9**	**2**	**81**	**139**	**35**	**144**	**736**	**2**

[1] Attributable to non-controlling interests.

– **A complete list of group companies and associates is shown in** no. 57 – overview of the major fully consolidated group companies page 277**. In addition, a complete list of all group companies and associates is shown in** no. 59 – affiliated companies of the group METRO AG as of 30 September 2020 pursuant to § 313 of the German Commercial Code page 283**.**

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared using uniform accounting and measurement methods as required by IFRS 10 (Consolidated Financial Statements).

Subsidiaries that, unlike METRO AG, do not close their financial year on 30 September prepared interim financial statements for consolidation purposes. In principle, subsidiaries are fully consolidated insofar as their consolidation is of material importance to the provision of a true and fair view of the asset, financial and earnings position.

In accordance with IFRS 3 (Business Combinations), capital consolidation is effected using the purchase method. In the case of business combinations, the carrying amounts of the investments are offset against the revalued pro rata equity of the subsidiaries as of their acquisition dates. Any positive differences remaining after the allocation of hidden reserves and liabilities are capitalised as goodwill. Goodwill is tested for impairment regularly once a year.

In addition, in the case of company acquisitions, hidden reserves and liabilities attributable to non-controlling interests are disclosed and recognised in equity as non-controlling interests. In accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and liabilities as well as after a reassessment during the period in which the business combination took place are recognised through profit or loss.

Acquisitions of additional equity interests in companies where a controlling interest has already been acquired are recognised as equity transactions.

Investments in associates and joint ventures are accounted for using the equity method and treated in accordance with the principles applying to full consolidation, with existing goodwill being included in the amount capitalised for such investments. The disclosure of income from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee carries out operating or non-operating activities. Operational activities include the wholesale businesses as well as related support activities (for example rent/lease of real estate, procurement, logistics). Income from operating associates, joint ventures and joint operations is recognised in earnings before interest and taxes (EBIT); income from non-operating entities is however recognised in the net financial result.

Any deviating accounting and measurement methods used in the financial statements of entities accounted for by applying the equity method are retained as long as they do not substantially contradict METRO’s uniform accounting and valuation methods.

According to IFRS 11 (Joint Arrangements), the individual venturers in joint operations recognise their portion of jointly held assets and jointly incurred liabilities in their own balance sheets.

Intra-group sales, expenses and income or profits and losses as well as receivables and liabilities and/or provisions are eliminated. Intercompany results in fixed assets or inventories resulting from intra-group transactions are eliminated unless they are of minor significance. In accordance with IAS 12 (Income Taxes), deferred taxes are recognised for consolidation procedures.

Unrealised gains from transactions with companies accounted for using the equity method are recognised as a reduction of the carrying amount of the investment in the amount of the group's share of the profit.

In joint arrangements, all venturers recognise the respective portion of sales attributable to them as well as their own income and expenses resulting from the joint arrangement in their income statement.

If a reduction in the shareholding quota in a subsidiary or the complete disposal of the shares entails a loss of control, full consolidation of the subsidiary is terminated when control no longer exists. All assets and liabilities that were previously fully consolidated will then be derecognised at amortised group carrying amounts (deconsolidation). Any investments held after the loss of control are recognised at fair value as a financial instrument according to IFRS 9 or as an investment according to IAS 28 using the equity method.

Currency translation

Foreign currency transactions

In the separate financial statements of the subsidiaries and the parent company, transactions in foreign currency are recognised at the rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are valued at the closing date exchange rate. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition or production costs in foreign currency are translated at the rate of the transaction date.

In principle, gains and losses incurred by exchange rate fluctuations until the closing date are recognised in profit or loss. However, the currency translation differences resulting from the subsequent measurement of the following assets and liabilities are reported under reserves retained from earnings outside of profit or loss:

- Receivables and liabilities in foreign currency, which must be regarded as (part of) a net investment in a foreign operation
- Equity instruments measured at fair value through other comprehensive income
- Hedging instruments qualifying for cash flow hedges

Foreign operations

The annual financial statements of foreign subsidiaries are prepared according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates) and translated into euros for consolidation purposes in case their functional currency is a currency other than the euro. The functional currency is defined as the currency of the primary economic environment in which the subsidiary operates. Since all companies included in the consolidated financial statements operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. Necessary translations of assets and liabilities are made at the exchange rate on the closing date. As a general rule, income statement items are translated at the average exchange rate during the financial year. Exchange rate differences arising from the translation of the financial statements of foreign subsidiaries are recognised directly in equity and are reported separately under reserves retained from earnings in other comprehensive income. To the extent that the parent company does not own all equity interest in foreign subsidiaries, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign subsidiary, whose functional currency is not the euro, are deconsolidated or terminated. In a partial disposal in which a controlling interest in such a foreign subsidiary is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should associates or jointly controlled entities whose functional currency is not the euro be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised in profit or loss.

In financial year 2019/20, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

The following exchange rates being of major significance for METRO were applied in the translation of key currencies outside the European Monetary Union:

		Average exchange rate per €		Exchange rate at closing date per €	
		2018/19	**2019/20**	30/9/2019	**30/9/2020**
Bulgarian lev	BGN	1.95583	**1.95583**	1.95583	**1.95583**
Chinese renminbi	CNY	7.75616	**7.84515**	7.77840	**7.97200**
Croatian kuna	HRK	7.41336	**7.50832**	7.41100	**7.55650**
Czech koruna	CZK	25.74114	**26.17769**	25.81600	**27.23300**
Danish krone	DKK	7.46385	**7.46137**	7.46620	**7.44620**
Egyptian pound	EGP	19.48706	**17.84167**	17.75290	**18.45160**
Hong Kong dollar	HKD	8.83913	**8.70568**	8.53680	**9.07420**
Hungarian forint	HUF	323.02241	**343.96227**	334.83000	**365.53000**
Indian rupee	INR	79.65100	**82.28265**	77.16150	**86.29900**
Indonesian rupiah	IDR	16,160.21000	**16,232.86000**	15,456.94000	**17,497.84000**
Japanese yen	JPY	124.14090	**120.71530**	117.59000	**123.76000**
Kazakhstani tenge	KZT	427.11378	**451.86301**	423.49000	**502.14000**
Malaysian ringgit	MYR	4.67447	**4.72060**	4.55920	**4.86530**
Moldovan leu	MDL	19.72835	**19.46755**	19.39590	**19.82730**
Myanmar kyat	MMK	1,728.93370	**1,599.26967**	1,675.90000	**1,532.00000**
Norwegian krone	NOK	9.73765	**10.55535**	9.89530	**11.10080**
Pakistani rupee	PKR	163.05191	**179.88229**	170.90740	**194.33550**
Philippine peso	PHP	59.03683	**56.30047**	56.55300	**56.77400**
Polish zloty	PLN	4.30027	**4.38844**	4.37820	**4.54620**
Pound sterling	GBP	0.88412	**0.87833**	0.88573	**0.91235**
Romanian leu	RON	4.71851	**4.81183**	4.74960	**4.87250**
Russian rouble	RUB	73.82877	**77.50392**	70.75570	**91.77630**
Serbian dinar	RSD	118.06690	**117.56680**	117.52830	**117.58030**
Singapore dollar	SGD	1.54212	**1.54913**	1.50600	**1.60350**
Swiss franc	CHF	1.12274	**1.07494**	1.08470	**1.08040**
Turkish lira	TRY	6.32660	**7.29146**	6.14910	**9.09900**
UAE dirham	AED	4.14292	**4.11363**	4.00630	**4.30235**
Ukrainian hryvnia	UAH	30.17616	**29.09853**	26.34863	**33.16430**
US dollar	USD	1.12799	**1.11982**	1.08890	**1.17080**
Vietnamese dong	VND	25,903.60000	**25,953.36000**	25,457.19000	**27,131.35000**

Income statement

Recognition of income and expenses

Net sales are recognised in accordance with IFRS 15 (Revenue from Contracts with Customers) when the respective performance obligations have been met by transferring goods to wholesale customers or providing services. The goods are deemed to have been transferred at the time at which the customer gains control over them. This applies to store-based retail and wholesale as well as to the delivery business (Food Service Distribution, FSD). In these cases, cash payment or payment within a short time after delivery of the product (credit purchase) is usually agreed with the customer. Significant financing components are usually not included in the contracts with customers. For services, control over the services is transferred over time, thus fulfilling the performance obligation. Revenue is recognised in the amount of the consideration received or expected to be received in exchange for the goods or services.

Under certain wholesale business models, METRO customers are granted the right to exchange or return goods under certain conditions or in accordance with contractual agreements or on a legal basis. Refund liabilities that are based on empirical data regarding return quotas and periods are recorded for expected returns in this context. Assets for the right to recover products from a customer, on settling these refund liabilities, are measured at the initial carrying amount of the respective inventories (less settlement costs and any indicated impairment) and reported under ‘other assets’.

METRO grants various types of standardised, performance-based rebates if certain predefined conditions are met. Examples include rebates for achieving certain sales volumes with a customer and for customer loyalty. As soon as it can be assumed that a customer fulfils the conditions for granting the rebate, a portion of the revenue is deferred and recognised as a contract liability. Such contract liabilities are derecognised when the rebate is redeemed by the customer or when the probability that the customer will enforce its rights is remote. The rebates are regularly redeemed by customers within one year of the respective recognition of a contract liability.

Some of the franchise models offered by METRO include multi-component contracts with customers being offered a bundle of different franchise products and services. Individual contractual components are made available to customers in subsidised form, so that the entire agreed consideration is allocated to the individual components in accordance with the relative stand-alone selling prices.

In some cases, METRO acts as an agent for the delivery of goods or the provision of services. In these cases, METRO recognises the expected fee or commission as revenue.

Operating expenses are recognised as expenses upon utilisation of the service or on the date of their causation.

METRO’s financial result consists primarily of interest income and expenses. Interest is recognised as income or expenses and, where applicable, on an accrual basis using the effective interest method. Interest on borrowing that is directly attributable to the acquisition or production of a so-called qualified asset represent an exception, as they must be included in the acquisition or production costs of the asset capitalised pursuant to IAS 23 (Borrowing Costs). Dividends paid by companies in which METRO holds an interest and which are not accounted for using the equity method are generally recognised as income when the legal claim to payment arises.

Income taxes

Income taxes concern direct taxes on income and deferred taxes. As a general rule, they are recognised through profit or loss unless they are related to business combinations or an item that is directly recognised in equity or other comprehensive income.

Balance sheet

Goodwill

Goodwill is regularly tested for impairment once a year on 30 June – or more frequently if changes in circumstances indicate a possible impairment. If an impairment occurred, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a cash-generating unit is compared to the corresponding carrying amount of the cash-generating unit. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. An impairment of the goodwill allocated to a cash-generating unit occurs only if the recoverable amount is lower than the total amount of the unit's relevant carrying amount. No reversal of an impairment loss is recognised if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets

Purchased other intangible assets are recognised at cost of purchase. In accordance with IAS 38 (Intangible Assets), internally generated intangible assets are recognised at their production cost. Research costs, in contrast, are not recognised as assets, but recognised as expenses when they are incurred. The production costs include all expenditures directly attributable to the development process, unless they are explicitly excluded from being a component of the cost of an internally generated intangible asset.

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead (directly attributable)	Material overhead
	Production overhead
	Depreciation/amortisation/impairment losses
	Development-related administrative costs

Borrowing costs are factored into the determination of production costs only in case the intangible asset is a so-called qualified asset pursuant to IAS 23 (Borrowing Costs). Qualified assets are defined as non-financial assets that take a substantial period of time to be prepared for their intended use or sale.

All other intangible assets with a finite useful life are subject to straight-line amortisation. Capitalised internally created and purchased software as well as similar intangible assets are amortised over a period of up to 10 years, while licences are amortised over their useful lives.

Intangible assets with an indefinite expected useful life are not subject to scheduled amortisation, but are subject to impairment testing at least once a year. Impairment losses and reversed impairment losses are recognised through profit or loss in consideration of the historical cost principle.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production costs according to IAS 16 (Property, Plant and Equipment). The production cost of internally generated assets includes both direct costs and directly attributable overhead. Borrowing costs are only capitalised in relation to so-called qualified assets as a component of acquisition or production costs. In line with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), investment grants received are offset against the acquisition or production costs of the corresponding asset. Dismantling and removing obligations are included in the acquisition or production costs at the discounted settlement amount. Subsequent acquisition or production costs of property, plant and equipment are only capitalised if they result in a higher future economic benefit of the tangible asset.

Property, plant and equipment are solely depreciated on a straight-line basis. Throughout the group, depreciation is based on the following expected useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter lease term
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

In a few justified exceptional cases, the expected useful life of buildings is 40 years.

Capitalised costs of dismantling and removing are depreciated over the expected useful life of the asset.

According to IAS 36 (Impairment of Assets), an impairment test will be carried out if there are any indications of impairment of property, plant and equipment or of a cash-generating unit (CGU). Impairment losses are recognised if the recoverable amount is less than its carrying amount. If the reasons for the impairment have ceased to exist, impairment losses are reversed up to the amount of amortised acquisition or production costs had no impairment loss been recognised in previous periods.

Usufructuary rights

See IFRS 16 (Leases) in the section 'Application of new accounting standards'.

Investment properties

In accordance with IAS 40 (Investment Property), investment properties comprise real estate assets that are held to earn rentals or for capital appreciation, or both. Analogous to property, plant and equipment, such assets are recognised at acquisition or production costs less depreciation and if required - impairment losses (cost model). Owned investment properties are depreciated using the straight line method, considering an expected useful life of 15 to 33 years. Investment properties, where rights of use are involved, are depreciated on a straight-line basis over a useful life of 5 to 15 years. In addition, the fair value of these real estates is determined based on accepted valuation methods, taking into account project development opportunities. The fair values are disclosed in the notes.

Financial assets

Unless associated companies or joint ventures as defined by IAS 28 (Investments in Associates and Joint Ventures) are involved, to which the equity method is applied, financial assets are accounted for in accordance with the provisions of IFRS 9 (Financial Instruments).

Financial assets are recognised in the consolidated balance sheet when METRO becomes a contractual party to a financial instrument. Recognition is effected at the trade date. Financial assets are derecognised if the contractual rights to payments from the financial assets no longer exist or the financial assets with all material risks and rewards are transferred to another party and METRO cannot control the financial assets after the transfer. When the uncollectability of receivables is finally determined, they are derecognised.

Financial assets are measured at fair value upon initial recognition. The transaction costs directly attributable to the acquisition must be taken into account, unless the financial instruments are subsequently measured at fair value through profit or loss.

The subsequent measurement of financial assets is based on the allocation of the respective financial asset to one of the categories described below. The classification is determined by whether the so-called cash flow characteristics are met as well as by the business model used to manage the respective financial asset (or a portfolio of financial assets). The cash flow condition is met if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. With regard to potential business models, a distinction must be made for these financial assets meeting the cash flow condition between the objectives

- to either hold the financial asset in order to collect contractual cash flows (hold)
- or to both, hold them in order to collect contractual cash flows and sell them (hold and sell).

Using these classification criteria, the individual financial asset is assigned to one of the following classes at initial recognition:

- Measured at amortised cost (AC), provided the ‘hold’ criterion is met
- Measured at fair value through other comprehensive income (FVOCI), if the ‘hold and sell’ criterion is met
- Measured at fair value through profit or loss (FVPL) in all other cases

Derivative financial instruments that are not designated as part of a hedge accounting relationship for accounting purposes are measured at fair value.

METRO does not make use of the option to measure financial assets at fair value through profit or loss upon initial recognition (fair value option).

With regard to the financial assets recognised at amortised cost (AC), impairments are recognised as expected losses, regardless of the existence of actual default events. However, if there is objective evidence that contractually agreed cash flows of a financial asset are likely to partially or completely default, they are recorded as specific bad debt allowances. If these indications cease to exist, impairment losses are reversed up to the amount of the carrying amount that would have resulted if no default event had occurred. METRO determines the expected losses on trade receivables using the so-called simplified approach by using a provision matrix structured according to various (past-due) maturities. Expected losses for other financial assets are determined in accordance with the so-called general approach. Impairment losses are generally recognised in separate accounts.

Changes in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income and reclassified to the income statement when the assets are sold. Impairment losses on financial assets in the

FVOCI category are determined in the same way as impairment losses on financial assets in the AC category and recognised in profit or loss.

In accordance with the provisions of IFRS 9, equity instruments held are either measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income without reclassification (FVOCInR).

Cash flow hedges: as part of cash flow hedging, which continues to be accounted for in accordance with IAS 39, METRO hedges the exposure to variability in future cash flows. For this purpose, future underlying transactions and related hedging instruments are designated as hedging relationships for accounting purposes. The effective portion of changes in the fair value of the hedging instrument that regularly meets the definition criteria of a derivative is initially recognised directly in equity under consideration of deferred taxes. The ineffective portion is recognised directly in profit or loss. For future transactions that result in the recognition of a non-financial asset or a non-financial liability, the cumulative changes in the fair value of the hedging instrument, which are recognised in other comprehensive income, are removed and included in the initial cost of the other carrying amount of the asset or liability. In case the hedging transaction relates to financial assets, financial liabilities or future transactions, the changes in fair value of the hedging instrument are transferred from other comprehensive income to profit or loss in the reporting period in which the hedged item is recognised in the income statement. The term of the hedging instrument is aligned to coincide with the occurrence of the future transaction.

Other financial and other non-financial assets

The assets reported under other financial assets are generally measured at amortised cost, and impairments are determined for the reporting year in accordance with the general approach to determine expected credit losses.

Other financial assets also include derivative financial instruments that are measured at fair value through profit or loss.

Deferred income presented pertains to transitorily deferred charges.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of these assets or liabilities in the consolidated financial statements and their tax base. Deferred tax assets are also considered for unused tax losses and interest carry-forwards.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available in the future to allow the corresponding benefit of that deferred tax asset to be realised.

Deferred tax assets and deferred tax liabilities are netted if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes. Deferred tax assets are remeasured at the end of each reporting period and adjusted if necessary.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, these are based on enacted laws or legislation that has been passed at the time of the closing date.

The assessment of deferred taxes reflects the tax consequence arising from METRO’s expectations as of the reporting date with regard to the manner in which the carrying amounts of the assets will be realised or the liabilities will be settled.

Inventories

In accordance with IAS 2 (Inventories), merchandise held as inventories is reported at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions or by means of the weighted average cost method. Considerations from suppliers to be classified as a reduction in the cost of purchase is deducted when the costs of acquisition are determined.

Merchandise is measured as of the reporting date at the lower of cost or net realisable value. Merchandise is written down on a case-by-case basis if the net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

When the reasons for a write-down of the merchandise have ceased to exist, the previously recognised impairment loss is reversed.

Trade receivables

Trade receivables are recognised at amortised cost. For the reporting period, expected impairments determined on the basis of a provision matrix are taken into account. If there are further doubts about their recoverability, the trade receivables are recognised at the lower present value of the estimated future cash flows.

Income tax assets and liabilities

The income tax assets and liabilities presented relate to domestic and foreign income taxes for the reporting period as well as prior periods. They are determined in compliance with the tax laws of the respective country.

Income tax liabilities are calculated in accordance with the provisions of IFRIC 23. IFRIC 23 clarifies the application of recognition and measurement requirements under IAS 12 where there is uncertainty about the treatment of income tax. Recognition and measurement requires estimates and assumptions to be made, for example whether an estimate is made separately or together with other uncertainties, whether a probable or expected value for the uncertainty is used, and whether changes have occurred compared to the previous period. The detection risk is irrelevant for the accounting treatment of uncertain balance sheet items. Accounting is based on the assumption that the tax authorities will investigate the matter in question and that they have all relevant information at their disposal.

The group companies are subject to income taxes in various countries worldwide. In assessing the worldwide income tax assets and liabilities, the interpretation of tax regulations in particular may be subject to uncertainty. It cannot be ruled out that the respective tax authorities may have different views on the correct interpretation of tax regulations. Changes in assumptions about the correct interpretation of tax standards, for example due to changes in case law, are reflected in the accounting treatment of uncertain income tax assets and liabilities in the relevant financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cheques, cash on hand, bank deposits and other short-term liquid financial assets, such as accessible deposits on lawyer trust accounts or cash in transit, with an original term of up to 3 months. They are valued at their respective nominal values.

Non-current assets held for sale, liabilities related to assets held for sale and discontinued operations

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), an asset is classified as a non-current asset held for sale if the respective carrying amount will be recovered principally through a disposal transaction rather than through continuing use. Analogously, liabilities related to assets held for sale are recognised separately in the balance sheet. A sale must be feasible in practice and be planned for execution within the subsequent 12 months. Immediately before the initial classification of the assets and liabilities as held for sale, the carrying amounts of the assets and liabilities are measured in accordance with applicable IFRS. In case of reclassification, the assets and liabilities of the disposal group are measured at the lower of their carrying amount and the fair value less costs of disposal and reported separately in the balance sheet. Discontinued operations are a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or a separate geographical area of operations.

In the present financial statements for the period ending on 30 September 2020, comparative figures and previous year’s figures relating to the hypermarket business and METRO China have been omitted.

Employee benefits

Employee benefits include:

- Short-term employee benefits
- Post-employment benefits
- Other long-term employee benefits
- Termination benefits
- Share-based payment

Short-term employee benefits include wages and salaries, social security contributions, paid annual leave and paid sick leave and are recognised as liabilities at the amount (to be) disbursed as soon as the associated job performance has been rendered.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of defined contribution plans, the obligation to make periodic contributions to an external pension provider is recognised as expenses for post-employment benefits at the same time as the beneficiaries provide their service. Missed payments or prepayments to the external pension provider are accrued as liabilities or receivables. Liabilities with a term of over 12 months are discounted.

The actuarial measurement of pension provisions for post-employment benefits plans as part of a defined benefit plan is effected in accordance with the projected unit credit method as stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the reporting date as well as expected increases in future wages and pensions. Where the employee benefit obligations determined or the fair value of the plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a changed fluctuation rate) or changes in underlying actuarial assumptions, this will result in actuarial gains and losses. These are recognised in other comprehensive income outside of profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is presented as interest expenses as part of the financial result. Insofar as plan assets exist, the amount of the pension obligation is generally the result of the difference between the present value of defined benefit obligations and the fair value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are based on the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in the period in which they are incurred.

Termination benefits comprise severance payments to employees. They are recognised as liabilities through profit or loss when contractual or factual payment obligations towards the employee are to be made in relation to the termination of the employment relationship. Such an obligation exists when a formal plan for the early termination of the employment relationship is available to which the company is bound. Benefits with terms of more than 12 months after the reporting date are recognised at their present value.

The share bonuses granted under the share-based remuneration system are classified as cash-settled share-based payments in accordance with IFRS 2 (Share-based Payment). For these share-based payments provisions are set up on a pro rata basis, measured at the fair value of the obligations entered into. The recognition of the provision follows a prorated approach over the underlying vesting period and is recognised in profit or loss as personnel expenses. The fair value is remeasured at each reporting date during the vesting period based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

(Other) provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), (other) provisions are recognised if legal or constructive obligations to third parties exist that are based on past business transactions or events and an outflow of financial resources that can be reliably measured is probable. The provisions are stated at the anticipated settlement amount with regard to all identifiable risks considered.

Long-term provisions with a term of more than one year are discounted to the reporting date using an interest rate for matching maturities reflecting current market expectations regarding interest rate effects. Provisions with a term of less than one year are discounted accordingly, if the interest rate effect is material. Claims for recourse are not netted with provisions, but recognised separately as an asset if their realisation is considered virtually certain.

Provisions for onerous contracts are recognised if the unavoidable costs of meeting the obligations under a contract exceed the expected economic benefits resulting from the contract.

Provisions for restructurings are recognised if a constructive obligation for restructuring has been formalised by means of adopting a detailed restructuring plan and its communication vis-à-vis to those employees affected as of the reporting date.

Recognition of warranty provisions that do not fall into the scope of IFRS 15 (Revenue from Contracts with Customers) are based on past warranty claims and the sales of the current financial year.

(Other) financial liabilities

In accordance with IFRS 9, financial liabilities are assigned to one of the following categories:

- At fair value through profit or loss
- Other financial liabilities

The initial recognition of financial liabilities and the subsequent measurement of financial liabilities at fair value through profit or loss is applied in analogy to the corresponding guidance as it is applied to financial assets.

All other financial liabilities are presented as such. They are measured at their amortised cost using the effective interest method.

The fair value option according to IFRS 9 is not applied to financial liabilities at METRO.

The fair values provided for the financial liabilities in the notes have been determined on the basis of the interest rates prevailing on the reporting date for the remaining terms and redemption structures.

Financial liabilities from finance leases are generally measured at the present value of future minimum lease payments.

A financial liability is derecognised only when it has expired or when the contractual obligations have been redeemed or annulled or have expired.

Other non-financial liabilities

Other non-financial liabilities are carried at their repayment amount.

Transitorily deferred charges are presented as deferred income.

Trade liabilities

Trade liabilities are recognised at amortised cost.

Other

Contingent liabilities

Contingent liabilities are, on the one hand, possible obligations arising from past events whose existence must still be confirmed by the occurrence or non-occurrence of uncertain future events that are not entirely under METRO's control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability. Such liabilities are not recognised in the balance sheet but disclosed in the notes. Contingent liabilities are determined on the basis of the principles applying to the measurement of provisions.

Accounting for derivative financial instruments and hedge accounting

Derivative financial instruments are exclusively utilised to reduce risks. They are used in accordance with the respective group guideline.

All derivative financial instruments that are not designated as part of a hedging relationship are measured at fair value in accordance with IFRS 9 - or in the previous financial year in accordance with IAS 39 - and reported under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms and conditions, possibly including the credit margin or stock exchange prices applicable to METRO - in this respect the average rate on the closing date is used. Where no stock exchange prices can be used, the fair value is determined by means of accepted financial models.

In case of effective hedge accounting transactions in accordance with IAS 39, the effective portion of the change in the derivative used as hedging instrument is recognised in other comprehensive income as part of the cash flow hedges. A transfer to the income statement is –in general – only processed when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is immediately reported in profit or loss.

Supplier compensation

Depending on the underlying circumstances, considerations from suppliers are recognised as a reduction in the cost of purchase, a reimbursement of own costs or a payment for services rendered. Considerations from suppliers are deferred at the reporting date insofar as it has been contractually agreed and is likely to be realised. For supplier remunerations of METRO's costs linked to calendar year targets, the supplier's compensation included in the financial statement is based on appropriate extrapolations.

Estimates and assumptions, discretionary judgements

Due to the Covid-19 pandemic, particular challenges arose in with regards to estimates and assumptions. The operational business was largely unaffected by Covid-19 until the end of February 2020. At the beginning of the crisis in Europe triggered by the pandemic, METRO was initially able to more than compensate for the loss of sales and earnings of some customer groups (particularly hospitality industry customers) through positive sales and earnings effects in other customer groups (particularly through inventory purchases by SCO customers). Since mid-March 2020, however, the overall development in terms of sales and earnings has been clearly negative due to the pandemic and the regulatory measures imposed in many countries. Public life in many countries where METRO operates has been severely restricted as a result of these measures – in particular, the measures had a significant negative impact on some of our customer groups (especially hospitality industry customers) and, consequently also on our business. The situation did not stabilise until the 2^{nd} half of the financial year – and even then just at a low level. At this stage, it is not possible to make a reliable estimate of how long the pandemic and the associated restrictions on public life will last and how long it will take to return to normal.

Estimates and assumptions

The preparation of these consolidated financial statements was based on estimates and assumptions, taking into account the changes in the business environment described above, which affected the disclosure and amount of assets and liabilities, income and expenses and contingent liabilities. Estimates and underlying assumptions with major effects were particularly made in connection with the Covid-19 pandemic with respect to the following circumstances:

- Ad hoc impairment testing of assets with and without a definite useful life, including goodwill, and a sensitivity analysis. Due to unstable political developments and regulatory restrictions as a result of the Covid-19 pandemic, the ad hoc impairment test of goodwill for the Classic Fine Foods Group in particular resulted in a shortfall, which was recognised as part of an impairment. Otherwise, potential short-term impairments to earnings have no impact on the existing carrying amounts of goodwill.
- Recoverability of receivables – in particular trade receivables and receivables due from suppliers. Increased specific bad debt allowances were provided for when measuring receivables, particularly in units with longer payment terms and a high exposure to the HoReCa sector. In addition, the future element in the general risk provision was increased in accordance with IFRS 9.
- Measurement of inventories, particularly with regard to write-downs to lower net realisable values.
- Calculation of provisions for performance-based remuneration components. Provisions for performance-based remuneration components were also calculated on the basis of corporate planning using current market parameters such as the performance of share prices and benchmark indices.

In addition, information on estimates and underlying assumptions with significant effects on these consolidated financial statements relates to the following circumstances or is included in the following notes:

- Uniform group-wide determination of expected useful lives for assets with a definite useful life (no. 15 – depreciation/amortisation/impairment losses ▸ page 181, no. 20 – other intangible assets ▸ page 188 and no. 21 – property, plant and equipment ▸ page 189)
- Ad hoc impairment testing of assets with a definite useful life (no. 15 – depreciation/amortisation/impairment losses ▸ page 181, no. 20 – other intangible assets ▸ page 188 and no. 21 – property, plant and equipment ▸ page 189)
- Recoverability of receivables due from suppliers with respect to considerations from suppliers (no. 24 – other financial and other non-financial assets ▸ page 196)
- Recognition of consideration from suppliers on an accrual basis and their presentation in the income statement (no. 24 – other financial and other non-financial assets ▸ page 196)
- Ability to realise future deferred tax assets – particularly from tax loss carry-forwards (no. 25 – deferred tax assets/deferred tax liabilities ▸ page 197)
- Measurement of inventories; inventories were examined thoroughly to determine whether fresh goods could still be sold during existing shutdown phases, and additional risk provisions were made where necessary (no. 26 – inventories ▸ page 200)
- Determination of provisions for post-employment benefits plans (no. 32 – provisions for post-employment benefits plans and similar obligations ▸ page 210)
- Determination of other provisions and other liabilities – for example, for performance obligations, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation as well as risks from completed transactions (no. 33 – other provisions (non-current)/provisions (current) ▸ page 218, no. 37 – other financial and other non-financial liabilities ▸ page 224)
- Determination of lease terms, taking into account relevant facts and circumstances relating to economic incentives affecting the likelihood of tenants exercising renewal options or not exercising termination options as well as determination of the marginal interest rate (no. 21 – property, plant and equipment ▸ page 189)

Although great care has been taken in making these estimates and assumptions, actual measurements may deviate from them in individual cases and especially considering Covid-19-related uncertainties. The estimates and assumptions used in the consolidated financial statements are regularly reviewed. Changes are taken into account at the time new information becomes available.

Judgements

Information on the key judgements that materially affected the amounts reported in these consolidated financial statements relates to the following circumstances or note disclosures:

- Determination whether METRO is the principal or agent in sales transactions (no. 1 – revenue ▸page 174)
- Determination of the group of investments accounted for at equity by assessing the material influence

CAPITAL MANAGEMENT

The aim of the capital management strategy of METRO is to secure the company's business operations to continue, to enhance its company value, to create solid capital resources to finance future growth and to provide for attractive dividend payments and capital service.

The capital management strategy of METRO has remained unchanged compared with the previous year.

Equity, liabilities and net debt in the consolidated financial statements

The total equity before non-controlling interests amounts to €2,053 million (30/9/2019: €2,314 million), while liabilities amount to €11,131 million (30/9/2019: €15,485 million). Net debt decreased by €1.6 billion and amounts to €3.8 billion (30/9/2019: €5.4 billion).

€ million	30/9/2019[1]	30/9/2020
Equity before non-controlling interests	**2,314**	**2,053**
Liabilities	**15,485**	**11,131**
Net debt	**5,419**	**3,771**
Financial liabilities (incl. liabilities from leases)	5,930	**5,314**
Cash and cash equivalents	500	**1,525**
Short-term financial investments[2]	11	**19**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Shown in the balance sheet under other financial assets (current).

Local capital requirements

The capital management strategy of METRO consistently aims to ensure that the group companies' capital resources meet the local requirements. During financial year 2019/20, all external capital requirements were met. This includes, for example, adherence to a defined level of indebtedness and a fixed equity ratio.

NOTES TO THE INCOME STATEMENT

1. Sales revenues

Revenue is recognised in accordance with IFRS 15 (Revenue from Contracts with Customers).
Revenue is allocated to the following categories:

€ million	2018/19	2019/20
Store-based and other business	**22,487**	**21,695**
METRO Germany	4,075	**4,166**
METRO Western Europe (excl. Germany)	8,885	**8,032**
METRO Russia	2,406	**2,412**
METRO Eastern Europe (excl. Russia)	5,986	**6,047**
METRO Asia	1,097	**1,023**
Others	38	**14**
Delivery sales	**4,595**	**3,937**
METRO Germany	660	**533**
METRO Western Europe (excl. Germany)	1,867	**1,570**
METRO Russia	257	**232**
METRO Eastern Europe (excl. Russia)	1,205	**1,078**
METRO Asia	599	**516**
Others	7	**7**
Total sales	**27,082**	**25,632**
METRO Germany	4,735	**4,699**
METRO Western Europe (excl. Germany)	10,752	**9,603**
METRO Russia	2,662	**2,644**
METRO Eastern Europe (excl. Russia)	7,191	**7,125**
METRO Asia	1,696	**1,539**
Others	46	**22**

2. Other operating income

€ million	2018/19[1]	2019/20
Income from logistics services	257	**281**
Services	250	**244**
Rents incl. reimbursements of subsidiary rental costs	204	**169**
Services rendered to suppliers	103	**69**
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	366	**13**
Miscellaneous	195	**173**
	1,376	**948**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The income from logistics services provided by METRO LOGISTICS is offset by expenses from logistics services, which are reported under other operating expenses.

Services include income from advertising services provided by METRO ADVERTISING in the amount of €157 million (2018/19: €159 million); corresponding expenses from advertising services are shown under selling expenses.

Besides general disposal of long-term assets, the gains from the disposal of fixed assets and gains from the reversal of impairment losses include €3 million of income from the disposal of real estate (2018/19: €355 million) and €1 million of income from reversal of impairment losses (2018/19: €8 million).

The other operating income includes cost allocations and cost shares, income from the use of the METRO brand as well as a great number of insignificant individual items.

3. Selling expenses

€ million	2018/19[1]	**2019/20**
Personnel expenses	2,001	**1,931**
Cost of material	1,954	**1,917**
	3,955	**3,849**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

In terms of selling expenses, personnel expenses decreased compared to the previous year, mainly due to lower wages and salaries and variable payments.

The decline in costs of material compared to the previous year resulted in particular from reduced consultancy costs and lower leasing, energy, travel and transport costs. It was offset by the increased depreciation of usufructuary rights.

4. General administrative expenses

€ million	2018/19[1]	**2019/20**
Personnel expenses	424	**469**
Cost of material	387	**362**
	811	**831**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The increase in personnel expenses within general administrative expenses is mainly due to higher restructuring expenses for restructuring measures.

The decline in cost of material is primarily related to lower consultancy costs and travel expenses. It is offset by the increased amortisation of intangible assets.

5. Other operating expenses

€ million	2018/19	2019/20
Expenses from logistics services	254	**266**
Impairment losses on goodwill	3	**27**
Losses from the disposal of fixed assets	6	**4**
Miscellaneous	17	**24**
	279	**321**

The expenses from logistics services provided by METRO LOGISTICS are offset by income from logistics services, which are reported under other operating income.

6. Earnings from impairment of financial assets

The result from impairment losses on financial assets amounts to €64 million (2018/19: €14 million) and includes impairment losses on receivables from contracts with customers amounting to €51 million (2018/19: €9 million). This includes increased expenses from additions to impairment losses due to Covid-19, income from the reversal of impairment losses, and income from the receipt of cash and cash equivalents for financial assets that have already been derecognised.

7. Earnings share of operating/non-operating companies recognised at equity

The earnings of operating companies recognised at equity that have an operational relation to the ordinary business activities are shown in the income statement in the EBIT item. It amounts to €14 million (2018/19: €24 million). Of this, €6 million (2018/19: €15 million) is attributable to the METRO Western Europe (excl. Germany) segment and €7 million (2018/19: €9 million) to the Others segment as well as €1 million (2018/19: €1 million) to the METRO Asia segment.

8. Other investment result

Other investment results in the amount of €3 million (2018/19: €−1 million) include the impact of the fair value measurement of investments in the amount of €2 million (2018/19: €−1 million). Dividends from investments amounted to €0 million (2018/19: €0 million).

9. Net interest income/interest expenses

The interest result can be broken down as follows:

€ million	2018/19[1]	2019/20
Interest income	**45**	**31**
thereof from leases	(16)	**(15)**
thereof from post-employment benefits plans	(7)	**(5)**
thereof from financial instruments of the measurement categories according to IFRS 9	(12)	**(8)**
Interest expenses	**−285**	**−252**
thereof from leases	(−188)	**(−177)**
thereof from post-employment benefits plans	(−15)	**(−11)**
thereof from financial instruments of the measurement categories according to IFRS 9	(−69)	**(−56)**
Interest result	**−241**	**−220**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Interest income and interest expenses from financial instruments are assigned to the measurement categories according to IFRS 9 on the basis of the underlying transactions.

The interest expenses included here (of the measurement categories in accordance with IFRS 9) primarily include interest expenses for issued bonds (including the Commercial Paper Programme) of €31 million (2018/19: €41 million) and for liabilities to banks of €17 million (2018/19: €19 million).

The decline in interest expenses was primarily the result of more favourable refinancing terms and lower interest expenses from leases.

- **For more information about possible effects from currency risks, see** no. 44 – management of financial risks page 242.

10. Other financial result

The other financial income and expenses from financial instruments are assigned to measurement categories according to IFRS 9 on the basis of the underlying transactions. Besides income and expenses from the measurement of financial instruments (except derivatives in hedging relationships in accordance with IAS 39), this also includes the measurement of foreign currency positions according to IAS 21.

€ million	2018/19[1]	**2019/20**
Other financial income	174	**320**
thereof currency effects	(127)	**(255)**
thereof hedging transactions	(39)	**(49)**
Other financial expenses	−162	**−392**
thereof currency effects	(−121)	**(−325)**
thereof hedging transactions	(−18)	**(−35)**
Other financial result	**12**	**−72**
thereof from financial instruments of the measurement categories according to IFRS 9	(17)	**(16)**
thereof cash flow hedges:		
ineffectiveness	(−1)	**(−2)**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The total comprehensive income from currency effects and measurement results from hedging transactions and hedging relationships totalled €−57 million (2018/19: €28 million). In addition, the other financial result reflects €−13 million (2018/19: €−5 million) in currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognised through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued. In addition, impairment losses on financial assets amounting to €−2 million (2018/19: €−2 million) were recognised in the reporting period.

— **For more information about possible effects from currency risks, see** no. 44 – management of financial risks ▸ page 242.

11. Net results according to measurement categories

The key effects of income from financial instruments are as follows:

2018/19

€ million	Invest-ments	Interest	Fair value measure-ments	Currency trans-lation	Disposals	Impair-ments	Other	Net result
Financial assets measured at amortised cost, incl. cash and cash equivalents	0	11	0	19	0	−16	0	13
Financial assets at fair value through profit or loss	−1	0	24	0	0	0	0	23
Equity instruments measured outside of profit or loss	0	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost	0	−69	4	−23	3	0	−4	−89
	−1	**−57**	**28**	**−5**	**4**	**−16**	**−4**	**−52**

2019/20

€ million	Invest-ments	Interest	Fair value measure-ments	Currency trans-lation	Disposals	Impair-ments	Other	Net result
Financial assets measured at amortised cost, incl. cash and cash equivalents	0	8	0	5	0	−58	0	−46
Financial assets at fair value through profit or loss	3	0	15	0	0	0	0	18
Equity instruments measured outside of profit or loss	0	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost	0	−56	10	−8	4	0	−4	−53
	3	−48	25	−3	4	−58	−5	−82

The income and expenses from financial instruments are assigned to measurement categories according to IFRS 9 on the basis of the underlying transactions.

Investment income and income effects from the disposal of investments are included in other investment result. Interest income and expenses are part of the interest result. Fair value measurements and effects from other financial expenses and currency translation are included in the other financial result. Income effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). The expenses from impairments are included in the result from impairments on financial assets.

— **Additional information on the risks arising from impairments can be found in** no. 44 – management of financial risks ▶page 242.

Remaining financial income and expenses included in the other financial result primarily concern bank commissions and similar expenses that are incurred within the context of financial assets and liabilities.

12. Income taxes

Income taxes include the taxes on income paid or owed in the individual countries as well as deferred taxes.

€ million	2018/19[1]	2019/20
Deferred tax expense/income (+/−)	86	−25
thereof from temporary differences	(18)	(−22)
thereof from loss and interest carry-forwards	(68)	(−3)

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

€ million	2018/19[1]	2019/20
Actual taxes	215	**133**
thereof Germany	(9)	**(10)**
thereof international	(206)	**(123)**
thereof tax expenses/income of current period	(221)	**(143)**
thereof tax expenses/income of previous periods	(−6)	**(−10)**
Deferred taxes	86	**−25**
thereof Germany	(105)	**(24)**
thereof international	(−19)	**(−49)**
	301	**108**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The income tax rate of the German companies of METRO consists of a corporate income tax of 15.00% plus a 5.50% solidarity surcharge on corporate income tax as well as the trade tax of 14.70% given an average assessment rate of 420.00%. All in all, this results in an aggregate tax rate of 30.53%. The tax rates are unchanged from the previous year. The income tax rates applied to foreign companies are based on the respective laws and regulations of the individual countries and vary within a range of 0.00% (2018/19: 0.00%) and 34.94% (2018/19: 34.94%).

At €108 million (2018/19: €301 million), recognised income tax expenses are €−193 million below previous year's level. The decline in current income taxes amounting to €82 million (2018/19: increase by €42 million) is mainly due to the lower consolidated input tax earnings compared to the previous year. The decrease in deferred tax expenses of €111 million (2018/19: increase by €40 million) is due to the write-downs of deferred taxes on domestic loss carry-forwards recognised in the previous year.

Applying the German group tax rate to the reported pre-tax result would result in an income tax expense of €−10 million (2018/19: €222 million). The deviation of €118 million (2018/19: €79 million) from the reported tax expense of €108 million (2018/19: €301 million) can be reconciled as follows:

€ million	2018/19[1]	2019/20
EBT (earnings before taxes)	**728**	**−32**
Expected income tax expenses (30.53%)	222	**−10**
Effects of differing national tax rates	−65	**−2**
Tax expenses and income relating to other periods	−6	**−10**
Non-deductible business expenses for tax purposes	51	**52**
Effects of not recognised or impaired deferred taxes	119	**69**
Additions and reductions for local taxes	13	**15**
Tax holidays	−39	**−3**
Other deviations	5	**−2**
Income tax expenses according to the income statement	**301**	**108**
Group tax rate	**41.4%**	**−338.3%**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The item ‘effects of differing national tax rates’ includes a deferred tax expense of €3 million (2018/19: deferred tax income of €7 million) from tax rate changes.

Tax holidays for the previous year include effects from real estate transactions in the amount of €30 million.

13. Profit or loss for the period attributable to non-controlling interests

Of profit or loss for the period attributable to non-controlling interests, profit shares accounted for €13 million (2018/19: €13 million) and loss shares for €−2 million (2018/19: €−2 million).

14. Earnings per share

	2018/19[1]	**2019/20**
Weighted number of no-par-value shares	363,097,253	**363,097,253**
Profit or loss for the period attributable to the shareholders of METRO AG (€ million)	322	**460**
Earnings per share in € (basic = diluted)	**0.89**	**1.27**
from continuing operations	(1.16)	**(−0.40)**
from discontinued operations	(−0.27)	**(1.67)**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Earnings per share are determined by dividing profit or loss for the period attributable to the shareholders of METRO AG by the weighted number of no-par-value shares. In the calculation of earnings per ordinary share, an additional dividend for preference shares is generally deducted from profit or loss for the period attributable to the shareholders of METRO AG. There was no dilution in the reporting period or the year before from so-called potential shares.

Earnings per preference share correspond to earnings per share.

15. Depreciation/amortisation/impairment losses

Depreciation/amortisation/impairment losses of €858 million (2018/19: €784 million) include impairment losses totalling €55 million (2018/19: €21 million).

The impairment is mainly losses attributable to the METRO Asia segment (€26 million), in particular the impairment of goodwill at Classic Fine Foods, €14 million to the Others segment, €6 million to the METRO Germany segment and €5 million to the METRO Russia segment.

The attribution of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

2018/19

€ million	Goodwill	Other in-tangible assets	Property, plant and equip-ment[2]	Usu-fructuary rights[2]	Invest-ment proper-ties[2]	Financial assets[1]	Total[2]
Cost of sales	0	3	22	46	0	0	70
thereof depreciation/amortisation	(0)	(3)	(22)	(46)	(0)	(0)	(70)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	30	321	223	14	0	588
thereof depreciation/amortisation	(0)	(30)	(315)	(222)	(14)	(0)	(580)
thereof impairment	(0)	(0)	(6)	(1)	(0)	(0)	(8)
General administrative expenses	0	81	19	21	1	0	121
thereof depreciation/amortisation	(0)	(73)	(19)	(21)	(1)	(0)	(113)
thereof impairment	(0)	(8)	(0)	(0)	(0)	(0)	(8)
Other operating expenses	3	0	0	0	0	0	3
thereof impairment	(3)	(0)	(0)	(0)	(0)	(0)	(3)
Scheduled impairment losses and impairment before impairment of financial investments	**3**	**113**	**362**	**290**	**15**	**0**	**782**
Net financial result	0	0	0	0	0	2	2
thereof impairment	(0)	(0)	(0)	(0)	(0)	(2)	(2)
Scheduled depreciation/ amortisation/impairment losses	**3**	**113**	**362**	**290**	**15**	**2**	**784**
thereof depreciation/amortisation	(0)	(105)	(356)	(288)	(14)	(0)	(763)
thereof impairment	(3)	(8)	(7)	(2)	(0)	(2)	(21)

[1] Also comprise investments accounted for using the equity method.

[2] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

2019/20

€ million	Goodwill	Other in-tangible assets	Property, plant and equip-ment	Usu-fructuary rights	Invest-ment proper-ties	Financial assets[1]	Total
Cost of sales	0	2	24	50	0	0	77
thereof depreciation/amortisation	(0)	(2)	(24)	(50)	(0)	(0)	(77)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	34	316	244	24	0	618
thereof depreciation/amortisation	(0)	(34)	(305)	(240)	(17)	(0)	(595)
thereof impairment	(0)	(0)	(11)	(4)	(7)	(0)	(22)
General administrative expenses	0	96	18	21	1	0	135
thereof depreciation/amortisation	(0)	(92)	(18)	(21)	(1)	(0)	(131)
thereof impairment	(0)	(4)	(0)	(0)	(0)	(0)	(4)
Other operating expenses	27	0	0	0	0	0	27
thereof impairment	(27)	(0)	(0)	(0)	(0)	(0)	(27)
Scheduled impairment losses and impairment before impairment of financial investments	27	132	358	315	25	0	857
Net financial result	0	0	0	0	0	1	1
thereof impairment	(0)	(0)	(0)	(0)	(0)	(1)	(1)
Scheduled depreciation/ amortisation/impairment losses	27	132	358	315	25	1	858
thereof depreciation/amortisation	(0)	(128)	(346)	(311)	(18)	(0)	(803)
thereof impairment	(27)	(4)	(11)	(4)	(7)	(1)	(55)

[1] Also comprise investments accounted for using the equity method.

In accordance with IFRS 5, impairment losses of METRO China in the previous year were not included in the profit or loss for the period from continuing operations and were thus not included in the tables above. In contrast, these impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; for that reason, the amounts stated there may differ from those stated above.

16. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2018/19	**2019/20**
Cost of raw materials, supplies and goods purchased	21,768	**20,572**
Cost of services purchased	16	**18**
	21,784	**20,590**

17. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2018/19	2019/20
Wages and salaries	2,264	**2,256**
Social security expenses, expenses for post-employment benefits and related employee benefits	552	**537**
thereof for post-employment benefits	(41)	**(37)**
	2,816	**2,793**

Wages and salaries include expenses relating to restructuring measures and severance payments of €84 million (2018/19: €23 million). The variable remuneration dropped from €81 million in financial year 2018/19 to €66 million in financial year 2019/20. Wages and salaries also include expenses for long-term remuneration components totalling €13 million (2018/19: €7 million).

Annual average number of group employees in the continuing segment:

Number of employees by headcount	2018/19	2019/20
Blue collar/white collar	99,843	**95,906**
Apprentices/trainees	1,811	**1,733**
	101,654	**97,639**

This includes an absolute number of 16,160 (2018/19: 16,902) part-time employees. The number of employees working outside of Germany stood at 78,199 (2018/19: 81,607). This includes 77,341 blue- and white-collar employees (2018/19: 80,660). In addition, 858 trainees were employed abroad (2018/19: 947).

— **The personnel figures for discontinued operations are explained in** no. 43 – discontinued operations ▶ page 236**.**

18. Other taxes

The other taxes (for example property tax, motor vehicle tax, excise tax and transaction tax) have the following effects on the income statement:

€ million	2018/19	2019/20
Other taxes	**79**	**69**
thereof from cost of sales	(1)	**(1)**
thereof from selling expenses	(62)	**(59)**
thereof from general administrative expenses	(16)	**(9)**

NOTES TO THE BALANCE SHEET

19. Goodwill

Goodwill amounts to €731 million (30/9/2019: €785 million).

At the closing date, the breakdown of goodwill among the major cash-generating units was as shown below:

	30/9/2019		**30/9/2020**	
		WACC		**WACC**
	€ million	%	**€ million**	**%**
METRO Cash & Carry France	293	5.0	**293**	**4.6**
METRO Cash & Carry Germany	94	4.7	**94**	**4.5**
METRO Cash & Carry Poland	57	5.6	**54**	**4.9**
METRO Cash & Carry Spain/Portugal	54	5.7	**54**	**5.1**
METRO Cash & Carry Romania	39	6.2	**38**	**6.7**
METRO Cash & Carry Italy	38	6.7	**38**	**6.3**
Pro à Pro	34	5.0	**35**	**4.6**
METRO Cash & Carry Russia	42	6.6	**32**	**6.3**
METRO Cash & Carry Czech Republic	24	5.3	**23**	**4.8**
Classic Fine Foods	25	5.0	**0**	**5.0**
Others	85		**69**	
	785		**731**	

In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment once a year. This is carried out at the level of a group of cash-generating units. Specifically, this is usually the organisational unit per country.

In the impairment test, the cumulative carrying amount of the group of cash-generating units is compared with the recoverable amount. The recoverable amount is defined as the fair value less costs to sell, which is calculated from discounted future cash flows and the level 3 input parameters of the fair value hierarchy.

— **The description of the fair value hierarchies is included in** no. 40 – carrying amounts and fair values according to measurement categories page 227.

Expected future cash flows are based on a qualified planning process under consideration of intra-group experience as well as macroeconomic data collected by third-party sources. The detailed planning period generally spans 3 years, with various scenarios being derived with regard to the effects of the Covid-19 pandemic and analysed with regard to their appropriateness for the impairment test. The increased uncertainty about future developments was taken into account by adjusting the sales and earnings planning to properly reflect the crisis. The detailed planning period can generally be extended by up to 2 further planning years for units undergoing a transformation process, but no use was made of this option in financial year 2019/20. Following the detailed planning period, a growth rate of 1% is assumed, as in the previous year. The capitalisation rate as the weighted average cost of capital (WACC) is determined using the capital asset pricing model. In the process, an individual peer group is assumed for all groups of cash-generating units operating in the same business segment. In addition, the capitalisation rates are determined on the basis of an assumed basic interest rate of 0.0% (30/9/2019: 0.6%) and a market risk premium of 7.8% (30/9/2019: 7.0%) in Germany as well as a beta factor of 0.88 (30/9/2019: 0.97). Country-specific risk premiums based on the respective country rating are applied to the equity cost of capital and to the borrowing costs. The capitalisation rates after taxes determined individually for each group of cash-generating units range from 4.5% to 10.7% (30/9/2019: 4.7% to 10.1%).

The mandatory annual impairment test carried out by METRO as of 30 June 2020 resulted in the following assumptions regarding the development of sales, EBIT and the EBIT margin targeted for valuation purposes until the end of the detailed planning period. In view of the limited comparability of financial year 2019/20 in many countries, financial year 2018/19 was used as a basis for comparison here. The EBIT margin hereby reflects the ratio of EBIT to net sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
METRO Cash & Carry France	Slight growth	Noticeable decline[1]	Noticeable decline[1]	3
METRO Cash & Carry Germany	Moderate growth	Slight growth	Slight growth	3
METRO Cash & Carry Poland	Moderate decline	Stable development	Stable development	3
METRO Cash & Carry Spain/Portugal	Moderate decline	Noticeable decline[1]	Moderate decline	3
Pro à Pro	Slight growth	Moderate growth	Stable development	3

[1] The recovery from the Covid 19 pandemic is expected to continue until after the end of the detailed planning period.

Impairment losses of €27 million were recognised in the financial year; they are mainly attributable to Classic Fine Foods. As of 30 June 2020, the mandatory annual impairment test also confirmed the recoverability of all capitalised goodwill.

In addition to the impairment test, 3 sensitivity analyses were conducted for each group of cash-generating units. In the first sensitivity analysis, the interest rate for each group was raised by 10.0%. The second sensitivity analysis was based on the assumption of a 1 percentage point lower growth rate. In the third sensitivity analysis, a lump sum discount of 10.0% was applied to the assumed perpetual EBIT. These changes did not result in significant impairment for any of the groups of cash-generating units with the exception of METRO Cash & Carry Germany and Pro à Pro.

In the goodwill impairment test at METRO Cash & Carry Germany, the fair value less costs to sell exceeded the carrying amount by €18 million. If the WACC were to increase to 4.8%, the fair value less costs to sell would correspond to the carrying amount.

If the WACC were to increase by 4.7% for Pro à Pro, the fair value less costs to sell would correspond to the carrying amount.

€ million	Goodwill
Acquisition or production costs	
As of 1/10/2018	840
Currency translation	7
Additions to consolidation group	0
Additions	1
Disposals	0
Reclassifications in accordance with IFRS 5	−19
Transfers	0
As of 30/9/2019 and 1/10/2019	829
Currency translation	−34
Additions to consolidation group	0
Additions	0
Disposals	0
Reclassifications in accordance with IFRS 5	0
Transfers	0
As of 30/9/2020	795
Depreciation	
As of 1/10/2018	44
Currency translation	−2
Additions, scheduled	0
Additions, impairment	3
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2019 and 1/10/2019	44
Currency translation	−7
Additions, scheduled	0
Additions, impairment	27
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2020	64
Carrying amount as of 1/10/2018	797
Carrying amount as of 30/9/2019	785
Carrying amount as of 30/9/2020	**731**

20. Other intangible assets

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs		
As of 1/10/2018	1,801	(977)
Currency translation	10	(1)
Additions to consolidation group	0	(0)
Additions	170	(137)
Disposals	−11	(−5)
Reclassifications in accordance with IFRS 5	−10	(0)
Transfers	7	(−3)
As of 30/9/2019 and 1/10/2019	1,967	(1,106)
Currency translation	−20	(−2)
Additions to consolidation group	0	(0)
Additions	154	(122)
Disposals	−35	(−15)
Reclassifications in accordance with IFRS 5	0	(0)
Transfers	4	(18)
As of 30/9/2020	2,069	(1,229)
Depreciation		
As of 1/10/2018	1,302	(817)
Currency translation	3	(1)
Additions, scheduled	106	(46)
Additions, impairment	8	(6)
Disposals	−11	(−5)
Reclassifications in accordance with IFRS 5	−6	(0)
Reversals of impairment losses	0	(0)
Transfers	2	(0)
As of 30/9/2019 and 1/10/2019	1,405	(864)
Currency translation	−10	(−2)
Additions, scheduled	128	(69)
Additions, impairment	4	(4)
Disposals	−34	(−15)
Reclassifications in accordance with IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	0	(13)
As of 30/9/2020	1,493	(933)
Carrying amount as of 1/10/2018	499	(160)
Carrying amount as of 30/9/2019	562	(242)
Carrying amount as of 30/9/2020	**576**	**(296)**

The other intangible assets have both finite and indefinite expected useful lives. Intangible assets with a finite expected useful life are subject to scheduled depreciation/amortisation. Intangible assets with an indefinite expected useful life are subjected to annual impairment tests.

Assets with an indefinite useful life relate to acquired brand rights. Their carrying amount is €95 million (30/9/2019: €99 million). The expected useful life of the trademark rights is indeterminable, because METRO can use these rights without restrictions and abandoning them is not envisaged in the future. The carrying amounts of the brands are reviewed annually for units to which goodwill is not simultaneously allocated in line with the procedure for the respective purchase price allocations using the licence price analogy method. This involves applying licence rates of between 0.3% and 1% and WACC of between 4.5% and 5%. The mandatory annual impairment test confirmed the recoverability of the carrying amounts. In addition, sensitivity analyses were carried out, assuming a 10% reduction in the sustainable expected sales of the respective units or a 10% increase in WACC. Even in these scenarios, no impairment would have resulted.

Additions in the amount of €154 million (2018/19: €170 million) concern internally generated software at €122 million (2018/19: €137 million), software purchased from third parties and still in development at €19 million (2018/19: €19 million), and concessions, rights and licences at €13 million (2018/19: €13 million).

Research and development expenses recognised in expenses essentially concern internally generated software and amounted to €30 million (2018/19: €28 million).

As in the previous year, there are no material restrictions on title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €1 million (30/9/2019: €1 million) were recorded.

21. Property, plant and equipment

Property, plant and equipment includes own tangible assets and rights of use for leased property, plant and equipment.

€ million	30/9/2019[1]	**30/9/2020**
Property, plant and equipment	4,260	**3,728**
Usufructuary rights	2,374	**2,084**
	6,635	**5,811**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The inventories and developments are each presented and explained separately below. Previous year's figures have been adjusted due to the full retrospective application of IFRS 16 (Leases).

The development of own tangible assets is shown in the following table.

€ million	Land and buildings	Other plant, business and office equip-ment	Assets under construction	Total
Acquisition or production costs				
As of 1/10/2018	6,599	3,189	158	9,946
Currency translation	156	46	3	205
Additions to consolidation group	0	0	0	0
Additions	54	80	161	295
Disposals	−125	−74	−5	−204
Reclassifications in accordance with IFRS 5	−794	−249	−15	−1,058
Transfers	61	100	−186	−24
As of 30/9/2019 and 1/10/2019	5,951	3,093	116	9,160
Currency translation	−457	−136	−7	−600
Additions to consolidation group	0	0	0	0
Additions	24	66	109	198
Disposals	−26	−104	−13	−142
Reclassifications in accordance with IFRS 5	−1	0	0	−1
Transfers	41	72	−109	4
As of 30/9/2020	5,531	2,991	96	8,618
Depreciation				
As of 1/10/2018	2,945	2,155	10	5,110
Currency translation	40	26	0	67
Additions, scheduled	202	200	0	401
Additions, impairment	6	1	0	7
Disposals	−72	−67	0	−139
Reclassifications in accordance with IFRS 5	−385	−138	0	−523
Reversals of impairment losses	−4	−1	0	−5
Transfers	−21	4	0	−18
As of 30/9/2019 and 1/10/2019	2,711	2,179	10	4,900
Currency translation	−163	−87	−1	−252
Additions, scheduled	165	181	0	346
Additions, impairment	7	3	1	11
Disposals	−22	−100	0	−122
Reclassifications in accordance with IFRS 5	−1	0	0	−1
Reversals of impairment losses	0	0	0	−1
Transfers	7	1	0	8
As of 30/9/2020	2,703	2,177	10	4,890
Carrying amount as of 1/10/2018	3,655	1,034	148	4,836
Carrying amount as of 30/9/2019	3,240	914	106	4,260
Carrying amount as of 30/9/2020	**2,828**	**814**	**86**	**3,728**

Of the €533 million decline in property, plant and equipment, €349 million was due to negative currency effects, particularly in Turkey and Russia. Investments were more than offset by ongoing depreciation.

In accordance with IFRS 5, the scheduled depreciation of METRO China in the previous year in the amount of €44 million is not included in the current profit or loss for the period from continuing operations. These impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; consequently, the amounts stated there may differ from the notes on depreciation.

Restrictions on titles in the form of liens and encumbrances for items of property, plant and equipment amounted to €10 million (30/9/2019: €11 million).

Contractual commitments were recorded for items of property, plant and equipment in the amount of €22 million (30/9/2019: €42 million).

The development of rights of use of leased property, plant and equipment is shown in the following table.

€ million	Land and buildings	Vehicles	Others	Total
Net carrying amount				
As of 1/10/2018	2,524	88	20	2,633
Additions	344	47	21	412
Depreciation	−263	−39	−8	−311
Impairment	−2	0	0	−2
Reclassifications and net change in consolidation group	−343	0	−1	−343
Disposals, currency translation and reversals of impairment losses	−12	−1	0	−14
As of 30/9/2019 and 1/10/2019	2,248	95	32	2,374
Additions	185	61	21	267
Depreciation	−254	−45	−12	−311
Impairment	−4	0	0	−4
Reclassifications and net change in consolidation group	−63	0	−2	−65
Disposals, currency translation and reversals of impairment losses	−165	−9	−4	−178
As of 30/9/2020	**1,947**	**103**	**34**	**2,084**

The decrease in rights of use of €290 million was mainly due to scheduled depreciation of €311 million. In addition, reclassifications as part of the disposal of the hypermarket business amounting to €141 million reduce the rights of use. They consist of the reclassification of rights of use as investment properties and disposals to receivables from finance leases. In addition, disposals due to termination and modification of contracts amounting to €71 million and negative currency effects amounting to €62 million reduced the number of rights of use. This was offset by investments in rights of use in the amount of €267 million.

In accordance with IFRS 5, the scheduled depreciation of METRO China in the previous year in the amount of €23 million is not included in the current profit or loss for the period from continuing operations. These impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; consequently, the amounts stated there may differ from the notes on depreciation.

- **Information on leases is provided in** no. 47 – leases ▶ page 250.
- **Disclosures on assets/liabilities held for sale in connection with the sale of the hypermarket business and METRO China can be found under** no. 43 – discontinued operations ▶ page 236.

22. Investment properties

Investment properties are recognised at depreciated cost. As of 30 September 2020, investment properties totalling €188 million (30/9/2019: €127 million) were recognised. The development of these real estates is shown in the following table.

€ million	Investment properties (owned)	Investment property rights of use	Total
Acquisition or production costs			
As of 1/10/2018	239	492	731
Currency translation	15	−10	5
Additions to consolidation group	0	0	0
Additions	4[1]	20	24
Disposals	−32	−2	−34
Transfers associated with the tangible assets	22	0	22
As of 30/9/2019 and 1/10/2019	248	500	748
Currency translation	−40	−16	−56
Additions to consolidation group	0	0	0
Additions	1	7	8
Disposals	0	−4	−4
Transfers associated with the tangible assets	−8	282	274
As of 30/9/2020	200	768	969
Depreciation			
As of 1/10/2018	145	451	596
Currency translation	9	−10	−1
Additions, scheduled	6[1]	11	17
Additions, impairment	0	0	0
Disposals	−11	0	−11
Reversals of impairment losses	0	0	0
Transfers associated with the tangible assets	18	0	18
As of 30/9/2019 and 1/10/2019	168	453	621
Currency translation	−26	−15	−41
Additions, scheduled	3	14	18
Additions, impairment	3	4	7
Disposals	0	−2	−2
Reversals of impairment losses	0	0	0
Transfers associated with the tangible assets	−8	187	178
As of 30/9/2020	140	641	781
Carrying amount as of 1/10/2018	94	41	135
Carrying amount as of 30/9/2019	80	47	127
Carrying amount as of 30/9/2020	**60**	**127**	**188**

[1] Including reclassifications from assets held for sale to investment properties.

The increase of €60 million primarily includes the transfer of rights of use from property, plant and equipment due to the disposal of the hypermarket business for €95 million.

The fair values of these investment properties total €362 million (30/9/2019: €250 million) with a carrying amount of €188 million (30/9/2019: €127 million). They are determined on the basis of internationally recognised measurement methods, particularly the comparable valuation method and the discounted cash flow method (level 3 of the 3-level valuation hierarchy of IFRS 13 (Fair Value Measurement)). This measurement is based on a detailed planning period of 10 years. Aside from market rents, market-based discount rates were used as key valuation parameters. The discount rates are determined on the basis of analyses of relevant real estate markets as well as evaluations of comparable transactions and market publications issued by international consulting firms. The resulting discount rates reflect the respective country and location risk as well as the property-specific real estate risk. In addition, project developments are considered to determine the best use.

The fair value is usually assessed by METRO PROPERTIES employees. External expert reports are used where available.

Rental income from continuing operations amounts to €87 million, with usufructuary rights accounting for €70 million of this total (2018/19: €71 million, thereof €57 million from usufructuary rights). The related expenses amount to €60 million, with usufructuary rights accounting for €51 million (2018/19: €35 million, thereof €26 million from usufructuary rights).

Restrictions on titles in the form of liens and encumbrances amounted to €0 million (30/9/2019: €0 million). As in the previous year, no contractual commitments for the acquisition of investment properties were made.

23. Financial investments and investments accounted for using the equity method

The development of financial assets is shown in the following table.

€ million	Loans	Investments	Securities	Total financial assets
Acquisition or production costs				
As of 1/10/2018	35	47	9	91
Currency translation	1	0	0	1
Additions to consolidation group	0	0	0	0
Additions[1]	3	26	0	29
Disposals[1]	−5	−7	−7	−19
Reclassifications in accordance with IFRS 5	0	0	0	0
Transfers	−1	0	0	−1
As of 30/9/2019 and 1/10/2019	34	66	2	102
Currency translation	−2	0	0	−2
Additions to consolidation group	0	0	0	0
Additions[1]	2	11	0	12
Disposals[1]	−2	−6	0	−9
Reclassifications in accordance with IFRS 5	0	0	0	0
Transfers	0	0	0	0
As of 30/9/2020	32	70	2	104
Depreciation				
As of 1/10/2018	4	0	0	4
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	2	0	0	2
Disposals	−2	0	0	−2
Reclassifications in accordance with IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9/2019 and 1/10/2019	5	0	0	5
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	1	0	0	1
Disposals	0	0	0	0
Reclassifications in accordance with IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9/2020	6	0	0	6
Carrying amount as of 1/10/2018	31	47	9	86
Carrying amount as of 30/9/2019	29	66	2	97
Carrying amount as of 30/9/2020	**26**	**70**	**2**	**98**

[1] The measurement effects of equity investments carried at fair value are also shown here under additions and disposals, since they do not involve depreciations in the narrower sense.

€ million	Habib METRO Pakistan 2018/19	Habib METRO Pakistan 2019/20	OPCI FWP 2018/19	OPCI FWP 2019/20	OPCI FWS 2018/19	OPCI FWS 2019/20	Mayfair group[1] 2018/19	Mayfair group[1] 2019/20
Disclosures on the income statement								
Sales revenues	11	**10**	18	**19**	18	**18**	17	**14**
Tax profit for the period from continuing operations	5	**10**	12	**12**	12	**13**	8	**9**
Tax profit for the period from discontinued operations	0	**0**	0	**0**	0	**0**	0	**0**
Other comprehensive income	0	**0**	0	**0**	0	**0**	0	**0**
Total comprehensive income	5	**10**	12	**12**	12	**13**	8	**9**
Dividend payments to the group	2	**2**	1	**1**	4	**4**	0	**0**
Disclosures on the balance sheet								
Non-current assets	38	**35**	279	**271**	264	**251**	185	**179**
Current assets	22	**22**	4	**8**	4	**7**	2	**2**
Non-current liabilities	2	**6**	108	**107**	96	**96**	0	**0**
Current liabilities	2	**3**	0	**0**	0	**0**	2	**2**
Net assets	56	**48**	176	**172**	172	**161**	184	**179**
Amount of the share (in %)	**40**	**40**	**5**	**5**	**25**	**25**	**40**	**40**
Share of the group in the net assets	22	**19**	9	**9**	43	**40**	73	**72**
Adjustment of asset values	13	**11**	–	**–**	–	**–**	–	**–**
Carrying amount of the share in the group	**35**	**31**	**9**	**9**	**43**	**40**	**73**	**71**

[1] Mayfair group comprises 10 real estate companies.

[2] METRO acquired the stake in WM Holding (HK) Limited upon closing of the METRO China disposal transaction on 23 April 2020. The data to be disclosed for the equity investment require a short financial statement of WM Holding (HK) Limited, including first-time consolidation and the effects of purchase price allocation. The financial statements of the acquiring party are in the process of being prepared.

The disclosures below provide information on investments accounted for using the equity method.

As of 30 September 2020, shares in investments accounted for using the equity method amounted to €421 million (30/9/2019: €179 million). Disclosures on the major investments accounted for using the equity method can be found in the following table.

Apart from Habib METRO Pakistan (closing date 30 June), all companies mentioned above have 31 December as the closing date. The companies are included in the consolidated financial statements of METRO AG with their latest available financial statements.

	WM Holding (HK) Limited		Miscellaneous		Total	
€ million	2018/19	**2019/20**[2]	2018/19	**2019/20**	2018/19	**2019/20**
Disclosures on the income statement						
Sales revenues	–	**–**	141	**146**	204	**207**
Tax profit for the period from continuing operations	–	**–**	67	**67**	105	**111**
Tax profit for the period from discontinued operations	–	**–**	0	**0**	0	**0**
Other comprehensive income	–	**–**	0	**0**	0	**0**
Total comprehensive income	–	**–**	67	**67**	105	**111**
Dividend payments to the group	–	**–**	8	**7**	14	**13**
Amount of the share (in %)	**–**	**20**	**–**	**–**	**–**	**–**
Carrying amount of the share in the group	**–**	**250**	**17**	**20**	**179**	**421**

[1] Mayfair group comprises 10 real estate companies.

[2] METRO acquired the stake in WM Holding (HK) Limited upon closing of the METRO China disposal transaction on 23 April 2020. The data to be disclosed for the equity investment require a short financial statement of WM Holding (HK) Limited, including first-time consolidation and the effects of purchase price allocation. The financial statements of the acquiring party are in the process of being prepared.

METRO's representation on the supervisory board of OPCI FRENCH WHOLESALE PROPERTIES – FWP ensures that significant influence is maintained and that the holding will be accounted for using the equity method although the investment only amounts to 5%.

The investments accounted for using the equity method within the group are mainly associate companies and rental companies. The main purpose of the leasing companies is to acquire, lease out and manage assets. The assets of these real estate companies are mainly leased by METRO companies.

— **Disclosures on assets held for sale/liabilities in connection with the disposal of METRO China can be found under** no. 43 – discontinued operations ▶ page 236.

24. Other financial and other non-financial assets

	30/9/2019[1]			**30/9/2020**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Receivables due from suppliers	316	316	1	**243**	**243**	**1**
Miscellaneous financial assets	455	306	149	**466**	**282**	**184**
thereof leasing receivables	(159)	(21)	(139)	**(213)**	**(42)**	**(171)**
Other financial assets	**771**	**622**	**150**	**709**	**525**	**185**
Other tax receivables	178	178	0	**261**	**261**	**0**
Prepaid expenses and deferred charges	82	66	16	**85**	**77**	**8**
Miscellaneous non-financial assets	38	35	4	**47**	**39**	**8**
Other non-financial assets	**299**	**279**	**20**	**394**	**377**	**16**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Receivables due from suppliers comprise both invoiced and deferred income for subsequent supplier compensation (for example bonuses, advertising subsidies) and creditors with debit balances.

The miscellaneous financial assets primarily consist of receivables from financing lease agreements, receivables from credit card transactions, receivables from other financial transactions and receivables and other assets from the real estate sector. Previous year's figures included receivables from the disposal of non-current assets.

The other tax receivables include value added tax refunds, later offsettable input tax and miscellaneous tax receivables. Value added tax refund claims have increased, in particular due to legal changes in Russia, as have value added tax liabilities.

Prepaid expenses and deferred charges include deferred charges and deferred rental, leasing and interest charges as well as miscellaneous prepaid expenses.

Miscellaneous non-financial assets mainly consist of prepayments on inventories and raw materials and supplies. In addition, they include contract assets in the amount of €1 million (30/9/2019: €1 million) as well as assets for the right to recover products from a customer on settling the refund liabilities in the amount of €1 million (30/9/2019: €1 million).

25. Deferred tax assets/deferred tax liabilities

Deferred tax assets on tax loss carry-forwards and temporary differences amount to €1,242 million before offsetting (30/9/2019: €1,188 million), an increase of €54 million compared to 30 September 2019. The carrying amounts of deferred tax liabilities decreased by €2 million to €1,057 million compared with the previous year (30/9/2019: €1,059 million).

Deferred taxes relate to the following balance sheet items:

€ million	30/9/2019[1] Assets	30/9/2019[1] Liabilities	**30/9/2020** **Assets**	**30/9/2020** **Liabilities**	Change through profit or loss Assets	Change through profit or loss Liabilities
Goodwill	23	33	**25**	**35**	2	2
Other intangible assets	10	103	**13**	**117**	3	14
Property, plant and equipment and investment properties	75	808	**80**	**699**	5	−118
Financial investments and investments accounted for using the equity method	5	5	**2**	**4**	−3	0
Inventories	19	1	**17**	**1**	−2	0
Other financial and non-financial assets	28	52	**54**	**89**	26	38
Assets held for sale	0	0	**0**	**0**	0	0
Provisions for post-employment benefits plans and similar obligations	118	30	**127**	**33**	7	2
Other provisions	33	2	**41**	**4**	9	2
Financial liabilities	850	3	**763**	**29**	−87	27
Other financial and non-financial liabilities	49	23	**124**	**37**	38	15
Liabilities related to assets held for sale	0	0	**0**	**0**	0	0
Outside basis differences	0	0	**0**	**8**	0	8
Write-downs of temporary differences	−88	0	**−76**	**0**	12	0
Loss carry-forwards	67	0	**70**	**0**	3	0
Carrying amount of deferred taxes before offsetting	**1,188**	**1,059**	**1,242**	**1,057**	**14**	**−11**
Offsetting	−904	−904	**−990**	**−990**	11	11
Carrying amount of deferred taxes	**284**	**155**	**252**	**66**	**25**	**0**

[1] Adjustment of previous year due to full retrospective adjustment of IFRS 16 (Leases).

Of the reported balance of deferred tax assets and liabilities, €49 million (30/9/2019: €57 million) are attributable to the group of incorporated companies of METRO AG. The additional surplus of €136 million (30/9/2019: €73 million) is largely attributable to temporary differences at various foreign subsidiaries. Based on business planning, realisation of these tax assets is to be considered sufficiently likely.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata equity in the balance sheet and the carrying amount of the investment for this subsidiary in the parent company's tax statement must be recognised (so-called outside basis differences) if the tax benefit is likely to be realised in the future. The differences can primarily be attributed to retained earnings of subsidiaries in Germany and abroad. No deferred taxes were recognised for these retained earnings as they will be reinvested over an indefinite period of time or are not subject to relevant taxation. Any dividends paid by subsidiaries would be subject to dividend tax. In addition, foreign dividends may trigger a withholding tax. As of 30 September 2020, a deferred tax liability from outside basis differences was recognised for planned dividend payments in the amount of €8 million (30/9/2019: €0 million). The sum of the amount of temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognised was not determined as this would have been disproportionately expensive due to the level of detail of the METRO group.

No deferred tax assets were capitalised for the following tax loss carry-forwards and interest carry-forwards or temporary differences because realisation of the assets in the short to medium term is not expected:

€ million	30/9/2019[1]	**30/9/2020**
Corporate tax losses	4,883	**4,686**
Trade tax losses	3,679	**3,752**
Interest carry-forwards	83	**90**
Temporary differences	331	**288**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The loss carry-forwards as of the closing date predominantly concern the German consolidation group. They can be carried forward without limitation.

TAX EFFECTS ON COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2018/19[1]			**2019/20**		
€ million	Before taxes	Taxes	After taxes	**Before taxes**	**Taxes**	**After taxes**
Currency translation differences from translating the financial statements of foreign operations	132	0	132	**−468**	**0**	**−468**
thereof currency translation differences from net investments in foreign operations	(40)	(0)	(40)	**(−72)**	**(0)**	**(−72)**
Effective portion of gains/losses from cash flow hedges	2	0	2	**−2**	**0**	**−1**
Effects from the fair value measurements of equity instruments	−3	0	−3	**0**	**0**	**0**
Effects from the fair value measurements of debt instruments	0	0	0	**0**	**0**	**0**
Remeasurement of defined benefit pension plans	−94	22	−73	**7**	**−2**	**5**
Remaining income tax on other comprehensive income	0	−4	−4	**0**	**0**	**0**
	39	**17**	**56**	**−463**	**−2**	**−466**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Deferred taxes on components of other comprehensive income primarily apply to the remeasurement of defined benefit pension plans. The other components are not tax-effective.

26. Inventories

€ million	30/9/2019	**30/9/2020**
Food merchandise	1,408	**1,397**
Non-food merchandise	539	**492**
	1,946	**1,888**

The inventories were reduced by €58 million from €1,946 million to €1,888 million.

Negative currency effects, resulting in particular from the development of the Russian rouble, reduced inventories by a total of €127 million.

Inventories include impairments of €63 million (30/9/2019: €62 million). The inventories are subject to the customary or statutory retention of title.

27. Trade receivables

Trade receivables declined by €52 million, from €482 million to €429 million. These are receivables with a remaining term of up to 1 year.

Currency effects decreased the trade receivables by €19 million. Trade receivables were also reduced by the €42 million year-on-year impairment increase.

28. Impairments of financial assets

As of 30 September 2020, impairment losses recognised in the balance sheet in accordance with IFRS 9 amounted to €160 million (30/9/2019: €104 million).

The following explanations relate to significant financial assets to which the impairment requirements of IFRS 9 are applied.

For trade receivables, METRO makes use of the simplified procedure to determine expected credit losses provided for in IFRS 9. METRO records the expected credit losses over the entire term of the financial instruments on the basis of a provision matrix. Trade receivables are combined in different portfolios with similar credit risk characteristics for this purpose. This is based on the regions used for METRO's segment reporting.

The loss default rates per past-due category of these portfolios are estimated on the basis of previous experience with credit losses from such financial assets. The loss default rates determined in this way are adjusted by including a projected global corporate insolvency index. Due to Covid-19, this input parameter was adjusted accordingly in the current financial year.

The table below shows the expected credit losses on trade receivables for each maturity band as of the closing date, calculated on the basis of the provision matrix:

€ million	Total	thereof not past-due	thereof up to 90 days past-due	thereof 91 to 180 days past-due	thereof 181 to 270 days past-due	thereof 271 to 360 days past-due	thereof more than 360 days past-due
Gross carrying amount	454	353	86	7	3	3	3
Bandwidth of calculated default rates		0,21 % to 1,12 %	1,00 % to 6,97 %	3,40 % to 26,00 %	6,62 % to 28,18 %	10,72 % to 47,34 %	11,91 % to 86,49 %
Risk provision as of 30/9/2019	**7**	**2**	**2**	**1**	**0**	**1**	**1**

€ million	**Total**	**thereof not past-due**	**thereof up to 90 days past-due**	**thereof 91 to 180 days past-due**	**thereof 181 to 270 days past-due**	**thereof 271 to 360 days past-due**	**thereof more than 360 days past-due**
Gross carrying amount	387	315	56	4	3	3	5
Bandwidth of calculated default rates		0,21 % to 1,15 %	0,79 % to 6,27 %	3,27 % to 19,17 %	5,90 % to 23,09 %	10,00 % to 31,25 %	13,75 % to 81,25 %
Risk provision as of 30/9/2020	**21**	**15**	**3**	**0**	**0**	**1**	**2**

Besides the impairment recognised based on the presented regional provision matrix, the risk provision of €21 million (30/9/2019: €7 million) also includes an additional country and customer group-specific risk provision against the background of Covid-19.

Impairment on trade receivables is reconciled according to the simplified calculation as follows:

€ million	Trade receivables
As of 1/10/2018	**47**
Addition to impairment through profit or loss	23
Reversal of impairment through profit or loss	−15
Utilisation	−8
Currency effects	1
Other changes	0
As of 30/9/2019 and 1/10/2019	**47**
Addition to impairment through profit or loss	60
Reversal of impairment through profit or loss	−9
Utilisation	−8
Currency effects	−2
Other changes	0
As of 30/9/2020	**89**

The impairment as of 30 September 2020 amounted to €89 million (30/9/2019: €47 million) and include impairments of €68 million (30/9/2019: €40 million) on individual receivables for which there are objective indications of an impairment of creditworthiness. The increase is mainly due to Covid-19.

The following table shows the gross carrying amounts of trade receivables that were or were not past due as of the closing date, which were depreciated either on the basis of the respective applied provision matrix or on the basis of objective indications of default:

€ million	Trade receivables
Not past-due	367
Up to 90 days past-due	93
91 to 180 days past-due	15
181 to 270 days past-due	6
271 to 360 days past-due	6
More than 360 days past-due	31
Gross carrying amount	**517**
Impairment	−47
Maximum credit risk as of 30/9/2019	**470**

€ million	Trade receivables
Not past-due	364
Up to 90 days past-due	72
91 to 180 days past-due	12
181 to 270 days past-due	13
271 to 360 days past-due	6
More than 360 days past-due	41
Gross carrying amount	**509**
Impairment	−89
Maximum credit risk as of 30/9/2020	**421**

In addition, collateral is available for trade receivables of €8 million (30/9/2019: €12 million). These receivables were not impaired.

METRO applies the general impairment requirements of IFRS 9 to receivables from suppliers, credit card transactions and loans. A possible credit risk in these cases is determined on the basis of the counterparty's creditworthiness. For this purpose, METRO uses external ratings of well-known rating agencies as well as internal credit risk rating grades based on the risk of default of the respective financial instrument. The creditworthiness of the counterparties is continuously monitored so that METRO recognises a significant increase in the credit risk and can react promptly to any changes.

The following table shows the development of risk provisions in relation to financial assets to which the general impairment requirements of IFRS 9 are applied:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
As of 1/10/2018	**1**	**0**	**28**	**29**
Newly originated/acquired financial assets	0	0	0	0
Other changes within one stage	0	0	9	9
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Derecognised financial assets	0	0	−5	−5
Utilisation	0	0	−4	−4
Other changes[1]	0	0	−2	−2
As of 30/9/2019 and 1/10/2019	**1**	**0**	**27**	**28**
Newly originated/acquired financial assets	0	0	5	5
Other changes within one stage	0	0	7	7
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Derecognised financial assets	0	0	−2	−2
Utilisation	0	0	−3	−3
Other changes[1]	0	0	−1	−1
As of 30/9/2020	**1**	**0**	**33**	**34**

[1] Currency translation differences, changes in the consolidation group and reclassifications to assets held for sale are recognised in other changes.

Risk provisions as of 30 September 2020 amount to €34 million (30/9/2019: €28 million).

Stage 1 of the model contains financial assets that have a low credit risk or whose credit risk has not increased significantly since the initial recognition of the asset. At this stage, the risk provision is calculated as the 12-month expected credit loss. If the credit risk on the closing date is significantly higher than at the time of initial recognition, the financial asset is reclassified to stage 2. The amount of the risk provision is determined at this level as the expected losses that can arise from all possible default events over the expected entire term of the financial instrument. If there is objective evidence that a financial asset will not be collected in whole or in part, it is reclassified to stage 3. Default is defined as the failure to maintain contractually agreed cash flows.

The table below shows the gross carrying amounts for those financial instruments for which the impairment losses are determined according to the general approach; they are differentiated according to the external rating of the counterparties:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
AAA, AA+, AA, AA-	7	1	1	9
A+, A, A-	16	0	0	17
BBB+, BBB, BBB-	10	0	0	10
BB+, BB, BB-	2	0	0	2
B+ or lower	44	0	0	44
Gross carrying amount	**80**	**1**	**2**	**82**
Impairment	0	0	–1	–1
Maximum credit risk as of 30/9/2019	**80**	**1**	**1**	**82**

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
AAA, AA+, AA, AA-	11	0	2	12
A+, A, A-	13	0	0	14
BBB+, BBB, BBB-	9	0	0	10
BB+, BB, BB-	0	0	0	0
B+ or lower	25	0	0	25
Gross carrying amount	**58**	**0**	**2**	**60**
Impairment	0	0	–1	–1
Maximum credit risk as of 30/9/2020	**58**	**0**	**1**	**59**

METRO minimises credit risk by exclusively investing in first-class debt instruments from counterparties with a good to very good external rating (investment grade). Therefore, a significant portion of the financial assets is allocated to stage 1 of the impairment model.

For counterparties that do not have an external rating and are therefore assigned to the internal risk classes, the credit risk determined according to the general approach is as follows:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
Internal risk class 1 (not past due or up to 30 days past-due)	294	0	2	297
Internal risk class 2 (31 to 90 days past-due)	15	1	1	16
Internal risk class 3 (more than 90 days past-due)	12	0	33	46
Gross carrying amount	**321**	**1**	**37**	**358**
Impairment	−1	0	−27	−27
Maximum credit risk as of 30/9/2019	**320**	**1**	**10**	**331**

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
Internal risk class 1 (not past due or up to 30 days past-due)	218	0	8	226
Internal risk class 2 (31 to 90 days past-due)	7	1	2	10
Internal risk class 3 (more than 90 days past-due)	15	0	38	52
Gross carrying amount	**239**	**1**	**48**	**288**
Impairment	−1	0	−32	−32
Maximum credit risk as of 30/9/2020	**238**	**1**	**17**	**256**

29. Cash and cash equivalents

€ million	30/9/2019	**30/9/2020**
Cheques and cash on hand	20	**20**
Bank deposits and other financial assets with short-term liquidity	479	**1,505**
	500	**1,525**

Of the cash and cash equivalents, €0 million (30/9/2019: €0 million) is subject to restrictions on title.

- **For more information, see the cash flow statement and** no. 41 – notes to the cash flow statement page 233.

30. Assets held for disposal/liabilities related to assets held for sale

Assets held for sale/liabilities related to assets held for sale include a real estate company as of 30 September 2020, which is to be seen in connection with the disposal of the hypermarket business. There are €22 million as 'assets held for sale' and €7 million as 'liabilities related to assets held for sale'.

- **Disclosures on assest held for sale/liabilities in connection with the sale of the hypermarket business and METRO China can be found under** no. 43 – discontinued operations ▸ page 236.

31. Equity

The subscribed capital of METRO AG amounts to €363,097,253. It is divided as follows:

No-par-value bearer shares, accounting par value of €1.00		30/9/2019	**30/9/2020**
Ordinary shares	Number of shares	360,121,736	**360,121,736**
	€	360,121,736	**360,121,736**
Preference shares	Number of shares	2,975,517	**2,975,517**
	€	2,975,517	**2,975,517**
Total shares	**Number of shares**	**363,097,253**	**363,097,253**
Total share capital	**€**	**363,097,253**	**363,097,253**

As of 30 September 2020 and as of 30 September 2019, the subscribed capital of METRO AG amounted to €363,097,253. It is divided into a total of 360,121,736 ordinary no-par-value bearer shares (pro rata value of the share capital: €360,121,736, approximately 99.18%), as well as 2,975,517 preference no-par-value bearer shares (pro rata value of the share capital: €2,975,517, approximately 0.82%). Each no-par-value share in the company has a notional interest of €1.00 in the share capital.

Each ordinary share entitles to a single vote in the company's Annual General Meeting. The ordinary shares carry full dividend rights. In contrast to ordinary shares, preference shares do not carry voting rights but confer a preferential entitlement to profits as prescribed in § 21 of the Articles of Association of METRO AG, which state:

'(1) Holders of non-voting preference shares will receive a preliminary dividend from the annual balance sheet profit in the amount of €0.17 for each preference share.

(2) Should the balance sheet profit available for distribution not suffice in any one financial year to pay the preliminary dividend, the arrears (excluding any interest) shall be paid from the balance sheet profit of subsequent financial years in an order based on age, meaning in such manner that any older arrears are paid off prior to any more recent ones and that the preference dividends payable from the profit of a financial year are not distributed until all accrued arrears have been paid.

(3) Following distribution of the preliminary dividends, the holders of ordinary shares will be paid a dividend of €0.17 for each ordinary share. Subsequently, a non-cumulative extra dividend per share will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10% of the dividend paid to the holders of ordinary shares under observation of Section 4, provided such dividend equals or exceeds €1.02 per ordinary share.

(4) The holders of non-voting preference shares and of ordinary shares will equally share in any additional profit distribution in the proportion of their shares in the share capital.'

Authorised capital

The Annual General Meeting on 16 February 2018 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital). The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, the authorised capital has not been fully utilised.

Contingent capital

The Annual General Meeting held on 16 February 2018 resolved a contingent increase in the share capital by up to €50,000,000, divided into a maximum of 50,000,000 ordinary shares (contingent capital). This contingent capital increase is related to the establishment of an authority of the Management Board to issue, subject to the consent of the Supervisory Board, one or several tranches of warrant or convertible bearer bonds (collectively 'bonds') with a nominal value of up to €1,500,000,000 prior to 15 February 2023, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or to impose warrant or conversion obligations on them for ordinary bearer shares in METRO AG representing up to €50,000,000 of the share capital in accordance with the terms of the warrant or convertible bearer bonds, or to provide for the company's right to deliver ordinary shares in the company as full or partial payment in lieu of a cash redemption of the bonds. The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, no warrants and/or convertible bearer bonds have been issued under the aforementioned authority.

Repurchase of own shares

On the basis of § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting on 11 April 2017 authorised the company to acquire own shares of any share class representing a maximum of 10% of the share capital issued at the time the authority became effective, or – if this figure is lower – at the time the authority is exercised. The authority expires on 28 February 2022. To date, neither the company nor any company controlled or majority-owned by it, any other company acting on behalf of the company or of any company controlled or majority-owned by that company has exercised this authority.

- **For more information about the company's authorised capital, contingent capital, the authority to issue warrant and/or convertible bearer bonds as well as share repurchasing, see chapter** 7 takeover-related disclosures ▶ page 123 **in the combined management report.**

Capital reserve and reserves retained from earnings

Prior to the effective date of the reclassification and demerger of CECONOMY AG on 12 July 2017, METRO AG was not yet a group within the meaning of IFRS 10. Accordingly, combined financial statements of METRO Wholesale & Food Specialist GROUP (hereinafter: MWFS GROUP) were prepared for the IPO prospectus of METRO AG. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of MWFS GROUP. Following the demerger, METRO became an independent group with METRO AG as the listed parent company. Therefore, the equity in the consolidated financial statements is subdivided according to legal requirements. The subscribed capital of €363 million and the capital reserve of €6,118 million were recognised at the carrying amounts from the Annual Financial Statements of METRO AG as of 30 September 2017. For this purpose, a transfer was made from the equity item net assets, recognised as of 1 October 2016, attributable to the former METRO GROUP of the combined financial statements of MWFS GROUP. The remaining negative amount of this equity item was reclassified to reserves retained from earnings. It cannot be traced back to a history of loss.

An amount of €1,070 million was withdrawn from the capital reserve in financial year 2019/20. Correspondingly, this amount was reclassified to reserves retained from earnings in the consolidated financial statements.

Reserves retained from earnings can be broken down as follows:

€ million	30/9/2019[1]	**30/9/2020**
Effective portion of gains/losses from cash flow hedges	2	**1**
Equity and debt instruments	−3	**1**
Currency translation differences from translating the financial statements of foreign operations	−607	**−1,076**
Remeasurement of defined benefit pension plans	−500	**−491**
Income tax on components of other comprehensive income	106	**103**
Other reserves retained from earnings	−3,165	**−1,896**
Reserves retained from earnings	**−4,167**	**−3,358**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Changes in the financial instruments presented above consist of the following components:

€ million	2018/19	**2019/20**
Initial or subsequent measurement of derivative financial instruments	0	**−3**
Derecognition of cash flow hedges	2	**2**
thereof in inventories	(0)	**(0)**
thereof in net financial result	(2)	**(2)**
Effective portion of gains/losses from cash flow hedges	**2**	**−2**
Equity and debt instruments	−3	**3**
Measurement result from financial instruments	**−1**	**2**

The valuation effects of equity and debt instruments relate to the subsequent measurement of investments.

In addition, currency translation differences recognised in equity had an impact of €−468 million (2018/19: €130 million). They can be broken down as follows:

The translation of the local balance sheets to the group currency without affecting profit or loss resulted in a decrease of €459 million in equity, particularly due to the appreciation of the Russian rouble. In addition, the effective derecognition of cumulative currency differences of companies that were deconsolidated or discontinued operation within financial year 2019/20 had an effect of €−10 million. €13 million of it is attributable to continuing operations and €−23 million to discontinued operations from the disposal of METRO China.

The remeasurement of defined benefit pension plans resulted in effects outside of profit or loss before deferred taxes in the amount of €7 million.

As part of the deconsolidation of the hypermarket business, the effects of €−6 million from the measurement of pension plans, the related income tax effects and the fair value measurement of investments without reclassification, which were included in other comprehensive income, were reclassified to other reserves retained from earnings.

— **An overview of the tax effects on components of other comprehensive income can be found under** no. 25 – deferred tax assets/deferred tax liabilities ▸ page 197.

Other reserves retained from earnings increased by €1,269 million from €−3,165 million to €−1,896 million. This increase is mainly influenced by the €1,070 million withdrawal from the capital reserve as well as the profit or loss for the period of €460 million attributable to the shareholders of METRO AG. It was offset by the dividend payment for financial year 2018/19 of €−254 million.

Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the equity of the consolidated subsidiaries. As of 30 September 2020, they amounted to €8 million (30/9/2019: €31 million). The decrease in non-controlling interests is mainly due to the disposal of METRO China.

— **An overview of subsidiaries with major non-controlling interests is published in the** notes to the group accounting principles and methods ▸ page 151.

Appropriation of the balance sheet profit, dividend

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

Regarding the appropriation of the balance sheet profit for 2019/20, the Management Board of METRO AG will propose to the Annual General Meeting to distribute from the reported balance sheet profit of €267 million a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – and to carry forward the remaining amount to the new account.

32. Provisions for post-employment benefits plans and similar obligations

€ million	30/9/2019	**30/9/2020**
Provisions for post-employment benefits plans (employer's commitments)	414	**403**
Provisions for indirect commitments	17	**24**
Provisions for voluntary pension benefits	0	**0**
Provisions for post-employment benefits plans	78	**92**
	509	**519**
Provisions for obligations similar to pensions	34	**31**
	543	**550**

Provisions for post-employment benefits plans are recognised in accordance with IAS 19 (Employee Benefits).

Provisions for post-employment benefits plans consist of commitments primarily related to benefits defined by the provisions of company pension plans. These take the form of defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external pension providers (benevolent funds in Germany and international pension funds). The external providers' assets serve exclusively to finance the pension entitlements and qualify as plan assets. The benefits under the different plans are based on performance and length of service.

The most important performance-based pension plans are described in the following.

Germany

METRO grants many employees in Germany retirement, disability and surviving dependant's benefits. New commitments are granted in the form of 'defined benefit' commitments in the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension insurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by pension insurance.

In addition, various pension funds exist that are closed for new contributions. In general, these provide for lifelong pensions starting with the start of retirement or recognised invalidity. Benefits are largely defined as fixed payments or on the basis of set annual increases. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. The commitments provide for a widow's or widower's pension of varying size, depending on the benefits the former employee received or would have received in case of invalidity.

There are also deferred compensation contracts with the Hamburger Pensionskasse (Hamburg pension fund).

Some of the pension obligations in Germany are based on METRO AG's assumption of debt for pension commitments to former employees of the hypermarket business.

Netherlands

A defined benefit pension plan exists in the Netherlands which provides for pension payments in addition to invalidity and death benefits. The amount of the benefits depends on the pensionable salary per year of service. Benefits are funded through a pension fund whose decision-making bodies (management board, as well as administration, finance and investment committee) include employer and employee representatives. The fund's management board has responsibility for asset management. The pension fund's investment committee exists for this purpose. In line with statutory minimum funding requirements, the pension fund's management board must ensure that commitments are covered by assets at all times. In case of underfunding, the pension fund's management board may take different measures to compensate for deficient cover. These measures include the requirement for additional contributions by the employer and curtailments in employee benefits.

In financial year 2019/20, the current pension plan was closed with effect from 1 January 2021 for new entrants and future increases in pension entitlements. It will be replaced by a Collective Defined Contribution (CDC) plan for future entitlements.

United Kingdom

In July 2012, the former METRO GROUP sold its wholesale business in the United Kingdom to Booker Group PLC. Pension commitments were not part of the sale. Since the date of the disposal, only vested benefits and current pensions from service years at the former METRO GROUP have existed. In accordance with legal stipulations, the vested interests must be adjusted for inflation effects. The commitments are covered by assets which are managed and invested by a corporate trustee. A major share of these commitments was fully funded through a buy-in. The management board of this corporate trustee consists of employer and employee representatives. In any case, the trustee must ensure that benefits can be paid at all times in the future. This is regulated on the basis of statutory minimum financing requirements. In case of underfunding, the trustee may require additional employer contributions to close the funding gap.

Belgium

There are both retirement pensions and capital commitments; the amount depends on the pensionable length of service and pensionable income. In addition, groups of employees are granted interim allowances. In principle, benefits are funded through group insurance contracts that are subject to Belgian regulatory law. Additional retirement plans are reported cumulatively under other countries.

The following table provides an overview of the present value of defined benefit obligations by METRO countries as well as material obligations:

€ million	30/9/2019	**30/9/2020**
Germany	448	**484**
Netherlands	611	**555**
United Kingdom	241	**254**
Belgium	85	**79**
Other countries	131	**130**
	1,516	**1,502**

The plan assets of METRO are distributed between the following countries:

€ million	30/9/2019	**30/9/2020**
Germany	81	**97**
Netherlands	671	**695**
United Kingdom	237	**255**
Belgium	52	**54**
Other countries	25	**25**
	1,066	**1,126**

The above commitments are valued on the basis of actuarial calculations in accordance with relevant provisions of IAS 19. The basis for the measurement is the legal and economic circumstances prevailing in each country.

The following assumptions regarding the material parameters were used in the actuarial measurements:

	30/9/2019				**30/9/2020**			
%	Germany	Nether-lands	United Kingdom	Belgium	**Germany**	**Nether-lands**	**United Kingdom**	**Belgium**
Actuarial interest rate	1.00	1.20	2.00	1.20	**1.20**	**1.40**	**1.30**	**1.20**
Pension trend	1.50	0.70	2.50	2.00	**1.50**	**0.70**	**2.20**	**2.00**

As in previous years, METRO used generally recognised methods to determine the actuarial interest rate. With these, the respective actuarial interest rate based on the yield of investment grade corporate bonds is determined as of the closing date taking account of the currency and maturity of the underlying obligations. The actuarial interest rate for the Eurozone and the UK is based on the results of a method applied in a uniform manner across the group. The interest rate for this is set on the basis of the returns of high-quality corporate bonds and the duration of commitments. In countries without a liquid market of suitable corporate bonds, the actuarial interest rate was determined on the basis of government bond yields.

Aside from the actuarial interest rate, the pension trend represents another key actuarial parameter. In Germany, the rate of pension increases is derived directly from the inflation rate insofar as pension adjustments can be determined on the basis of the increase in the cost of living. In international companies, pension adjustments are also generally determined on the basis of the inflation rate.

The other parameters are not relevant for the measurement of pension obligations.

The impact of changes in fluctuation and mortality assumptions was analysed for major plans. As of 30 September 2020, the mortality rates for the German group companies are based on the 2018 G tables from Prof. Dr Klaus Heubeck.

The actuarial measurements outside of Germany are based on country-specific mortality tables. The resulting effects of fluctuation and mortality assumptions have been deemed immaterial and are not listed as a separate component.

The results of a sensitivity analysis for the key measurement parameters with respect to the present value of pension entitlements are presented below. The actuarial interest rate and the pension trend were identified as key parameters with an impact on the present value of pension entitlements. The sensitivity analysis used the same methods as were applied in the previous year. The analysis considered changes in parameters that are considered possible within reason. The selection of the respective spectrum of possible changes in parameters is based on historical multi-year observations.

The following illustrates the impact of an increase/decrease in the actuarial interest rate by 100 basis points or an increase/decrease in the pension trend by 25 basis points. For interpretation of the values, it should be noted that the obligations in the Netherlands and the United Kingdom are covered by life insurance policies to a large extent and that the plan assets also regularly show a compensating sensitivity with regard to the development of the general interest rate level.

		30/9/2019				**30/9/2020**			
€ million		Germany	Nether-lands	United Kingdom	Belgium	**Germany**	**Nether-lands**	**United Kingdom**	**Belgium**
Actuarial interest rate	Increase by 100 basis points	−59	−126	−38	−4	**−56**	**−108**	**−40**	**−4**
	Decrease by 100 basis points	77	175	50	6	**73**	**149**	**52**	**6**
Pension trend	Increase by 25 basis points	12	19	7	0	**12**	**16**	**7**	**0**
	Decrease by 25 basis points	−11	−18	−6	0	**−11**	**−16**	**−7**	**0**

Changes in the present value of defined benefit obligations have developed as follows:

€ million	2018/19	2019/20
Present value of defined benefit obligations		
As of the beginning of the period	1,251	**1,516**
Recognised under	**50**	**39**
interest expenses	29	**20**
current service cost	21	**29**
past service cost (incl. curtailments and changes)	0	**−10**
settlement expenses	0	**0**
Recognised outside of profit or loss under ‘remeasurement of defined benefit pension plans’ in other comprehensive income	**251**	**−40**
Actuarial gains/losses from changes in		
demographic assumptions (−/+)	10	**−13**
financial assumptions (−/+)	237	**−20**
experience-based correction (−/+)	4	**−7**
Other effects	**−36**	**−13**
Benefit payments (incl. tax payments)	−48	**−47**
Contributions from plan participants	9	**9**
Change in consolidation group/transfers	1	**0**
Assumption of debt with regard to former employees of the hypermarket business	0	**39**
Currency effects	2	**−14**
As of end of period	**1,516**	**1,502**

In Germany, assets held for sale in connection with the disposal of the hypermarket business were reclassified as of 30 September 2018 in accordance with IFRS 5. In financial year 2019/20, METRO AG declared an assumption of debt for former (inactive) employees of the hypermarket business in Germany. As a result, a pension liability of €39 million was recognised for inactive employees and pensioners under IAS 19 (reclassification from IFRS 5).

The negative past service costs of €10 million are mainly attributable to the plan conversion in the Netherlands.

Changes in parameters on the basis of actuarial calculations led to a total decrease in the present value of defined benefit obligations by €33 million (2018/19: increase of €247 million). Most of the effects result from the increase of the applied invoice rates.

The weighted average term of defined benefit commitments for the countries with material pension obligations amounts to:

Years	30/9/2019	30/9/2020
Germany	16	**16**
Netherlands	24	**23**
United Kingdom	18	**18**
Belgium	6	**6**
Other countries	11	**11**

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/9/2019	**30/9/2020**
Active members	34	**32**
Former claimants	38	**39**
Pensioners	28	**29**

The granting of defined benefit pension entitlements exposes METRO to various risks. These include general actuarial risks resulting from the measurement of pension commitments (for example, interest rate risks) as well as capital and investment risks related to plan assets.

With a view to the funding of future pension payments from indirect commitments and a stable actuarial reserve, METRO primarily invests plan assets in low-risk investment forms. The funding of direct pension commitments is secured through operating cash flow at METRO.

The fair value of plan assets by asset category can be broken down as follows:

	30/9/2019		**30/9/2020**	
	%	€ million	**%**	**€ million**
Fixed-interest securities	38	407	**40**	**447**
Shares, funds	25	264	**23**	**260**
Real estate	5	50	**4**	**42**
Other assets	32	345	**33**	**377**
	100	**1,066**	**100**	**1,126**

Fixed-interest securities, shares and funds are regularly traded in active markets. As a result, the relevant market prices are available. The asset category ‘fixed-interest securities’ only includes investments in investment grade corporate bonds, government bonds and mortgage-backed bonds (investment grade). Risk within the category ‘shares, funds’ is minimised through geographic diversification.

The majority of real estate assets are invested in real estate funds.

Other assets essentially comprise receivables from first-class insurance companies in Germany, Belgium and the United Kingdom.

The actual return on plan assets amounted to €56 million in the reporting period (2018/19: €125 million).

For financial year 2020/21, the company expects employer payments to external pension providers totalling approximately €12 million and employee contributions of €7 million in plan assets, with contributions in the Netherlands, Belgium and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

The fair value of plan assets developed as follows:

€ million	2018/19	2019/20
Change in plan assets		
Fair value of plan assets as of beginning of period	940	**1,066**
Recognised under	**23**	**16**
interest income	23	**16**
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income	**102**	**41**
Gains/losses from plan assets excl. interest income (+/−)	102	**41**
Other effects	**0**	**3**
Benefit payments (incl. tax payments)	−27	**−26**
Settlement payments	0	**0**
Employer contributions	18	**22**
Contributions from plan participants	9	**9**
Change in consolidation group/transfers	0	**0**
Assumption of debt with regard to former employees of the hypermarket business	0	**6**
Currency effects	1	**−8**
Fair value of plan assets as of end of period	**1,066**	**1,126**

Due to the assumption of debt in Germany for former (inactive) employees of the hypermarket business, additional plan assets for pension liabilities to inactive employees and pensioners of €6 million were recognised under IAS 19 (reclassification from IFRS 5).

€ million	30/9/2019	30/9/2020
Financing status		
Present value of defined benefit obligations	1,516	**1,502**
less the fair value of plan assets	1,066	**1,126**
Asset adjustment (asset ceiling)	59	**141**
Net liability/assets	**509**	**517**
thereof recognised under provisions	(509)	**(519)**
thereof recognised under net assets	(0)	**(2)**

At one Dutch company, plan assets exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b).

The change in the asset ceiling was largely recognised directly in equity as a revaluation effect of €−80 million (2018/19: revaluation effect of €−58 million) in other comprehensive income.

The pension expenses of the direct and indirect company pension plan commitments can be broken down as follows:

€ million	2018/19	**2019/20**
Current service cost[1]	21	**28**
Net interest expenses[2]	9	**6**
Past service cost (incl. curtailments and changes)	0	**−10**
Settlements	0	**0**
Other pension expenses	1	**2**
Pension expenses	**31**	**26**

[1] Netted against employees' contributions.

[2] Included therein: interest effect from the adjustment of the asset ceiling.

The total gain to be recognised outside of profit or loss in the other comprehensive income amounts to €1 million in financial year 2019/20. This figure is comprised of the effect from the change in actuarial parameters in the amount of €33 million, experience-based adjustments of €7 million and the return on plan assets of €41 million. It was offset by €80 million resulting from the change in the effect of the asset ceiling in the Netherlands.

In addition, other comprehensive income includes an effect of €5 million resulting from changes in actuarial parameters for the pension plans of the hypermarket business.

In addition to expenses from defined benefit commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €78 million in financial year 2019/20 (2018/19: €82 million) were recorded. These figures also include payments to statutory pension insurance.

The provisions for obligations similar to pensions essentially comprise commitments from employment anniversary allowances, death benefits and partial retirement plans. Provisions amounting to €31 million (30/9/2019: €34 million) were allocated for these commitments. The commitments are valued on the basis of actuarial expert opinions. The valuation parameters used for this purpose are generally determined in the same way as for the company pension plan.

33. Other provisions (non-current) / provisions (current)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate-related obligations	Obligations from trade transactions	Restructuring	Taxes	Miscell-aneous	Total
As of 1/10/2019[1]	46	30	26	18	148	266
Currency translation	−1	−1	0	0	−3	−5
Addition	16	23	48	2	246	335
Reversal	−2	0	−8	0	−30	−40
Utilisation	−7	−18	−22	−1	−82	−131
Change in consolidation group	0	0	0	0	0	0
Interest portion of the addition/change in interest rate	0	0	0	0	0	0
Transfer	0	2	0	−3	1	0
As of 30/9/2020	**51**	**35**	**44**	**16**	**279**	**426**
thereof non-current	21	0	0	13	105	139
thereof short-term	30	35	44	3	174	287

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Provisions for real estate-related obligations primarily concern reinstatement obligations in the amount of €22 million (30/9/2019: €15 million), dismantling and removing obligations in the amount of €21 million (30/9/2019: €22 million) and rental commitments in the amount of €6 million (30/9/2019: €7 million). The due date of the property-related provisions depends on the remaining term of the lease agreements.

The most significant component of provisions for obligations from trade transactions are risks from subsequent charges to suppliers. Supplementary components are provisions for warranties amounting to €1 million (30/9/2019: €1 million).

The main components of the remaining provisions are provisions in the amount of €113 million (30/9/2019: €0 million) relating to the disposals of subsidiaries, provisions for litigation costs/risks in the amount of €48 million (30/9/2019: €48 million), the provisions for long-term remuneration in the amount of €31 million (30/9/2019: €18 million) and provisions for guarantee and warranty risks amounting to €11 million (30/9/2019: €18 million). The cash outflow estimate for provisions for litigation costs/risks was based on the expected duration of litigation. The provisions for long-term remuneration components are due in the years 2021 to 2023.

- **For more information about the long-term remuneration components, see** no. 52 – long-term incentive for executives page 266.

Depending on the respective term and country, interest rates for non-interest-bearing, non-current provisions range from 0.00% to 5.60%.

34. Liabilities

€ million	30/9/2019 Total[1]	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term over 5 years	**30/9/2020 Total**	**Remaining term up to 1 year**	**Remaining term 1 to 5 years**	**Remaining term over 5 years**
Trade liabilities	**3,572**	**3,572**	**0**	**0**	**3,199**	**3,199**	**0**	**0**
Bonds incl. commercial papers	2,301	531	1,122	648	**2,082**	**310**	**1,722**	**50**
Liabilities to banks	359	279	80	0	**150**	**86**	**64**	**0**
Promissory note loans	55	1	54	0	**55**	**1**	**54**	**0**
Liabilities from leases	3,215	353	1,511	1,351	**3,027**	**376**	**1,344**	**1,307**
Financial liabilities	**5,930**	**1,164**	**2,767**	**1,999**	**5,314**	**773**	**3,185**	**1,357**
Payroll liabilities	472	472	0	0	**465**	**465**	**0**	**0**
Liabilities from other financial transactions	14	14	0	0	**20**	**20**	**0**	**0**
Miscellaneous other financial liabilities	298	242	8	48	**256**	**239**	**5**	**13**
Other financial liabilities	**783**	**728**	**8**	**48**	**741**	**724**	**5**	**13**
Contract liabilities	35	35	0	0	**193**	**99**	**94**	**0**
Deferred income	35	10	7	17	**32**	**8**	**8**	**16**
Other tax liabilities	158	158	0	0	**269**	**269**	**0**	**0**
Miscellaneous other non-financial liabilities	25	24	1	0	**149**	**74**	**75**	**0**
Other non-financial liabilities	**253**	**228**	**8**	**17**	**644**	**451**	**177**	**16**
Income tax liabilities	**169**	**169**	**0**	**0**	**184**	**184**	**0**	**0**
	10,707	**5,861**	**2,783**	**2,064**	**10,082**	**5,331**	**3,366**	**1,385**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

35. Trade liabilities

Trade liabilities declined by €373 million, from €3,572 million to €3,199 million.

Currency effects decreased trade payables by €184 million, which mainly resulted from the Russian rouble (€65 million), the Turkish lira (€65 million) and the Ukrainian hryvnia (€17 million). Furthermore, changes in payment terms and lower purchasing volumes had a reducing effect on trade payables.

36. Financial liabilities

The company's medium-term and long-term financing needs are covered by an ongoing bond programme with a maximum volume of €5 billion. On 20 January 2020, a due bond of €125 million with a coupon of 4.05% was repaid on time. As of 30 September 2020, the utilised bond issuance programme amounted to a total of €1,776 million .

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 €575 million during the reporting period. As of 30 September 2020, the utilisation amounted to €295 million (30/9/2019: €387 million).

In addition, METRO has access to syndicated credit facilities totalling €1,750 million (30/9/2019: €1,750 million) with terms ending between 2021 and 2024. If the credit facilities are used, the interest rates range between Euribor +50.0 basis points (BP) and Euribor +55.0 BP. The contract terms for the syndicated credit facilities provide for a decrease of 10 BP in the spread if METRO's credit rating is raised by one grade. In the event of a downgrade in METRO's rating, the margins increase by 25 BP.

In financial year 2019/20, a syndicated credit facility of €900 million as well as temporary multi-year bilateral credit facilities of €200 million were drawn down. The syndicated credit facility and the multi-year bilateral credit facilities were utilised because liquidity on the money market was limited in the wake of the Covid-19 pandemic and short-term refinancing via commercial papers was not ensured. All drawn credit facilities were repaid prior to maturity.

As of 30 September 2020, METRO had access to additional bilateral bank credit facilities totalling €400 million (30/9/2019: €609 million), of which €86 million (30/9/2019: €279 million) had a remaining term of up to one year. As of the closing date, €150 million (30/9/2019: €359 million) of the bilateral credit facilities had been utilised. Of this amount, €86 million (30/9/2019: €279 million) had a remaining term of up to one year. As of the closing date, there were €250 million of free multi-year bilateral credit facilities available.

UNDRAWN CREDIT FACILITIES BY METRO

	30/9/2019			**30/9/2020**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	609	279	330	**400**	**86**	**314**
Utilisation	−359	−279	−80	**−150**	**−86**	**−64**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**900**	**850**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**900**	**850**
Total credit facilities	**2,359**	**279**	**2,080**	**2,150**	**986**	**1,164**
Total utilisation	−359	−279	−80	**−150**	**−86**	**−64**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**900**	**1,100**

Default by a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. METRO therefore does not bear any creditor default risk.

METRO principally does not provide collateral for financial liabilities. One exception concerns the first-time consolidation of METRO PROPERTIES GmbH & Co. KG as well as its subsidiaries in 2003. As of 30 September 2020, collateral securities in the amount of €10 million (30/9/2019: €11 million) was provided for financial liabilities.

The following tables show the maturity structure of the financial liabilities. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than one year.

BONDS INCL. COMMERCIAL PAPERS

		30/9/2019				**30/9/2020**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	512	512	531	–	**295**	**295**	**310**	**–**
	1 to 5 years	1,126	1,126	1,122	–	**1,726**	**1,726**	**1,722**	**–**
	over 5 years	650	650	648	–	**50**	**50**	**50**	**–**
		2,288	**2,288**	**2,301**	**2,375**	**2,071**	**2,071**	**2,082**	**2,117**

LIABILITIES TO BANKS

(excl. current account)

		30/9/2019				**30/9/2020**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	183	183	184	–	**2**	**2**	**2**	**–**
	1 to 5 years	12	12	12	–	**9**	**9**	**9**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		195	**195**	**196**	**197**	**11**	**11**	**11**	**11**
PKR	up to 1 year	0	0	0	–	**2,337**	**12**	**12**	**–**
	1 to 5 years	0	0	0	–	**547**	**3**	**3**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		0	**0**	**0**	**0**	**2,884**	**15**	**15**	**15**
INR	up to 1 year	0	0	0	–	**0**	**0**	**0**	**–**
	1 to 5 years	2,700	35	35	–	**2,700**	**31**	**31**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		2,700	**35**	**35**	**35**	**2,700**	**31**	**31**	**31**
JPY	up to 1 year	625	5	5	–	**1,600**	**13**	**13**	**–**
	1 to 5 years	1,600	14	14	–	**0**	**0**	**0**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		2,225	**19**	**19**	**19**	**1,600**	**13**	**13**	**13**
MMK	up to 1 year	8,300	5	5	–	**31,690**	**21**	**22**	**–**
	1 to 5 years	30,580	18	18	–	**30,580**	**20**	**20**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		38,880	**23**	**23**	**30**	**62,270**	**41**	**42**	**47**
UAH	up to 1 year	260	10	10	–	**0**	**0**	**0**	**–**
	1 to 5 years	0	0	0	–	**0**	**0**	**0**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		260	**10**	**10**	**10**	**0**	**0**	**0**	**0**

PROMISSORY NOTE LOANS

		30/9/2019				**30/9/2020**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	0	0	1	–	**0**	**0**	**1**	**–**
	1 to 5 years	54	54	54	–	**54**	**54**	**54**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		54	**54**	**55**	**61**	**54**	**54**	**55**	**58**

Redeemable loans that are reported under liabilities to banks are listed with the remaining terms corresponding to their redemption date.

The following tables show the interest rate structure of the financial liabilities:

BONDS INCL. COMMERCIAL PAPERS

Interest terms	Currency	Remaining term	30/9/2019 Nominal values € million	**30/9/2020 Nominal values € million**
Fixed interest	EUR	up to 1 year	125	**0**
		1 to 5 years	1,126	**1,726**
		over 5 years	650	**50**
Variable interest	EUR	up to 1 year	387	**295**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

LIABILITIES TO BANKS

(excl. current account)

Interest terms	Currency	Remaining term	30/9/2019 Nominal values € million	**30/9/2020 Nominal values € million**
Fixed interest	EUR	up to 1 year	183	**2**
		1 to 5 years	12	**9**
		over 5 years	0	**0**
	PKR	up to 1 year	0	**12**
		1 to 5 years	0	**3**
		over 5 years	0	**0**
	INR	up to 1 year	0	**0**
		1 to 5 years	35	**31**
		over 5 years	0	**0**
	MMK	up to 1 year	5	**21**
		1 to 5 years	18	**20**
		over 5 years	0	**0**
	UAH	up to 1 year	10	**0**
		1 to 5 years	0	**0**
		over 5 years	0	**0**
Variable interest	JPY	up to 1 year	5	**13**
		1 to 5 years	14	**0**
		over 5 years	0	**0**

PROMISSORY NOTE LOANS

Interest terms	Currency	Remaining term	30/9/2019 Nominal values € million	**30/9/2020** **Nominal values € million**
Fixed interest	EUR	up to 1 year	0	**0**
		1 to 5 years	54	**54**
		over 5 years	0	**0**
Variable interest	EUR	up to 1 year	0	**0**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

The fixed interest rate on short- and medium-term financial liabilities and the interest rate adjustment dates of all fixed-interest financial liabilities are essentially the same as those shown. The repricing dates for variable interest rates are less than one year.

- **The effects of interest rate changes in the variable share of financial liabilities on profit or loss for the period and the equity of METRO are described in detail in** no. 44 – management of financial risks ▸ page 242**.**

37. Other financial and other non-financial liabilities

Key items in the remaining miscellaneous other financial liabilities concern liabilities from the acquisition of non-current assets of €82 million (30/9/2019: €100 million), liabilities from put options of non-controlling shareholders in the amount of €35 million (30/9/2019: €50 million), liabilities to customers of €40 million (30/9/2019: €49 million) as well as liabilities from real estate totalling €5 million (30/9/2019: €2 million).

In addition, the remaining miscellaneous other financial liabilities also include numerous other individual items.

Other tax liabilities include sales tax, land tax, wage and church tax as well as other taxes.

Deferred income includes accrued rental, leasing and interest income.

Contract liabilities are periodic accruals for sales to customers and mainly comprise accruals for advance payments on orders and own customer loyalty programmes. Net sales realised in the reporting period from contract liabilities existing at the beginning of the period amounted to €29 million (30/9/2019: €27 million). Moreover, as part of the sale of the majority stake in METRO China, a licence payment of €153 million received in advance for using the METRO brand is recognised; the income realised from it over the period of use is reported in other operating income. As permitted by IFRS 15, no information is provided on remaining benefit obligations with an expected original term of 1 year or less as of 30 September 2020 or 30 September 2019.

Miscellaneous other non-financial liabilities also include advance payments of €120 million (30/9/2019: €0 million) received from former subsidiaries for service capacities that were created in the course of the disposal of the hypermarket business.

€ million	30/9/2019[1] Total	30/9/2019[1] Remaining term up to 1 year	30/9/2019[1] Remaining term over 1 year	**30/9/2020 Total**	**30/9/2020 Remaining term up to 1 year**	**30/9/2020 Remaining term over 1 year**
Payroll liabilities	472	472	0	**465**	**465**	**0**
Miscellaneous other financial liabilities	311	256	55	**276**	**259**	**17**
Other financial liabilities	**783**	**728**	**55**	**741**	**724**	**17**
Other tax liabilities	158	158	0	**269**	**269**	**0**
Deferred income	35	10	25	**32**	**8**	**24**
Contract liabilities	35	35	0	**193**	**99**	**94**
Miscellaneous other non-financial liabilities	25	24	1	**149**	**74**	**75**
Other non-financial liabilities	**253**	**228**	**25**	**644**	**451**	**193**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

38. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting arrangements and similar agreements were as follows:

	30/9/2019					
	(a)	(b)	(c) = (a) - (b)	(d)		(e) = (c) - (d)
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the balance sheet	Net amounts of financial assets/liabilities that are shown in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
€ million				Financial instruments	Collateral received/provided	Net amount
Financial assets						
Receivables due from suppliers	462	146	316	36	0	280
Derivative financial instruments	14	0	14	1	0	13
	477	**146**	**330**	**37**	**0**	**294**
Financial liabilities						
Trade liabilities	3,719	146	3,572	36	0	3,536
Derivative financial instruments	12	0	12	1	0	11
	3,730	**146**	**3,584**	**37**	**0**	**3,547**

€ million	30/9/2020 (a) Gross amounts of recognised financial assets/liabilities	(b) Gross amounts of recognised financial liabilities/assets that are netted in the balance sheet	(c) = (a) – (b) Net amounts of financial assets/liabilities that are shown in the balance sheet	(d) Corresponding amounts that are not netted in the balance sheet: Financial instruments	Collateral received/provided	(e) = (c) – (d) Net amount
Financial assets						
Receivables due from suppliers	330	87	243	17	0	226
Derivative financial instruments	9	0	9	2	0	6
	339	**87**	**252**	**20**	**0**	**232**
Financial liabilities						
Trade liabilities	3,286	87	3,199	17	0	3,182
Derivative financial instruments	19	0	19	2	0	17
	3,305	**87**	**3,218**	**20**	**0**	**3,199**

The amounts that are not netted in the balance sheet include both financial instruments and collateral. The financial instruments that have not been netted could be netted based on the underlying framework agreements, but do not fulfil the netting criteria of IAS 32 (Financial Instruments: Presentation).

– **For more information about collateral, see** no. 44 – management of financial risks ▸ page 242.

39. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of financial liabilities, trade liabilities and derivative liabilities are as follows:

€ million	Carrying amount 30/9/2019[1]	Contractual cash flows up to 1 year	1 to 5 years	over 5 years
Financial liabilities				
Bonds incl. commercial papers	2,301	545	1,215	665
Liabilities to banks	359	279	80	0
Promissory note loans	55	2	59	0
Liabilities from leases	3,215	524	1,862	2,212
Trade liabilities	3,572	3,572	0	0
Other financial liabilities	783	728	8	48
Interest-based derivatives carried as liabilities	0	0	0	0
Currency derivatives carried as liabilities	12	12	0	0
Commodity derivatives carried as liabilities	0	0	0	0

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases). The contractual cash flows include interest and redemption components.

€ million	**Carrying amount 30/9/2020**	**Contractual cash flows up to 1 year**	**1 to 5 years**	**over 5 years**
Financial liabilities				
Bonds incl. commercial papers	**2,082**	**324**	**1,797**	**54**
Liabilities to banks	**150**	**87**	**73**	**0**
Promissory note loans	**55**	**2**	**56**	**0**
Liabilities from leases	**3,027**	**533**	**1,781**	**1,798**
Trade liabilities	**3,199**	**3,199**	**0**	**0**
Other financial liabilities	**741**	**724**	**5**	**12**
Interest-based derivatives carried as liabilities	**0**	**0**	**0**	**0**
Currency derivatives carried as liabilities	**19**	**19**	**0**	**0**
Commodity derivatives carried as liabilities	**0**	**0**	**0**	**0**

40. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

€ million	30/9/2019[1] Carrying amount	Balance sheet value (Amortised) cost	Fair value through profit or loss	Fair value recognised in equity without reclassification	Fair value recognised in equity with reclassification	Fair Value
Assets	**17,830**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Financial instruments measured at amortised cost	**1,108**	**1,108**	**0**	**0**	**0**	**1,117**
Loans and advance credit granted	28	28	0	0	0	28
Receivables due from suppliers	316	316	0	0	0	316
Trade receivables	482	482	0	0	0	482
Miscellaneous financial instruments	281	281	0	0	0	290
Financial instruments measured at fair value through profit or loss	**78**	**0**	**78**	**0**	**0**	**78**
Investments	62	0	62	0	0	62
Derivative financial instruments not in a hedging relationship according to IAS 39	**9**	**0**	**9**	**0**	**0**	**9**
Securities	4	0	4	0	0	4
Loans and advance credit granted	**4**	**0**	**4**	**0**	**0**	**4**
Financial instruments measured at fair value through other comprehensive income	3	0	0	3	0	3
Investments	3	0	0	3	0	3
Derivative financial instruments in a hedging relationship according to IAS 39	**5**	**n/a**	**n/a**	**n/a**	**n/a**	**5**
Cash and cash equivalents	**500**	**500**	**0**	**0**	**0**	**500**
Receivables from leases (amount according to IFRS 16)	**159**	**n/a**	**n/a**	**n/a**	**n/a**	**176**
Assets not classified according to IFRS 7	**15,976**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**17,830**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Financial instruments measured at fair value through profit or loss	**11**	**0**	**11**	**0**	**0**	**11**
Derivative financial instruments not in a hedging relationship according to IAS 39	11	0	11	0	0	11
Liabilities measured at amortised cost	**7,059**	**7,059**	**0**	**0**	**0**	**7,152**
Borrowings excl. liabilities from leases (incl. hedged items in hedging relationships according to IAS 39)	2,715	2,715	0	0	0	2,804
Trade liabilities	3,572	3,572	0	0	0	3,572
Miscellaneous financial liabilities	771	771	0	0	0	776
Derivative financial instruments in a hedging relationship according to IAS 39	**1**	**n/a**	**n/a**	**n/a**	**n/a**	**1**
Liabilities from leases (amount according to IFRS 16)	**3,215**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities not classified according to IFRS 7	**7,545**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

€ million	30/9/2020					
		Balance sheet value				
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value recognised in equity without reclass-ification	Fair value recognised in equity with reclass-ification	Fair Value
Assets	13,192	n/a	n/a	n/a	n/a	n/a
Financial instruments measured at amortised cost	939	939	0	0	0	939
Loans and advance credit granted	24	24	0	0	0	25
Receivables due from suppliers	243	243	0	0	0	243
Trade receivables	429	429	0	0	0	429
Miscellaneous financial instruments	242	242	0	0	0	242
Financial instruments measured at fair value through profit or loss	82	0	82	0	0	82
Investments	67	0	67	0	0	67
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	0	7
Securities	3	0	3	0	0	3
Loans and advance credit granted	4	0	4	0	0	4
Miscellaneous financial instruments	2	0	2	0	0	2
Financial instruments measured at fair value through other comprehensive income	4	0	0	4	0	4
Investments	4	0	0	4	0	4
Securities	0	0	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	2	n/a	n/a	n/a	n/a	2
Cash and cash equivalents	1,525	1,525	0	0	0	1,525
Receivables from leases (amount according to IFRS 16)	213	n/a	n/a	n/a	n/a	227
Assets not classified according to IFRS 7	10,428	n/a	n/a	n/a	n/a	n/a
Equity and liabilities	13,192	n/a	n/a	n/a	n/a	n/a
Financial instruments measured at fair value through profit or loss	16	0	16	0	0	16
Derivative financial instruments not in a hedging relationship according to IAS 39	16	0	16	0	0	16
Financial instruments measured at amortised cost	6,208	6,208	0	0	0	6,253
Borrowings excl. liabilities from leases (incl. hedged items in hedging relationships according to IAS 39)	2,287	2,287	0	0	0	2,331
Trade liabilities	3,199	3,199	0	0	0	3,199
Miscellaneous financial liabilities	722	722	0	0	0	722
Derivative financial instruments in a hedging relationship according to IAS 39	3	n/a	n/a	n/a	n/a	3
Liabilities from leases (amount according to IFRS 16)	3,027	n/a	n/a	n/a	n/a	n/a
Equity and liabilities not classified according to IFRS 7	3,937	n/a	n/a	n/a	n/a	n/a

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IFRS 9. Derivative financial instruments in a hedging relationship according to IAS 39 and other financial liabilities are classified in each case to a separate class.

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. In cases in which the measurement is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Level 1 input parameters: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Level 2 input parameters: other input parameters than the quoted prices included in level 1 which are either directly or indirectly observable for the asset or liability.

Level 3 input parameters: input parameters that are not observable for the asset or liability.

Of the total carrying amount of investments of €70 million (30/9/2019: €66 million), €67 million (30/9/2019: €62 million) is recognised through profit or loss. This concerns off-exchange financial instruments for which there is also no active market. The remaining investments amounting to €4 million (30/9/2019: €3 million) are recognised at fair value in equity. The classification (FVOCInR) was chosen because investments were made in these equity instruments with a longer-term investment horizon.

In addition, securities totalling €3 million (30/9/2019: €4 million) are recognised through profit or loss. These primarily concern highly liquid exchange-listed money market funds.

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a 3-level fair value hierarchy whose levels reflect the degree of closeness to the market of the data used in the determination of the fair values:

	30/9/2019				**30/9/2020**			
€ million	Total	Level 1	Level 2	Level 3	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets								
Financial assets measured at fair value through profit or loss								
Investments	62	0	62	0	**67**	**0**	**67**	**0**
Loans and advance credit granted	4	0	4	0	**4**	**0**	**4**	**0**
Securities	4	0	4	0	**3**	**0**	**3**	**0**
Miscellaneous financial instruments	0	0	0	0	**2**	**0**	**0**	**2**
Derivative financial instruments not in a hedging relationship according to IFRS 9	9	0	9	0	**7**	**0**	**7**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	5	0	5	0	**2**	**0**	**2**	**0**
Financial assets measured at fair value through other comprehensive income								
Investments	**3**	**0**	**3**	0	**4**	**0**	**4**	**0**
Equity and liabilities	12	0	12	0	**19**	**0**	**19**	**0**
Financial liabilities measured at fair value through profit or loss								
Derivative financial instruments not in a hedging relationship according to IFRS 9	11	0	11	0	**16**	**0**	**16**	**0**
Miscellaneous financial liabilities	0	0	0	0	**0**	**0**	**0**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	1	0	1	0	**3**	**0**	**3**	**0**
	75	**0**	**75**	**0**	**69**	**0**	**67**	**2**

The measurement of securities (level 1) is carried out based on quoted market prices in active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

The measurement of investments (all stage 2) is based on comparable transactions in the past.

No transfers between levels 1 and 2 were effected during the reporting period.

Financial instruments that are recognised at amortised cost in the balance sheet, but for which the fair value is stated in the notes, are also classified according to a 3-level fair value hierarchy.

Due to their mostly short terms, the fair values of receivables due from suppliers, trade receivables and liabilities as well as cash and cash equivalents essentially correspond to their carrying amounts.

The measurement of the fair value of bonds, liabilities to banks and promissory note loans is based on the market interest rate curve following the discounted cash flow method in consideration of credit spreads (level 2). The amounts comprise the interest prorated to the closing date.

The fair values of all other financial assets and liabilities (level 2) that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date. The remaining financial instrument (level 3) in the amount of €2 million was calculated using the Black–Scholes option pricing model.

OTHER NOTES

41. Notes to the cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the consolidated cash flow statement describes changes in the group's cash and cash equivalents through cash inflows and outflows during the reporting period.

The item cash and cash equivalents includes cheques and cash on hand as well as cash in transit and bank deposits with a remaining term of up to 3 months.

The cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Cash flows from discontinued operations are reported separately where they concern discontinued operations.

Cash flows from discontinued operations concern the hypermarket business as well as METRO China.

The following explanations relate to continuing operations.

Due to the Covid-19 pandemic, operating activities generated significantly lower cash flows of €646 million in the reporting year (2018/19: €1.209 million). Depreciation/amortisation/impairment losses are attributable to property, plant and equipment at €358 million (2018/19: €362 million), to usufructuary rights at €315 million (2018/19: €288 million), to other intangible assets at €132 million (2018/19: €113 million), to goodwill at €27 million (2018/19: €3 million) and to investment properties at €25 million (2018/19: €15 million). This is contrasted by reversals of impairment losses in the amount of €1 million (2018/19: €8 million).

The change in net working capital amounts to €−172 million (2018/19: €+27 million) and includes changes in inventories, trade receivables and receivables due from suppliers, included in the item 'other financial assets'. Furthermore, it includes changes in trade liabilities. The decrease in cash flows from changes in the net working capital is primarily due to the decrease in trade payables, which is mainly related to a decrease in purchasing volume due to Covid-19.

Other operating activities resulted in a total cash outflow of €140 million (2018/19: cash inflow of €53 million). This item includes other taxes, payroll liabilities, changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes changes in the assets and liabilities held for sale, adjustments of unrealised currency effects and the reclassification of deconsolidation results recognised in EBIT.

In the reporting period, investing activities led to cash outflow in the amount of €265 million (2018/19: cash inflow of €46 million). The decline is mainly due to higher cash inflows from divestments in the previous year, which mainly related to the sale of real estate.

The amount of investments in property, plant and equipment shown as cash outflows differs from the additions shown in the asset reconciliation in the amount of non-cash transactions. These essentially concern additions from usufructuary rights, currency effects and changes in liabilities from the acquisition of miscellaneous other assets.

The financial investments comprise bank deposits with a residual term of more than 3 months to 1 year, as well as near money market investments that are not classified as cash and cash equivalents, such as units in money market funds. The balance of capital expenditure in financial investments and the disposal of financial investments amounts to €−8 million (2018/19: €−2 million).

In the reporting period, cash flow from financing activities totalled €1,280 million (2018/19: cash outflow of €1.535 million).

The lease payments reported under cash flow from financing activities include the redemption portion of €370 million (2018/19: €352 million) and the interest portion of €177 million (2018/19: €188 million). The interest income received from leases (lessor) are disclosed in cash flow from operating activities. They amount to €15 million (2018/19: €16 million).

Cash and cash equivalents were subject to restrictions on title in the amount of €0 million (2018/19: €0 million).

RECONCILIATION OF THE CASH FLOW FROM FINANCIAL LIABILITIES TO THE CHANGE IN FINANCIAL LIABILITIES REPORTED IN THE BALANCE SHEET

€ million	30/9/ 2018	Cash item	Additions to finance leases	Interest expenses	Disposals from finance leases	Reclass-ification in accordance with IFRS 5	Exchange rate movements	30/9/ 2019
Bonds incl. commercial papers	2,920	−619	0	0	0	0	0	2,301
Liabilities to banks	383	−30	0	0	0	0	5	359
Promissory note loans	55	0	0	0	0	0	0	55
Liabilities from finance leases[1]	3,439	−573	432	205	−44	−276	33	3,215
	6,797	**−1,222**	**432**	**205**	**−44**	**−276**	**38**	**5,930**

[1] According to IFRS 5, METRO China is still included in the development.

RECONCILIATION OF THE CASH FLOW FROM FINANCIAL LIABILITIES TO THE CHANGE IN FINANCIAL LIABILITIES REPORTED IN THE BALANCE SHEET

€ million	30/9/ 2019	Cash item	Additions to finance leases	Interest expenses	Disposals from finance leases	Reclass-ification in accordance with IFRS 5	Exchange rate movements	**30/9/ 2020**
Bonds incl. commercial papers	2,301	−219	0	0	0	0	0	**2,082**
Liabilities to banks	359	−201	0	0	0	0	−7	**150**
Promissory note loans	55	0	0	0	0	0	0	**55**
Liabilities from finance leases	3,215	−547	298	177	−80	6	−41	**3,027**
	5,930	**−968**	**298**	**177**	**−80**	**6**	**−48**	**5,314**

42. Segment reporting

Segmentation follows the group's internal reporting as it is used as a basis for resource allocation and performance measurement by the Chief Operating Decision-Maker (member of the Management Board of METRO AG).

METRO is active in the self-service wholesale trade with the brands METRO and MAKRO as well as in the delivery business (FSD) with the METRO delivery service and, among others, with the supply specialists Classic Fine Foods, Pro à Pro and Rungis Express. Operating segments are aggregated to form reporting segments based on the division of the business into individual regions. The individual regions are Germany, Western Europe (excluding Germany), Russia, Eastern Europe (excluding Russia) and Asia.

The Others segment includes in particular Hospitality Digital, the business unit that bundles the group's digitalisation initiatives. It also includes the service companies METRO PROPERTIES, METRO LOGISTICS, METRO-NOM, METRO ADVERTISING and METRO SOURCING and others, which provide group-wide services in the areas of real estate, logistics, information technology, advertising and procurement. METRO MARKETS is further expanding its digital portfolio for independent restaurateurs with a new B2B online marketplace. Through this distribution channel, METRO offers non-food articles from its own product range as well as products from third parties. The sales and pro rata costs generated by METRO MARKETS are included in the operating units, while the development activities of METRO MARKETS beyond it are included in the Others segment.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
- Internal sales represent sales between the group's operating segments. These transactions are settled at normal market conditions.
- Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
- The adjusted EBITDA includes EBITDA excluding transformation costs and earnings contributions from real estate transactions.
- The term 'transformation costs' refers to non-recurring expenses related to efficiency measures, which mainly relate to personnel measures in the headquarters.
- 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.
- 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. In principle, impairment risks related to non-current assets are only shown in the segments where they represent group risks. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
- Segment investments include additions (including additions to the consolidation groups) to goodwill, other intangible assets and property, plant and equipment and investment properties. Exceptions to this are additions due to the reclassification of assets held for sale as non-current assets.

- Non-current segment assets include non-current assets. They mainly exclude financial assets, investments accounted for using the equity method, tax items, inventories, trade receivables, receivables from suppliers and cash and cash equivalents.
- In principle, transfers between segments are made based on the costs incurred from the group's perspective.

The reconciliation from non-current segment assets to non-current group assets is shown in the following table:

€ million	30/9/2019[1]	**30/9/2020**
Non-current segment assets	**8,277**	**7,504**
Financial assets	97	**98**
Investments accounted for using the equity method	179	**421**
Deferred tax assets	284	**252**
Other	1	**2**
Non-current group assets	**8,838**	**8,277**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

43. 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 the real estate portfolio used in the hypermarket business and owned by METRO. The decision was made with the intention to focus exclusively on wholesale business 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 was concluded between METRO and SCP Group S.à r.l. for the disposal of the hypermarket business and related properties. This transaction resulted in a total net cash inflow after taxes in the amount of €0.3 billion. Tax payments on the sale will result in a cash outflow after the tax return has been assessed.

In June 2020, the disposal of the hypermarket business and significant parts of the real estate portfolio was completed. With the exception of a real estate company, the real estate properties remaining in IFRS 5 as of 30 June 2020 were sold in September 2020 when the transaction was completed. The transfer of the remaining property is expected in the first half of 2020/21. Until the transaction is completed, the real estate company will be reported as assets and liabilities held for sale (disposal group). As of 30 September 2020, €22 million is reported as assets held for sale and €7 million as liabilities related to assets held for sale in connection with the property.

Profit or loss for the period after taxes

The current result of the hypermarket business, together with all related consolidation entries recognised in the income statement, 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 continuing 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.

Until the deconsolidation date, the disposal group 'hypermarket business' was measured at fair value based on an analysis of the purchase contract and the agreed purchase price mechanism.

- **A detailed description of the fair value is included in** no. 40 – carrying amounts and fair values according to measurement categories ▶ page 227.

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €−414 million (2018/19: €−216 million). Non-controlling interests account for €0 million of earnings (2018/19: €1 million).

In connection with the divestment process, expenses in the low 2-digit million euro range have been incurred.

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

€ million	2018/19[1]	**2019/20[2]**
Sales	6,700	**5,246**
Expenses	−6,644	**−5,033**
Current earnings from discontinued operations before taxes	**56**	**214**
Income taxes on gains/losses on the current result	−63	**−1**
Current earnings from discontinued operations after taxes	**−7**	**213**
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	**−209**	**−598**
Income taxes on measurement/disposal result	0	**−29**
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	**−209**	**−627**
Profit or loss for the period from discontinued operations after taxes	**−216**	**−414**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Until 24 June 2020 and 10 September 2020 respectively.

Effects of other comprehensive income

Of the other comprehensive income for financial year 2019/20 attributable to the shareholders of METRO AG, €4 million (2018/19: €−8 million) is attributable to the discontinued operations of the hypermarket business. This includes components that can be recognised as income in the future in the amount of €0 million (2018/19: €0 million) and components that cannot be recognised as income in the future in the amount of €4 million (2018/19: €−8 million).

Assets/liabilities held for sale

As a result of the classification as discontinued operations and after consolidation measures up to the date of deconsolidation were carried out, €2,955 million was recognised in the consolidated balance sheet into the item assets held for sale and €2,608 million into the 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 continuing and the discontinued segment.

The assets and liabilities of the hypermarket business held for sale and disposed of as part of the deconsolidation are comprised as follows:

ASSETS AT THE TIME OF DECONSOLIDATION

€ million	
Non-current assets	**1,576**
Other intangible assets	**43**
Property, plant and equipment	**1,468**
Investment properties	**13**
Financial assets	**37**
Investments accounted for using the equity method	**0**
Other financial assets	**4**
Other non-financial assets	**6**
Deferred tax assets	**5**
Current assets	**1,379**
Inventories	**688**
Trade receivables	**29**
Financial assets	**0**
Other financial assets	**358**
Other non-financial assets	**165**
Entitlements to income tax refunds	**0**
Cash and cash equivalents	**138**

LIABILITIES AT THE TIME OF DECONSOLIDATION

€ million	
Non-current liabilities	**1,357**
Provisions for post-employment benefits plans and similar obligations	**9**
Other provisions	**46**
Financial liabilities	**1,287**
Other financial liabilities	**1**
Other non-financial liabilities	**14**
Deferred tax liabilities	**0**
Current liabilities	**1,251**
Trade liabilities	**751**
Provisions	**100**
Financial liabilities	**184**
Other financial liabilities	**119**
Other non-financial liabilities	**95**
Income tax liabilities	**2**

Effects of other comprehensive income
In financial year 2019/20, METRO AG declared an assumption of debt for former (inactive) employees of Real. The effects in connection with the assumed pension obligations in other comprehensive income of €−10 million from the measurement of pension plans and €3 million of the related income tax effects were transferred to METRO AG. As part of the deconsolidation of the hypermarket business, the remaining effects of €−6 million from the measurement of pension plans, the related income tax effects and the fair value measurement of investments without reclassification, which were included in other comprehensive income, were reclassified to other reserves retained from earnings.

Cash flow
The cash flows of the hypermarket business are as follows:

€ million	2018/19[1]	**2019/20[2]**
Cash flow from operating activities of discontinued operations	187	**342**
Cash flow from investing activities of discontinued operations	−135	**162**
Cash flow from financing activities of discontinued operations	−312	**−268**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Until 24 June 2020 and 10 September 2020 respectively.

Other disclosures
Prior to deconsolidation, the discontinued hypermarket business employed an average of 34,347 people (2018/19: 35,073).

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 the operations of METRO China and related real estate. This partnership includes the sale of METRO AG's entire indirect majority

shareholding in METRO China to a subsidiary of Wumei Technology Group for an enterprise value (100%) of approximately €1.9 billion. The transaction was closed on 23 April 2020, after receipt of the usual competitive and regulatory approvals, and resulted in a net cash inflow of €1.6 billion, which included the advance payment for the use of the METRO trademark. METRO will retain a stake of about 20% in the activities of METRO China.

Profit or loss for the period 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 continuing 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.

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €1,020 million (2018/19: €118 million). Non-controlling interests account for €6 million of earnings (2018/19: €5 million).

In connection with the divestment process, expenses in the low 2-digit million euro range have been incurred to date.

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

€ million	2018/19[1]	**2019/20[2]**
Sales	2,902	**1,764**
Expenses	−2,737	**−1,655**
Current earnings from discontinued operations before taxes	**165**	**109**
Income taxes on gains/losses on the current result	−43	**−26**
Current earnings from discontinued operations after taxes	**122**	**83**
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	**1,125**
Income taxes on measurement/disposal result	0	**−182**
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	**0**	**943**
Profit or loss for the period from discontinued operations after taxes	**122**	**1,026**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

[2] Until 22 April 2020

Effects of other comprehensive income

Of the other comprehensive income for financial year 2019/20 attributable to the shareholders of METRO AG, €9 million (2018/19: €14 million) is attributable to the discontinued operations of METRO China. This includes components that can be recognised in income in the future in the amount of €9 million (2018/19: €14 million) and components that cannot be recognised in income in the future in the amount of €0 million (2018/19: €0 million).

Assets/liabilities held for sale

As a result of the classification as discontinued operations and after consolidation measures up to the date of deconsolidation were carried out, €1,775 million was reclassified in the consolidated balance sheet into the item assets held for sale and €1,024 million into the 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 continuing and the discontinued segment.

The assets and liabilities of METRO China held for sale and disposed of as part of the deconsolidation are comprised as follows:

ASSETS AT THE TIME OF DECONSOLIDATION

€ million	
Non-current assets	**865**
Goodwill	19
Other intangible assets	5
Property, plant and equipment	783
Deferred tax assets	57
Current assets	**911**
Inventories	205
Trade receivables	75
Other financial assets	74
Other non-financial assets	93
Entitlements to income tax refunds	0
Cash and cash equivalents	464

LIABILITIES AT THE TIME OF DECONSOLIDATION

€ million	
Non-current liabilities	**276**
Financial liabilities	269
Deferred tax liabilities	7
Current liabilities	**748**
Trade liabilities	530
Provisions	43
Financial liabilities	10
Other financial liabilities	34
Other non-financial liabilities	130
Income tax liabilities	2

Effects of other comprehensive income

The components included in the equity of METRO China up to the deconsolidation date, which are part of the other comprehensive income attributable to the shareholders of METRO AG from currency translation differences, had an effect of €23 million on net income from disposals due to their derecognition through profit or loss.

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

€ million	2018/19[1]	**2019/20[2]**
Cash flow from operating activities of discontinued operations	212	**74**
Cash flow from investing activities of discontinued operations	0	**1,109**
Cash flow from financing activities of discontinued operations	−39	**−9**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Until 22 April 2020

Other disclosures
Prior to deconsolidation, the discontinued operation of METRO China employed an average of 11,863 people (2018/19: 11,836).

44. Management of financial risks

METRO Treasury manages the financial risks of the group. Specifically, they concern

- Price risks
- Liquidity risks
- Credit risks
- Cash flow risks

– **For more information about the risk management system, see chapter – 3 economic report – 3.2. asset, financial and earnings position – financial and asset position – financial management ▸ page 67 in the combined management report.**

Price risks
For METRO, price risks result from the impact of changes in market interest rates and foreign currency exchange rates on the value of financial instruments.

Interest rate risks can arise for METRO from changes in interest rate levels. If necessary, interest rate derivatives are used to cap these risks.

The remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

- The total impact determined by the sensitivity analysis relates to the actual balance as of the closing date and reflects the impact for 1 year.
- Primary floating-rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in the interest result in the sensitivity analysis. The sensitivity is determined for a change of 10 basis points.

- Primary fixed-interest financial instruments are generally not recognised in the interest result. They are only recognised in other financial result if they are designated as the underlying transaction within a fair value hedge and measured at fair value. In this case, however, the interest-related change in the value of the underlying transaction is offset by the change in the value of the hedging transaction upon full effectiveness of the hedging transaction. The variable interest flows within the group that result from a fair value hedge are recognised in the interest result.
- Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in the interest result when the payment flows have actually been initiated. However, the measurement of the hedging transaction at fair value is recognised in reserves retained from earnings outside of profit or loss.
- Interest rate derivatives that are not part of a qualified hedging relationship under IAS 39 are recognised at fair value in profit or loss in other financial result and, through resulting interest flows, in the interest result.

As of the closing date, METRO's remaining interest rate risk is primarily the result of variable interest rate receivables and liabilities to banks as well as other short-term liquid financial assets (reported under cash and cash equivalents) with an aggregate debit balance after consideration of hedging transactions of €1,160 million (30/9/2019: €−1 million).

Given this total balance, an interest rate rise of 10 basis points would result in a €1 million (2018/19: €0 million) higher interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €−1 million (2018/19: €0 million).

METRO faces currency risks in its international procurement of merchandise and because of costs, financings and lease agreements that are incurred in a currency other than the relevant local currency or are pegged to the development of another currency. In accordance with the specifications of the group guideline 'Foreign Currency Transactions', resulting foreign currency positions must be hedged. Exceptions from this hedging requirement exist where hedging is not economically reasonable and in the case of legal and regulatory restrictions in the respective countries. Forward currency contracts are mainly used for hedging purposes. Moreover, currency risks for METRO result from the recognition of foreign currency lease liabilities and foreign currency lease receivables, which affect the amount of the other financial result due to the exchange rate at closing date.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a depreciation or appreciation of the euro vis-à-vis foreign currencies:

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO and states the effect of a depreciation of the euro.

A depreciation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability in euros exists at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A depreciation of the euro will result in a negative effect if a receivable in euros exists at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown above.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the exchange rate at closing date in line with IAS 21 are recognised in the income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity (other comprehensive income) outside of profit or loss.

Forward currency contracts/options and interest rate and currency swaps that are not part of a qualified hedging relationship under IAS 39 are recognised through the fair value measurement in the income statement. In fully effective hedging transactions, this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

In the consolidated financial statements, foreign currency future transactions are designated as hedging transactions within a cash flow hedge to hedge merchandise procurement and sales. Changes in the fair value of these hedging instruments are recognised in other comprehensive income until the underlying transaction is recognised through profit or loss.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of METRO do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO, which is essentially due to an inability to hedge certain currencies for legal reasons or due to insufficient market depth, was as follows:

€ million	Currency pair	Impact of depreciation of the euro by 10 % Volume[1]	30/9/2019[1]	**Volume**	**30/9/2020**
Profit or loss for the period			+/−		**+/−**
	CHF/EUR	+10	−1	**+12**	**−1**
	CNY/EUR	+17	−2	**+28**	**−3**
	CZK/EUR	+59	−6	**+87**	**−9**
	EGP/EUR	+31	−3	**+32**	**−3**
	GBP/EUR	−8	1	**+0**	**0**
	HKD/EUR	−17	2	**−8**	**1**
	HUF/EUR	+42	−4	**−5**	**1**
	JPY/EUR	−7	1	**−5**	**0**
	KZT/EUR	+12	−1	**+14**	**−1**
	PLN/EUR	+192	−19	**+94**	**−9**
	PKR/EUR	+11	−1	**+9**	**−1**
	RON/EUR	−15	2	**+15**	**−1**
	RSD/EUR	+10	−1	**+8**	**−1**
	RUB/EUR	+66	−7	**−36**	**4**
	TRY/EUR	+116	−12	**+80**	**−8**
	UAH/EUR	+43	−4	**+57**	**−6**
	USD/EUR	+5	−1	**0**	**0**
Equity			+/−		**+/−**
	CNY/EUR	+103	−10	**+100**	**−10**
	KZT/EUR	+126	−13	**+130**	**−13**
	PLN/EUR	+70	−7	**+67**	**−7**
	RSD/EUR	+16	−2	**+16**	**−2**
	RUB/EUR	0	0	**0**	**0**
	UAH/EUR	+200	−20	**+200**	**−20**
	USD/EUR	+90	−9	**+74**	**−7**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

Currency risks existing in addition to these are mainly the result of USD currency holdings in various subsidiaries in which the functional currency is not the US dollar or the euro. At a nominal US dollar volume of €19 million (30/9/2019: €21 million), a depreciation of the US dollar by 10% would result in positive effects of €2 million in profit or loss for the period (30/9/2019: €2 million), while an appreciation would lead to negative effects of €2 million (30/9/2019: €2 million).

At a nominal volume of €6 million (30/9/2019: €8 million), the currency pair USD/THB accounts for the main share of this effect, while in the previous year the currency pair USD/AED accounted for the largest share of this effect.

Interest rate and currency risks are substantially reduced and limited by the internal treasury guidelines. The group wide regulations specify that all hedging operations must adhere to predefined limits and must not lead to increased risk exposure under any circumstances. METRO is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out only with standard derivative financial instruments whose correct mathematical measurement and accounting mapping are guaranteed.

As of the closing date, the following derivative financial instruments were being used for risk reduction:

	30/9/2019			**30/9/2020**		
		Fair values			**Fair values**	
€ million	Nominal volume[1]	Financial assets	Financial liabilities	**Nominal volume[1]**	**Financial assets**	**Financial liabilities**
Currency transactions						
Forward currency contracts	605	14	12	**678**	**9**	**19**
thereof within fair value hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
thereof within cash flow hedges	(193)	(5)	(1)	**(173)**	**(2)**	**(3)**
thereof not part of hedges	(412)	(9)	(11)	**(505)**	**(7)**	**(16)**
Interest rate/currency swaps	0	0	0	**0**	**0**	**0**
	605	**14**	**12**	**678**	**9**	**19**

[1] Nominal volumes with a positive prefix indicate a purchase of forward currency contracts.
Nominal volumes with a negative prefix indicate a disposal of forward currency contracts.

The nominal volume of forward currency contracts /options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. The nominal volume of interest rate swaps or interest rate/currency swaps and interest rate hedging agreements is shown on a gross basis.

All fair values represent the theoretical value of these instruments upon dissolution of the transaction as of the closing date. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

In order to appropriately show this reconciliation for the period, relationships are created between hedging transactions and underlying transactions and recognised as follows:

- Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised at their fair value. The fluctuations in the fair value of both transactions are shown in the income statement, where they will be fully set off against each other in the case of full effectiveness.
- Within a cash flow hedge, the hedging transactions are also principally recognised at their fair value. In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact the earnings. Only then will they be recognised in the income statement.
- Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the income statement. Even if no formal hedging relationship was created, these are hedging transactions that are closely connected to the underlying transaction and whose impact on earnings will be netted by the underlying transaction.

Only derivatives in the form of forward exchange transactions are used as hedging instruments in hedge accounting (cash flow hedging) to hedge off-balance sheet currency risks. Generally, one underlying transaction is hedged in each case by means of a forward currency contract. The effectiveness of these hedges is assessed on the basis of the hypothetical derivative method. The ineffectiveness determined using this method results from the difference between the changes in value of the hedged item and the changes in value of the hedging transaction.

Currency derivatives are used primarily for Chinese renminbi, Hong Kong dollar, Japanese yen, Polish zloty, Romanian leu, Russian rouble, Swiss franc, Czech koruna, Hungarian forint and US dollar. The average hedging rates for METRO for the 2 particularly important currency pairs resulting from such hedges are as follows:

1.14 USD/EUR and 8.13 CNY/EUR. The maturity of derivatives used for hedging purposes in the amount of €−1 million (30/9/2019: €5 million) is less than one year.

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted incoming payments. METRO AG acts as financial coordinator for the group companies to ensure that they are provided with the necessary financing to fund their operating and investing activities as cost-effectively and sufficiently high as possible. The necessary information is provided by means of a group financial plan, which is updated monthly and checked monthly for deviations. This financial plan is complemented by a weekly rolling 14-day liquidity plan.

Financing instruments include money and capital market products (time deposits, call money, promissory note loans, commercial papers and listed bonds sold as part of ongoing capital market programmes) as well as bilateral and syndicated loans. METRO has a sufficient liquidity reserve so that liquidity risks are not likely, even if an unexpected event has a negative financial impact on the company’s liquidity situation. The unused bilateral syndicated loans held as a liquidity reserve are subject to certain loan conditions. In the event that, contrary to expectations, the agreed credit terms cannot be met in the future due to Covid-19 and no temporary adjustment of the credit terms can be negotiated with the bank consortium, METRO has sufficient refinancing alternatives available with a similar liquidity effect. For more information about the instruments used for financing purposes, see the explanatory notes to the respective balance sheet items.

- **For more information, see** no. 29 – cash and cash equivalents ▶ page 205 **as well as** no. 36 – financial liabilities ▶ page 220.

Through intra-group cash pooling, financial resources can be allocated as needed by group companies with financing needs using the liquidity surpluses of other group companies. This reduces the group's amount of debt and thus its interest expenses. In addition, METRO AG draws on the financial expertise pooled in the treasury of METRO AG to advise the group companies in all relevant financial matters. This ranges from the elaboration of investment financing concepts to supporting the responsible financial officers of the individual group companies in their discussions with local banks and financial service providers. This ensures, on the one hand, that the financial resources of METRO are optimally employed, and, on the other, that all group companies benefit from the strength and credit standing of METRO in negotiating their financing terms.

Credit risks

Credit risks arise from the total or partial default by a counterparty, for example, through bankruptcy or in connection with financial investments and derivative financial instruments with positive market values. METRO'S maximum credit risk as of the closing date is reflected by the carrying amount of financial assets totalling €2,764 million (30/9/2019: €1,854 million).

- **For more information about the amount of the respective carrying amounts, see** no. 40 – carrying amounts and fair values according to measurement categories ▶ page 227.

Cash on hand considered in cash and cash equivalents totalling €14 million (30/9/2019: €16 million) is not exposed to any credit risk.

In the course of the risk management of financial investments totalling €1,482 million (30/9/2019: €453 million) and derivative financial instruments with positive market values totalling €9 million (30/9/2019: €14 million), minimum creditworthiness requirements and individual maximum exposure limits for the engagement have been defined for all business partners of METRO. Cheques and money in circulation are not considered in the determination of credit risks. This is based on a system of limits laid down in the treasury guidelines, which are based mainly on the ratings of international rating agencies, developments of credit default swaps or internal credit assessments. An individual limit is allocated to every counterparty of METRO; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of business partners by rating class:

Rating classes			Volume in %						
			Financial investments						
Grade	Standard & Poor's	Moody's	Germany	Western Europe (excl. Germany)	Russia	Eastern Europe (excl. Russia)	Asia and others	Derivatives with positive market values	**Total**
Investment-grade	AAA	Aaa	0.0	0.0	0.0	0.0	0.0	0.0	
	AA+ to AA-	Aa1 to Aa3	0.8	0.0	0.0	0.0	0.0	0.0	
	A+ to A-	A1 to A3	57.4	1.1	0.8	4.5	6.5	0.3	
	BBB+ to BBB-	Baa1 to Baa3	21.2	0.9	0.0	2.8	1.1	0.1	**97.5**
Non-Investment-grade	BB+ to BB-	Ba1 to Ba3	0.0	0.0	0.0	0.0	0.0	0.0	
	B+ to B-	B1 to B3	0.0	0.1	0.0	0.0	0.0	0.0	
	CCC+ to C	Caa1 to Ca	0.1	0.0	0.0	1.7	0.0	0.0	**1.9**
No rating			0.0	0.0	0.0	0.6	0.0	0.0	**0.6**
			79.5	**2.1**	**0.8**	**9.6**	**7.6**	**0.4**	**100.0**

The table shows that, as of the closing date, about 97.5% of the capital investment volume, including the positive market value of derivatives, had been placed with investment grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions that have been subjected to a creditworthiness analysis. METRO also operates in countries where local financial institutions do not have investment grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is unavoidable. These institutions account for about 1.9% of the total volume.

Overall, METRO's level of exposure to credit risks is very low.

Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and liability items to fluctuate. Stress tests are used to determine the potential impact interest rate changes may have on cash flow and how they can be capped through hedging transactions in accordance with the group's internal treasury guidelines.

45. Contingent liabilities

€ million	30/9/2019	30/9/2020
Contingent liabilities from guarantee and warranty contracts	17	**39**
Contingent liabilities from the provision of collateral for third-party liabilities	12	**10**
Other contingent liabilities	1	**0**
	30	**49**

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. The present values of contingent liabilities are essentially the same as the nominal amounts. Some of the contingent liabilities are subject to rights of recourse against third parties up to the nominal amount.

46. Other financial commitments

As of 30 September 2020, the nominal value of other financial commitments amounted to €241 million (30/9/2019: €232 million) and primarily concerned purchasing commitments from service agreements.

- **For more information about contractual commitments for the acquisition of other intangible assets and property, plant and equipment as well as investment properties, see** no. 20 – other intangible assets page 188, no. 21 – property, plant and equipment page 189 **and** no. 22 – investment properties page 192 **as well as** no. 47 – leases page 250.

47. Leases

METRO as lessee

Real estate leases
METRO mainly rents land and buildings for its wholesale stores, distribution centres, offices and warehouses. The leases are individually negotiated and contain a variety of different terms and conditions.

The lease agreements for the properties are generally concluded for fixed periods of 5 to 15 years and in some cases include extension options, as described in the section on extension and termination options.

Vehicle leasing
In addition, commercial vehicles such as trucks, forklift trucks and industrial trucks with terms of 4 to 6 years as well as passenger cars with a lease term of 3 to 4 years are also leased.

Other leases
Other leases, which account for an insignificant portion of the leases, include the rental of technical equipment and machinery, IT infrastructure as well as business and office equipment.

With the first-time application of IFRS 16, the previous classification of leases under IAS 17 as operating or finance leases no longer applies to lessees. Nearly all leases (with the exception of short-term leases and leases based on low-value assets) are disclosed in the balance sheet as rights of use with a corresponding lease liability.

— **Additional information about the first-time application of the new accounting standard and on exercising options can be found in the section '**Application of new accounting methods page 151**'.**

The following table shows the rights of use in connection with leases reported in the balance sheet.

€ million	1/10/2018[1]	30/9/2019[1]	**30/9/2020**
Land and buildings	2,524	2,248	**1,947**
Vehicles	88	95	**103**
Other rights of use	20	32	**34**
	2,633	**2,374**	**2,084**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

— **A detailed presentation of the rights of use can be found in** no. 21. – property, plant and equipment page 189 **– development of rights of use of leased property, plant and equipment.**

The maturities of lease liabilities are shown in the following table.

€ million	1/10/2018[1]	30/9/2019[1]	**30/9/2020**
Short-term	397	353	**376**
Long-term	3,042	2,862	**2,651**
	3,439	**3,215**	**3,027**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

— **A maturity analysis of the undiscounted payments can be found in** no. 39 – undiscounted cash flows of financial liabilities page 227**.**

In financial year 2019/20, there were no material expenses for variable lease payments that were not included in the measurement of lease liabilities.

Effects of leases recognised in profit or loss
The following expenses and income relating to leases were reported in the income statement.

€ million	30/9/2019[1]	**30/9/2020**
Variable rental expenses from rights of use	0	**−2**
Rental expenses for short-term leases	−14	**−14**
Rental expenses for leases of assets of minor value	−28	**−9**
Total rental expenses	−42	**−25**
Depreciation[2]	−301	**−333**
Interest expenses	−188	**−177**
Income and expenses from sale and leaseback transactions	286	**1**
Income from subletting of rights of use	136	**118**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).
[2] Includes depreciation on investment property and impairment losses.

The total cash outflow, which comprises fixed lease payments, payments for short-term leases, payments for leases of assets of minor value and variable lease payments, amounts to €564 million (30/9/2019: €594 million).

In its announcement ‘Covid-19-Related Rent Concessions’ (amendment to IFRS 16) on 28 May 2020, the IASB grants lessees an option to simplify the accounting for concessions, such as deferral of lease payments or rent discounts, granted in connection with the outbreak of the coronavirus pandemic. METRO has exercised the option of recognising all granted rental discounts amounting to €1 million directly in the income statement.

Extension and termination options

Extension and termination options are included in a significant number of leases in all asset classes of METRO. These terms and conditions are used to maximise operational flexibility in contract management, particularly in relation to the asset classes of land and buildings, plant and machinery, vehicles as well as IT infrastructure.

When METRO determines the lease term and assesses the length of the non-cancellable period of a lease, it specifies the period for which the agreement is enforceable. A lease agreement is no longer enforceable if the lessee and the lessor each have the right to terminate the lease agreement without the other party’s consent for at most an insignificant penalty. If only a lessee has the right to terminate a lease, that right is considered a termination option available to the lessee, which a company considers when determining the lease term. If only a lessor has the right to terminate a lease, the non-cancellable period of the lease includes the period covered by the termination option. The majority of the renewal and termination options held can only be exercised by METRO and not by the respective lessor.

In determining the lease term, management takes into account all facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option. Examples of facts and circumstances include the terms of the lease for the optional periods compared to market conditions, significant improvements to the leases, costs associated with terminating the lease contract and the significance of the underlying asset to METRO’s operations. The measurement is reviewed if a significant event or significant change in circumstances occurs that affects this measurement.

Potential future cash outflows of €2,054 million (30/9/2019: €1,985 million) for renewal or termination options that are not sufficiently certain were not included in the lease liability as of 30 September 2020 because it is not reasonably certain that the leases will be renewed or not terminated.

During the financial year, lease extensions totalling €70 million (30/9/2019: €69 million) were exercised and included in lease liabilities using the incremental borrowing rate at the modification date of this lease.

Residual value guarantees and purchase options
METRO has no significant leases that contain residual value guarantees or purchase options.

Leasing agreements not yet commenced
Undiscounted payment obligations for leases that had not yet been commenced on the closing date and were thus not disclosed under lease liabilities totalled €6 million (30/9/2019: €54 million).

Sale-and-leaseback transactions
No significant sale-and-leaseback transactions were carried out in financial year 2019/20. In the previous year, profits of €286 million were generated from the sale of property locations in China, Poland, Spain, Hungary and the Czech Republic.

METRO as lessor

METRO is a lessor that rents and leases real estate owned by the company. These subleases are classified as operating leases or finance leases. The net investments from the finance leases are recognised as receivables in the balance sheet. The receivables are reduced by the redemption portion included in the lease payment. The interest portion included in the lease payment is recognised as finance income in the income statement.

Lease payments (METRO as lessor) due in subsequent periods from entities outside METRO for the rental of properties that are classified as finance leases are shown below:

€ million	30/9/2019[1]	**30/9/2020**
Up to 1 year	38	**59**
1 to 2 years	39	**58**
2 to 3 years	38	**54**
3 to 4 years	39	**37**
4 to 5 years	25	**20**
Over 5 years	29	**40**
Gross investment (total undiscounted minimum lease payments)	208	**268**
Not yet realised financial income	−48	**−47**
Net investment (net present value of future minimum lease payments to be received)	**159**	**221**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The material increase in net investments from finance leases results from the subleasing of real estate locations to the hypermarket business, which led to a reclassification as finance leases due to the disposal of the hypermarket business.

If the rental of real estate is classified as an operating lease, the lease payments are immediately recognised in the income statement as rental income. In subsequent periods, the group is entitled to receive lease payments from third parties, which are due as follows:

€ million	30/9/2019[1]	**30/9/2020**
Up to 1 year	90	**94**
1 to 2 years	78	**75**
2 to 3 years	71	**63**
3 to 4 years	64	**44**
4 to 5 years	47	**30**
Over 5 years	97	**53**
Total undiscounted minimum lease payments	**447**	**360**

[1] Adjustment of previous year due to full retrospective application of IFRS 16 (Leases).

The following rental income in connection with leases was recognised in the income statement.

€ million	30/9/2019	**30/9/2020**
Operating leases		
Fixed rental income	144	**117**
Variable rental income	1	**0**
Finance leases		
Variable rental income	1	**1**
Total rental income	**145**	**118**
Interest income	16	**15**

48. Adjustment of comparative figures for 2018/19 due to IFRS 16

The International Accounting Standards Board published the new accounting standard IFRS 16 (Leases). IFRS 16 replaces the existing lease regulations, including IAS 17 (Leases), IFRIC 4 (Determining Whether an Agreement Contains a Lease), SIC-15 (Operating Leases – Incentives) and SIC-27 (Evaluating the Substance of Transactions in the Legal Form of a Lease) .

METRO has made the first-time application of IFRS 16 fully retrospective to 30 September 2019 (financial year 1/10/2018 to 30/9/2019). 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.

The key change of IFRS 16 compared to IAS 17 is the introduction of a uniform accounting model for the lessee. The lessee must recognise a liability and, correspondingly, the right to use the leased asset as a right-of-use asset at the time when the lessor grants the lessee the right to use the asset.

The rental expenses from operating leases previously reported in the income statement in accordance with IAS 17 have been replaced by the disclosure of depreciation and interest expenses in accordance with IFRS 16.

For the transition to IFRS 16, METRO determines whether an agreement contains a lease. For this assessment, the company was allowed to choose whether to apply the IFRS 16 definition of a lease to all its agreements or to apply the practical simplification allowed by IFRS 16 instead of reassessing whether an agreement is or contains a lease. The company decided to apply the practical simplification during the transition. 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.

— **Information about the first-time application of IFRS 16 is presented in the section '**Application of new accounting methods ▶ page 151**'.**

Income statement

INCOME STATEMENT

€ million	2018/19 as reported	IFRS 16 change	2018/19
Sales revenues	**27,082**	**0**	**27,082**
Cost of sales	−22,476	10	**−22,466**
Gross profit on sales	**4,606**	**10**	**4,617**
Other operating income	1,405	−30	**1,376**
Selling expenses	−4,092	137	**−3,955**
General administrative expenses	−822	11	**−811**
Other operating expenses	−279	0	**−279**
Earnings from impairment of financial assets	−14	0	**−14**
Earnings share of operating companies recognised at equity	24	0	**24**
Earnings before interest and taxes EBIT	**828**	**130**	**957**
Earnings share of non-operating companies recognised at equity	0	0	**0**
Other investment result	−1	0	**−1**
Interest income	29	16	**45**
Interest expenses	−148	−137	**−285**
Other financial result	1	11	**12**
Net financial result	**−119**	**−111**	**−230**
Earnings before taxes EBT	**709**	**19**	**728**
Income taxes	−298	−3	**−301**
Profit or loss for the period from continuing operations	**411**	**16**	**427**
Profit or loss for the period from discontinued operations	−526	433	**−93**
Profit or loss for the period	**−115**	**448**	**333**
Profit or loss for the period attributable to non-controlling interests	11	0	**11**
from continuing operations	(6)	(0)	**(6)**
from discontinued operations	(5)	(0)	**(5)**
Profit or loss for the period attributable to the shareholders of METRO AG	−126	448	**322**
from continuing operations	(405)	(15)	**(421)**
from discontinued operations	(−532)	(433)	**(−99)**
Earnings per share in € (basic = diluted)	**−0.35**	**1.23**	**0.89**
from continuing operations	(1.12)	(0.04)	**(1.16)**
from discontinued operations	(−1.46)	(1.19)	**(−0.27)**

Reconciliation from net income for the period to total comprehensive income

RECONCILIATION FROM NET INCOME FOR THE PERIOD TO COMPREHENSIVE INCOME

€ million	2018/19 as reported	IFRS 16 change	**2018/19**
Profit or loss for the period	**−115**	**448**	**333**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	**−75**	**0**	**−75**
Remeasurement of defined benefit pension plans	−94	0	**−94**
Effects from the fair value measurements of equity instruments	−3	0	**−3**
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	22	0	**22**
Items of other comprehensive income that may be reclassified subsequently to profit or loss	**135**	**−6**	**129**
Currency translation differences from translating the financial statements of foreign operations	138	−6	**132**
Effective portion of gains/losses from cash flow hedges	2	0	**2**
Effects from the fair value measurements of debt instruments	0	0	**0**
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	−5	0	**−5**
Other comprehensive income	**59**	**−6**	**54**
Total comprehensive income	**−56**	**443**	**387**
Total comprehensive income attributable to non-controlling interests	12	0	**12**
Total comprehensive income attributable to the shareholders of METRO AG	−68	443	**375**

Balance sheet

ASSETS

€ million	1/10/2018 as reported[1]	IFRS 16 change	1/10/2018
Non-current assets	**7,504**	**2,236**	**9,740**
Goodwill	797	0	**797**
Other intangible assets	499	0	**499**
Property, plant and equipment	5,314	2,155	**7,469**
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	331	51	**382**
Current assets	**7,700**	**803**	**8,504**
Inventories	2,108	0	**2,108**
Trade receivables	568	0	**568**
Financial assets	2	0	**2**
Other financial assets	562	18	**580**
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**
	15,205	**3,039**	**18,244**

[1] Adjustment due to application of IFRS 9 and IFRS 15.

EQUITY AND LIABILITIES

€ million	1/10/2018 as reported[1]	IFRS 16 change	1/10/2018
Equity	**3,066**	**−832**	**2,234**
Share capital	363	0	**363**
Capital reserve	6,118	0	**6,118**
Reserves retained from earnings	−3,456	−831	**−4,287**
Equity before non-controlling interests	3,025	−831	**2,194**
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	**8,711**	**1,494**	**10,206**
Trade liabilities	3,993	0	**3,993**
Provisions	274	−43	**230**
Financial liabilities	1,420	322	**1,742**
Other financial liabilities	745	−1	**744**
Other non-financial liabilities	394	−5	**389**
Income tax liabilities	191	0	**191**
Liabilities related to assets held for sale	1,694	1,221	**2,915**
	15,205	**3,039**	**18,244**

[1] Adjustment due to application of IFRS 9 and IFRS 15.

Balance sheet

ASSETS

€ million	30/9/2019 as reported	IFRS 16 change	**30/9/2019**
Non-current assets	**6,736**	**2,102**	**8,838**
Goodwill	785	0	**785**
Other intangible assets	562	0	**562**
Property, plant and equipment	4,760	1,875	**6,635**
Investment properties	82	45	**127**
Financial assets	97	0	**97**
Investments accounted for using the equity method	179	0	**179**
Other financial assets	37	113	**150**
Other non-financial assets	43	−23	**20**
Deferred tax assets	191	93	**284**
Current assets	**7,761**	**1,231**	**8,992**
Inventories	1,946	0	**1,946**
Trade receivables	482	0	**482**
Financial assets	4	0	**4**
Other financial assets	603	19	**622**
Other non-financial assets	279	1	**279**
Entitlements to income tax refunds	190	0	**190**
Cash and cash equivalents	500	0	**500**
Assets held for sale	3,758	1,212	**4,970**
	14,497	**3,333**	**17,830**

EQUITY AND LIABILITIES

€ million	30/9/2019 as reported	IFRS 16 change	30/9/2019
Equity	**2,735**	**−390**	**2,345**
Share capital	363	0	**363**
Capital reserve	6,118	0	**6,118**
Reserves retained from earnings	−3,778	−389	**−4,167**
Equity before non-controlling interests	2,703	−389	**2,314**
Non-controlling interests	32	−1	**31**
Non-current liabilities	**3,419**	**2,234**	**5,652**
Provisions for post-employment benefits plans and similar obligations	543	0	**543**
Other provisions	132	−24	**108**
Financial liabilities	2,498	2,268	**4,766**
Other financial liabilities	56	0	**55**
Other non-financial liabilities	71	−46	**25**
Deferred tax liabilities	119	36	**155**
Current liabilities	**8,343**	**1,489**	**9,832**
Trade liabilities	3,572	0	**3,572**
Provisions	168	−10	**158**
Financial liabilities	871	293	**1,164**
Other financial liabilities	728	−1	**728**
Other non-financial liabilities	233	−6	**228**
Income tax liabilities	169	0	**169**
Liabilities related to assets held for sale	2,601	1,212	**3,813**
	14,497	**3,333**	**17,830**

Cash flow statement

CASH FLOW STATEMENT

€ million	2018/19 as reported	IFRS 16 change	**2018/19**
EBIT	828	130	**957**
Depreciation/amortisation/impairment losses/reversal of impairment losses of fixed assets excl. financial investments	532	243	**774**
Change in provisions for pensions and other provisions	−47	17	**−31**
Change in net working capital	27	0	**27**
Income taxes paid	−215	1	**−215**
Reclassification of gains (−) / losses (+) from the disposal of fixed assets	−356	−1	**−357**
Other	28	25	**53**
Cash flow from operating activities of continuing operations	**796**	**413**	**1,209**
Acquisition of subsidiaries	−1	0	**−1**
Investments in property, plant and equipment and in investment property (excl. rights of use)	−258	0	**−258**
Other investments	−198	0	**−198**
Investments in monetary assets	−9	0	**−9**
Disposals of subsidiaries	0	0	**0**
Divestments	505	0	**505**
Disposal of financial investments	7	0	**7**
Cash flow from investing activities of continuing operations	**46**	**0**	**46**
Dividends paid			
to METRO AG shareholders	−254	0	**−254**
to other shareholders	−7	0	**−7**
Redemption of liabilities from put options of non-controlling shareholders	−2	0	**−2**
Proceeds from long-term borrowings	6,122	0	**6,122**
Redemption of borrowings	−6,844	77	**−6,767**
Redemption of lease liabilities	0	−540	**−540**
Interest paid	−161	49	**−112**
Interest received	28	0	**28**
Other financing activities	−4	0	**−4**
Cash flow from financing activities of continuing operations	**−1,122**	**−413**	**−1,535**

49. Remaining legal issues

Group demerger in 2017

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 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. 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 was a plaintiff in arbitration proceedings against the Canadian department store group Hudson's Bay Company (HBC). The background of the arbitration proceedings was 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 estate properties and granted HBC call options. In January 2016, HBC exercised its call options and paid a preliminary purchase price. METRO AG believed that the paid preliminary purchase price was insufficient and disputed the applied valuation basis. At the beginning of financial year 2020/21, an out-of-court settlement was reached with the sole legal successor of HBC regarding the asserted claims. As a result, METRO withdrew its arbitration claim against HBC.

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 sanctioned for illegal competition agreements (including truck and sugar cartel).

50. Events after the closing date

METRO is acquiring the Aviludo Group

METRO is acquiring the Aviludo Group, the second-largest Portuguese food supplier based in Quarteira, Algarve. In addition to the operational business, the transaction also includes Aviludo's logistics platforms. The Aviludo Group's sales in 2019 (before the Covid-19 pandemic) amounted to approximately €152 million. The acquisition price is in the mid double-digit million range. This acquisition is further step towards a complete focus on HoReCa customers. The acquisition is subject to approval by the relevant authorities. The transaction is expected to be completed in the first half of 2021.

EP Global Commerce GmbH increases its share of voting rights in METRO AG

EP Global Commerce GmbH, which currently holds 29.99% of the voting rights in METRO AG based on the notification of voting rights dated 10 October 2020, published a voluntary takeover bid on 1 October 2020 with regard to all shares in METRO AG. In its final announcement on 20 November 2020, EP Global Commerce GmbH declared that a total of 10.60% of the ordinary shares had been proffered to it until the end of the additional offer period. The finalisation of the takeover bid is subject to regulatory approvals. According to the information in the offer document, EP Global Commerce GmbH expects the closing by the end of 2020, but no later than by February 2021.

51. Notes on related parties

In financial year 2019/20, METRO maintained the following business relations to related companies:

€ million	2018/19	**2019/20**
Services provided	8	**54**
Associates	5	**51**
Joint ventures	3	**3**
Miscellaneous related parties	0	**0**
Services received	71	**70**
Associates	60	**61**
Joint ventures	7	**6**
Miscellaneous related parties	4	**3**
Receivables from services provided, as of 30/9	0	**23**
Associates	0	**23**
Joint ventures	0	**0**
Miscellaneous related parties	0	**0**
Liabilities from goods/services received as of 30/9	0	**0**
Associates	0	**0**
Joint ventures	0	**0**
Miscellaneous related parties	0	**0**

Transactions with associated companies and other related parties

On 23 April 2020, the sale of METRO AG's entire indirect majority shareholding in METRO China to a subsidiary of Wumei Technology Group was completed. METRO has a stake of around 20% in WM Holding (HK) Limited and thus in the activities of METRO China. Accordingly, METRO transactions with Wumei Technology Group and its subsidiaries must be reported as related company transactions.

The significant increase in services provided results from the business relations with METRO Group Commerce (Shanghai) Co., Ltd. (formerly METRO China) based on a service level agreement for 2 years and the granting of brand licences.

In connection with the prepaid brand use, contractual liabilities amounting to €153 million on 30 September 2020 were deferred at METRO.

The services received totalling €70 million (2018/19: €71 million) that METRO companies received from associates and other related parties in financial year 2019/20 consisted mainly of real estate leases in the amount of €63 million (2018/19: €63 million), thereof €61 million from associates (2018/19: €60 million) and the rendering of services in the amount of €7 million (2018/19: €8 million), thereof €6 million from joint ventures (2018/19: €7 million).

The balance sheet includes lease liabilities of €360 million (2018/19: €380 million) and corresponding rights of use of €291 million (2018/19: €313 million) from rental agreements with the following associates: OPCI FWP France, OPCI FWS France, Habib METRO Pakistan and Iniziative Methab s.r.l.

In financial year 2019/20, METRO companies provided services to companies belonging to the group of associates and related parties in the amount of €54 million (2018/19: €8 million).

A dividend of €76 million has been paid out to a shareholder with significant influence.

Business relations with related parties are based on contractual agreements providing for arm's length prices. As in financial year 2018/19, there were no business relations with related natural persons and companies of management in key positions in financial year 2019/20.

Related persons (remuneration for management in key positions)

The management in key positions consists of members of the Management Board and the Supervisory Board of METRO AG.

Thus, the expenses for members of the Management Board of METRO AG amounted to €6.4 million (2018/19: €6.9 million) for short-term benefits and €0.7 million (2018/19: €3.7 million) for post-employment benefits. The expenses for existing compensation programmes with long-term incentive effect in financial year 2019/20, calculated in accordance with IFRS 2, amounted to €−0.8 million (2018/19: €2.6 million).

The short-term compensation for the members of the Supervisory Board of METRO AG amounted to €2.2 million (2018/19: €2.2 million).

The total compensation for members of the Management Board in key positions in financial year 2019/20 amounted to €8.5 million (2018/19: €15.4 million).

- **For more Information about the basic principles of the remuneration system and the amount of Management Board and Supervisory Board compensation, see** no. 53 – Management Board and Supervisory Board ▸ page 269**.**

52. Long-term incentive for executives

Authorisations for the continuing operations of METRO

The METRO long-term incentive (METRO LTI) granted on 1 April 2019 to senior executives of METRO and the management bodies of the METRO national subsidiaries was continued in financial year 2019/20. The METRO LTI is a cyclical plan that is issued once every 3 years. The respective performance targets focus on value creation in the individual national subsidiaries, the relative total shareholder return of the METRO share compared to a comparison group as well as the sustainable development and future orientation of METRO. The performance period of the METRO LTI extends from 1 April 2019 to 31 March 2022. The individual target amounts are accumulated proportionally during this period. The final target amount that has been accumulated at the end of the performance period is based on the period of eligibility for the METRO LTI as well as the individual's position. According to the plan conditions, executives can be newly admitted to the circle of beneficiaries on a pro rata basis or be removed from the plan.

METRO LTI operating principles

After the end of each performance period, the payout amount is determined by multiplying the respectively accumulated individual target amount with a total goal achievement factor. This factor consists of the achievement of the country performance component (60%), the achievement of the METRO performance component (30%) and the achievement of the sustainability component (10%). The payout amount is capped and the total goal achievement factor cannot drop below 0.

For the country performance component, the success of the respective national subsidiary is decisive for the beneficiaries of the METRO Wholesale national subsidiaries, while the overall success of all national subsidiaries is taken as the basis for the other beneficiaries. The overall success of METRO is determined for the METRO performance and sustainability components.

The country performance component rewards the achievement of internal economic targets and is measured on the basis of a cash proxy achieved cumulatively for the METRO subsidiaries in financial years 2018/19 to 2020/21. In each case, a value for the factor 0.0 and a target value for the target achievement factor 1.0 were defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the country performance component cannot drop below 0 and is capped.

The METRO performance component is based on the success of METRO, expressed as the relative total shareholder return (TSR) compared to a comparison group. This group consists of the MDAX (50%) and the selected competitors (50%).

The comparison group of competitors consists of the following companies:

- Bidcorp (ISIN ZAE000216537)
- Bizim Toptan (ISIN TREBZMT00017)
- Marr (ISIN IT0003428445)
- Eurocash Group (ISIN PLEURCH00011)
- Performance Food Group (ISIN US71377A1034)
- US Foods (ISIN US9120081099)
- Sysco (ISIN US8718291078)
- Sligro (ISIN NL0000817179)

If the total shareholder returns of METRO AG and the comparison group run in parallel, the performance target is 100% met; for an underperformance of −20%, the performance target is met by one third; for anything below that, the target achievement is 0. Between these 2 points and beyond, linear interpolation or extrapolation is used to determine target achievement. The achievement of targets is capped.

Performance achievement for the sustainability component is determined on the basis of the average rating which METRO AG is awarded in an external corporate sustainability assessment during each performance period. Each year during the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM. RobecoSAM AG uses this assessment to determine METRO AG's ranking within the industry group Food & Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). RobecoSAM AG will inform METRO AG of any changes in its sector classification. In case of material changes in the composition of companies or the ranking method, RobecoSAM AG can determine adequate comparable values.

The company's average ranking, rounded to whole numbers, is determined on the basis of the rankings communicated during each performance period. The factor for the sustainability component is determined in the following manner on the basis of the average of the performance period:

Average rating (rounded)	Sustainability factor
1	3.00
2	2.00
3	1.50
4	1.00
5	0.75
6	0.50
7	0.25
Below rank 7	0.00

METRO mid-term incentive

In financial year 2018/19, a mid-term incentive (MTI) was launched to support the transformation of METRO over a 2-year period. This plan allows top executives to participate in METRO's success and rewards the achievement of important internal transformation goals, such as customer satisfaction and master data quality. No new beneficiaries were included in the MTI in the past financial year.

The METRO mid-term incentive (METRO MTI) has a term (performance period) of 2 years and was granted to the senior executives of METRO and the management bodies of the METRO subsidiaries as of 1 April 2019. This is a one-time issue.

The METRO MTI is a phantom share plan in which a phantom share represents the value of the METRO ordinary share. Participants were allocated an initial number of phantom shares based on a target amount at the beginning of the performance period. At the end of the performance period, the final number of phantom shares will be determined for each participant and paid out with the dividend-adjusted value. Half of the final number of phantom shares is measured by the achievement of an internal EBITDA target, based on METRO as a whole, and half by country-specific transformation targets (transformation KPIs). The individual performance targets cannot fall below 0 and are capped. The total payout from the plan is also capped.

The EBITDA target is based on the EBITDA of METRO excluding earnings contributions from real estate transactions in financial year 2018/19. Targets were set for 50%, 100% and 150%

degrees of target achievement. The achievement of targets is determined by linear interpolation between these values. The achievement of targets is limited at the lower and upper levels.

Targets were set for all METRO subsidiaries for the transformation KPIs performance target in the equally weighted components like-for-like sales growth in strategic customer groups, Net Promoter Score (NPS) and master data quality. A country-specific overall factor is determined from the achievement of the respective targets with regard to the transformation KPIs.

With regard to the target for like-for-like sales growth in strategic customer groups, growth targets were set for individual customer groups in line with the strategic orientation of the respective national subsidiary. For each national subsidiary and for each of the strategic customer groups relevant for that country, the Management Board of METRO AG set separate target values for the achievement of the factor 1.00. Furthermore, a threshold (a minimum performance target where the factor is 0.00) and the target values for reaching a factor of 2.00 and 3.00 were defined. Linear interpolation is performed between these values to determine the achievement of the respective targets. The goal achievement factor cannot drop below 0 and is capped.

The NPS factor (qualitative) rewards the careful implementation and maintenance of the NPS system by the national subsidiaries, which was entrenched in the NPS target image of METRO. The relevant measurement of the performance for the determination of the target achievement is carried out during the performance period on 2 dates. The measurement focuses in particular on the routines and processes associated with the introduction of the NPS as well as the success of the respective national subsidiary. The goal achievement cannot drop below 0 and is capped.

The master data quality component rewards a sustainable improvement of the core attributes of article master data and customer contact data, since complete and correct data are a basic requirement for all METRO processes. 4 relevant data clusters have been defined (purchasing units, sales units, customers and authorised buyers). Separate target values for achieving factor 1.00 were set for each national subsidiary. Furthermore, a threshold (a minimum performance target where the factor is 0.00) and the target values for reaching a factor of 2.00 and 3.00 were defined. Linear interpolation is performed between these values to determine the achievement of the respective targets. Each identified factor for the past performance component cannot drop below 0 and is capped.

The transformation KPIs target achievement for METRO as a whole is calculated separately for each subcomponent as a sales-weighted average of the respective factors determined for the national subsidiaries.

As of the closing date on 30 September 2020, the initially granted number of phantom shares was 1,099,739. Assuming that all performance targets can be achieved to the maximum extent possible, the maximum number of phantom shares is 2,292,956.

As of 30 September 2020, the target amount for the eligible group of persons was €28.8 million. The mentioned tranches of share-based payment programmes total expenses of €9.6 million (2018/19: €11.7 million) were incurred.

The related provisions as of 30 September 2020 amount to €21.3 million (30/9/2019: €11.7 million).

The provisions correspond to the fair value of the plans calculated pro rata temporis. This fair value is determined by an external expert using recognised financial mathematical methods. The basis for this is a risk-neutral, arbitrage-free valuation model of the option price theory (in this case using Monte Carlo simulation). The input data for the simulation are measurements and estimates of internal key performance indicators as of the reporting date and the external market values as of the valuation date.

53. Management Board and Supervisory Board

Remuneration of members of the Management Board in financial year 2019/20

The remuneration of the active members of the Management Board essentially consists of a fixed salary, a short-term variable remuneration component (short-term incentive and special bonuses), as well as the long-term variable remuneration (long-term incentive) granted in financial year 2019/20.

The short-term incentive for members of the Management Board is essentially determined by the development of financial performance targets related to that financial year and also considers the attainment of agreed-upon targets.

The remuneration of the active members of the Management Board in financial year 2019/20 amounted to €11.5 million (2018/19: €9.8 million). This includes €3.8 million (2018/19: €3.5 million) in fixed salaries, €2.1 million (2018/19: €2.0 million) in short-term performance-based remuneration, €5.1 million (2018/19: €3.9 million) in share-based long-term variable remuneration and €0.5 million (2018/19: €0.3 million) in non-monetary and supplemental benefits.

The share-based long-term variable remuneration (performance share plan) granted in financial year 2019/20 is recognised at fair value, taking into account the revised performance targets. The Supervisory Board resolved on 24 September 2020 to adjust the LTI tranche 2019/20 to the current medium-term planning with regard to the target of the EPS component in order to mitigate the effects on the remuneration of the Management Board and to maintain the incentive effect. Furthermore, the TSR component was adjusted with regard to the composition and valuation of the comparison group of competitors. The comparison group of competitors was reduced by the company Bizim Toptan and the median is used instead of the arithmetic mean to determine the TSR value for the comparison group.

The number of conditionally allocated performance shares for the members of the Management Board amounts to a total of 514,821.

In financial year 2019/20, value adjustments resulted from the current share-based tranches of the long-term variable remuneration. The company's expenses amounted to €0.464 million for Mr Koch, €0.126 million for Ms Euenheim and €0.145 million for Mr Gasset and Mr Poirier each. Provisions of €0.376 million for Mr Baier, €1.171 million for Mr Hutmacher and €0.087 million for Mr Palazzi were reversed in financial year 2019/20.

As of 30 September 2020, the provisions for the members of the Management Board totalled €2.71 million. Of this amount, €1.63 million was attributable to Mr Koch, €0.32 million to Mr Baier, €0.13 million to Ms Euenheim, €0.15 million to Mr Gasset and Mr Poirier each, and €0.34 million to Mr Hutmacher.

Expenses and provisions were determined by external experts using a recognised financial mathematical procedure.

An agreement was reached with Mr Hutmacher in financial year 2018/19 for the premature termination of his employment contract with effect from the end of 31 December 2019. A severance payment of €2,957,700 was agreed to settle the remaining term of his employment contract (1 January 2020 to 30 September 2020) and the short-term incentive for the period from 1 October 2019 to 31 December 2019. This settlement covers Mr Hutmacher's claims, taking into account the contractually agreed severance payment cap in accordance with the German Corporate Governance Code. The severance payment, which was due in financial year 2019/20, was fully accrued in financial year 2018/19. The tranches of the long-term incentive already granted to Mr Hutmacher will be settled in accordance with the terms of the plan.

In financial year 2019/20, an agreement was reached with Mr Palazzi regarding the early termination of his employment contract with effect from the end of 31 May 2020. The short-term incentive for the period from 1 October 2019 to 31 May 2020 was paid out in May 2020. No severance payment was agreed with Mr Palazzi and the tranches of the long-term incentive granted to him were cancelled without compensation.

In financial year 2019/20, an agreement was also reached on the early termination of the employment contract with Mr Koch with effect from the end of 31 December 2020. In accordance with his contract, the short-term incentive until 31 December 2020 will be paid to Mr Koch. The tranches of the long-term incentive already granted to Mr Koch remain in place and will be settled in accordance with the terms of the plan. No severance payment will be paid to Mr Koch.

Total compensation of former members of the Management Board

There are congruent, reinsured liabilities from pension provisions covered by life insurance contracts of €6.4 million towards former members of the Management Board.

- **Individual versions of the disclosures released pursuant to § 314 Section 1 No. 6a Sentences 5 to 8 of the German Commercial Code can be found in chapter** 6 remuneration report ▶ page 104 **in the combined management report.**

Compensation of members of the Supervisory Board

The total remuneration of all members of the Supervisory Board in financial year 2019/20 amounted to €2.2 million (2018/19: €2.2 million).

- **For more information about the remuneration of the members of the Supervisory Board, see chapter** 6 remuneration report ▶ page 104 **in the combined management report.**

54. Auditor’s fees for the financial year pursuant to § 314 Section 1 No. 9 of the German Commercial Code (HGB)

KPMG AG Wirtschaftsprüfungsgesellschaft invoiced total professional fees in the amount of €5.4 million for services rendered. €4.7 million of this amount was attributable to professional fees for the audit of the financial statements, €0.1 million to other assurance services and €0.6 million to other services. Only services that are consistent with the task of the auditor of the annual financial statements and consolidated financial statements of METRO AG were provided.

The fees for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relate to the audit of the consolidated financial statements and the Annual Financial Statements of METRO AG, including statutory order extensions. In addition, the fees for the audits of IFRS reporting packages of subsidiaries of METRO AG for inclusion in the METRO consolidated financial statements as well as for the audits of annual financial statements of subsidiaries under commercial law are included. Moreover, audit-integrated reviews of interim financial statements, project-related audits within the framework of the introduction of new accounting standards and ISAE 3402 audit-related services were performed.

Other assurance services relate to agreed audit procedures (for example on sales lease agreements, compliance certificates, declarations of completeness in accordance with the German Packaging Ordinance and concession fees) and the business audit of the summarised non-financial statement and the Corporate Responsibility Report.

Other services relate to auditing support services as part of a VAT compliance management system, support services based on IDW PS 980 within the IT compliance system field, as well as fees for financial due diligence and consulting services.

55. Declaration of conformity with the German Corporate Governance Code

In September 2020, the Management Board and the Supervisory Board issued the annual declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) concerning the recommendations of the Government Commission on the German Corporate Governance Code. The statement is published permanently on the website of METRO AG (www.metroag.de/en).

56. Election to be exempt from §§ 264 Section 3 and 264b of the German Commercial Code

The following domestic subsidiaries in the legal form of stock corporations or partnerships will use the exemption provisions according to § 264 Section 3 and § 264b of the German Commercial Code, and will thus refrain from preparing their annual financial statements for financial year 2019/20 as well as the majority from preparing their notes and management report (according to the German Commercial Code).

a) Operating companies and service units	
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf
N & NF Trading GmbH	Düsseldorf
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
Hospitality Digital GmbH	Düsseldorf
METRO GROUP Accounting Center GmbH	Wörrstadt
METRO Innovations Holding GmbH	Düsseldorf
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf
METRO LOGISTICS Germany GmbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
MGC METRO Group Clearing GmbH	Düsseldorf
METRO Deutschland Consulting GmbH	Düsseldorf
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf
METRO Dienstleistungs-Holding GmbH	Düsseldorf
METRO Re AG	Düsseldorf
METRO Advertising GmbH	Düsseldorf
METRO Insurance Broker GmbH	Düsseldorf
METRO-nom GmbH	Düsseldorf
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden
METRO GastroFinanz GmbH	Düsseldorf
METRO Großhandelsgesellschaft mbH	Düsseldorf
METRO Deutschland GmbH	Düsseldorf
MGE Warenhandelsgesellschaft mbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
MCC Trading International GmbH	Düsseldorf
METRO Cash & Carry International GmbH	Düsseldorf
Multi-Center Warenvertriebs GmbH	Düsseldorf
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf
MCC Trading Deutschland GmbH	Düsseldorf
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
Weinkellerei Thomas Rath GmbH	Düsseldorf
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf
METRO FSD Holding GmbH	Düsseldorf
RUNGIS express GmbH	Meckenheim

Petit RUNGIS express GmbH	Meckenheim
CCG DE GmbH	Kelsterbach
cc delivery gmbh (Verschmelzung zum 1/10/2019)	Meckenheim
HoReCa Investment Management GmbH	Düsseldorf
HoReCa Komplementär GmbH	Düsseldorf
HoReCa Innovation I GmbH & Co. KG	Düsseldorf
HoReCa Investment I GmbH & Co. KG	Düsseldorf
HoReCa Strategic I GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf
MIP METRO Holding Management GmbH	Düsseldorf
METRO Hospitality Digital Holding GmbH	Düsseldorf
METRO Dritte Verwaltungs GmbH	Düsseldorf
METRO Vierte Verwaltungs GmbH	Düsseldorf
METRO Fünfte Verwaltungs GmbH	Düsseldorf
METRO Sechste Verwaltungs GmbH	Düsseldorf
METRO Siebte Verwaltungs GmbH	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf
MIP METRO Holding Management GmbH	Düsseldorf
METRO Hospitality Digital Holding GmbH	Düsseldorf
METRO Dritte Verwaltungs GmbH	Düsseldorf
METRO Vierte Verwaltungs GmbH	Düsseldorf
METRO Fünfte Verwaltungs GmbH	Düsseldorf
METRO Sechste Verwaltungs GmbH	Düsseldorf
METRO Siebte Verwaltungs GmbH	Düsseldorf
Hospitality Digital Services Germany GmbH	Düsseldorf
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf
METRO Markets GmbH	Düsseldorf
METRO Payment Services GmbH	Düsseldorf
METRO Fulfillment GmbH	Düsseldorf
METRO Cash & Carry China Holding GmbH	Düsseldorf
METRO Asia Investment GmbH	Düsseldorf
NX-Food GmbH	Düsseldorf
METRO Achte Verwaltungs GmbH	Düsseldorf
METRO Neunte Verwaltungs GmbH	Düsseldorf
METRO Zehnte Verwaltungs GmbH	Düsseldorf
METRO Elfte Verwaltungs GmbH	Düsseldorf
METRO Zwölfte Verwaltungs GmbH	Düsseldorf
METRO Dreizehnte Verwaltungs GmbH	Düsseldorf
b) Real estate companies	
METRO Digital GmbH	Düsseldorf
METRO Asset Management Services GmbH	Düsseldorf

Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ARKON Grundbesitzverwaltung GmbH	Düsseldorf
METRO PROPERTIES Holding GmbH	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn "Südring Center" KG i. L.	Düsseldorf
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG i. L.	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG i. L.	Düsseldorf
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG i. L.	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG i. L.	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG i. L.	Düsseldorf
TIMUG GmbH & Co. Objekt Homburg KG i. L.	Düsseldorf
AIB Verwaltungs GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG i. L.	Düsseldorf
DFI Verwaltungs GmbH	Düsseldorf
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i. L.	Düsseldorf
METRO Retail Real Estate GmbH	Düsseldorf
METRO Wholesale Real Estate GmbH	Düsseldorf
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf
Adolf Schaper GmbH & Co. Grundbesitz-KG i. L.	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG i. L.	Düsseldorf
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt - KG i. L.	Düsseldorf
METRO PROPERTIES GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG i. L.	Düsseldorf
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG i. L.	Düsseldorf

Wolfgang Wirichs GmbH	Düsseldorf
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf
BAUGRU Immobilien - Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG i. L.	Düsseldorf
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf
STW Grundstücksverwaltung GmbH	Düsseldorf
PIL Grundstücksverwaltung GmbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Moers KG i. L.	Düsseldorf
METRO Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG i. L.	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG i. L.	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG i. L.	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf
MDH Secundus GmbH & Co. KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG i. L.	Düsseldorf
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf
Kaufhalle GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG i. L.	Düsseldorf
ASSET Immobilienbeteiligungen GmbH	Düsseldorf
ASSET Köln-Kalk GmbH	Düsseldorf
Horten Nürnberg GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Stralsund KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bitterfeld KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG i. L.	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG i. L.	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG i. L.	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG i. L.	Düsseldorf
TIMUG Verwaltung GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG i. L.	Düsseldorf
METRO Leasing Objekt Schwerin GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG i. L.	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG i. L.	Düsseldorf

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf
Deutsche SB-Kauf Beteiligungsverwaltung GmbH	Düsseldorf
Schaper Beteiligungsverwaltung GmbH	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf
METRO Campus Services GmbH	Düsseldorf

57. Overview of the major fully consolidated group companies

Name	Registered office	Group shares in %	Sales[1] (€ million)
Holding companies			
METRO AG	Düsseldorf, Germany		0
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	0
METRO Wholesale			
METRO Deutschland GmbH	Düsseldorf, Germany	100.00	4,410
METRO France S.A.S.	Nanterre, France	100.00	3,833
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,679
METRO Italia Cash and Carry S. p. a	San Donato Milanese, Italy	100.00	1,416
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	1,330
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	100.00	1,233
Makro Autoservicio Mayorista S. A. U.	Madrid, Spain	100.00	1,036
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,017
METRO Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	985
METRO Distributie Nederland B. V.	Amsterdam, Netherlands	100.00	797
METRO Cash & Carry India Private Limited	Bengaluru, India	100.00	787
METRO Cash & Carry Österreich GmbH	Vösendorf, Austria	73.00	736
MAKRO Cash & Carry Belgium NV	Wommelgem, Belgium	100.00	713
METRO Cash & Carry Ukraine Ltd.	Kiev, Ukraine	100.00	699
Other companies			
METRO Sourcing International Limited	Hong Kong, China	100.00	24
METRO LOGISTICS Germany GmbH	Düsseldorf, Germany	100.00	0
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	92.90	0
METRO-nom GmbH	Düsseldorf, Germany	100.00	0
METRO International AG	Baar, Switzerland	100.00	0

[1] Including incorporated national subsidiaries.

58. Boards of METRO AG and mandates of their members

Members of the Supervisory Board

(As of 1 December 2020)

Jürgen Steinemann (Chairman)
CEO of JBS Holding GmbH
Shareholder representative
a) Big Dutchman AG (Chairman, since 19 December 2019)
b) Bankiva B.V., Wezep, Netherlands – Supervisory Board (Chairman)
Lonza Group AG[1], Basle, Switzerland – Board of Directors

Xaver Schiller (Vice Chairman, since 22 July 2020)
Chairman of the Group Works Council of METRO AG
Chairman of the General Works Council of METRO Deutschland GmbH
Employee representative
a) METRO Großhandelsgesellschaft mbH[2] (Vice Chairman)
b) None

Marco Arcelli, since 22 January 2020
CEO of EP Global Commerce a.s. (EPGC), Prague, Czech Republic
Shareholder representative
a) None
b) None

Werner Klockhaus (Vice Chairman), until 25 June 2020
Chairman of the General Works Council of real GmbH
Employee representative
a) Hamburger Pensionskasse von 1905 Versicherungsverein auf Gegenseitigkeit
real GmbH[2] (Vice Chairman)
b) None

Stefanie Blaser
Chairwoman of the General Works Council of METRO PROPERTIES GmbH & Co. KG
Saarbrücken
Employee representative
a) None
b) None

Herbert Bolliger
Self-employed business consultant
Shareholder representative
a) None
b) Amann Wine Group Holding SA, Zug, Switzerland – Board of Directors
BNP Paribas (Suisse) AG[1], Geneva, Switzerland – Board of Directors
Eldora Holding SA, Rolle, Switzerland – Board of Directors, since 4 June 2020
MTH Retail Group Holding GmbH, Vienna, Austria – Supervisory Board
Office World Holding AG, Bolligen, Switzerland – Board of Directors (Vice President)

Gwyn Burr
Member of the Board of Directors of Hammerson plc, London, United Kingdom
Shareholder representative
a) None
b) Hammerson plc[1], London, United Kingdom – Board of Directors
Ingleby Farms and Forests ApS, Køge, Denmark – Board of Directors
Just Eat Ltd. (formerly Just Eat plc[1]), London, United Kingdom – Board of Directors, until 1 May 2020
Just Eat Takeaway.com N.V.[1], Amsterdam, Netherlands – Supervisory Board, since 31 January 2020
Sainsbury's Bank plc[1], London, United Kingdom – Board of Directors, until 31 January 2020
Taylor Wimpey plc[1], London, United Kingdom – Board of Directors

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG).
[1] Listed company.
[2] Intra-group mandate.

Thomas Dommel
Chairman of the General Works Council of METRO LOGISTICS Germany GmbH
Employee representative
a) METRO LOGISTICS Germany GmbH[2] (Vice Chairman)
b) None

Prof. Dr Edgar Ernst
President of the German Financial Reporting Enforcement Panel (FREP)
Shareholder representative
a) TUI AG[1]
Vonovia SE[1] (Vice Chairman)
b) None

Dr Florian Funck, until 7 December 2019
Member of the Management Board of Franz Haniel & Cie. GmbH
Shareholder representative
a) CECONOMY AG[1]
TAKKT AG[1] (Chairman)
Vonovia SE[1]
b) None

Michael Heider
Vice Chairman of the General Works Council of METRO Deutschland GmbH
Chairman of the Works Council of the METRO wholesale store Schwelm
Employee representative
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Udo Höfer, since 17 July 2020
General Manager of the METRO Deutschland GmbH store Krefeld
Employee representative
a) None
b) None

Peter Küpfer
Self-employed business consultant
Shareholder representative
a) None
b) AHRA AG, Zurich, Switzerland – Board of Directors (President)
AHRB AG, Zurich, Switzerland – Board of Directors (President)
ARH Resort Holding AG, Zurich, Switzerland – Board of Directors (President)
Breda Consulting AG, Zurich, Switzerland – Board of Directors (President)
Cambiata Ltd, Road Town, Tortola, British Virgin Islands – Board of Directors
Cambiata Schweiz AG, Zurich, Switzerland – Board of Directors
Gebr. Schmidt GmbH & Co. KG – Advisory Council, until 23 December 2019
Lake Zurich Fund Exempt Company, George Town, Grand Cayman, Cayman Islands – Board of Directors
SERAVI AG, Zollikon, Switzerland – Board of Directors
Supra Holding AG, Zug, Switzerland – Board of Directors (President)

Rosalinde Lax, since 17 July 2020
Chairwoman of the Works Council of METRO Deutschland GmbH
Employee representative
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Susanne Meister, until 25 June 2020
Member of the General Works Council of real GmbH
Employee representative
a) None
b) None

Dr Angela Pilkmann, until 25 June 2020
Category Manager Food at real GmbH
Employee representative
a) None
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG).
[1] Listed company.
[2] Intra-group mandate.

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland
Shareholder representative
a) CECONOMY AG[1]
b) ARISCO Holding AG, Baar, Switzerland – Board of Directors
HUWA Finanz- und Beteiligungs AG, Au, Switzerland – Board of Directors (President)

Eva-Lotta Sjöstedt
Self-employed business consultant
Shareholder representative
a) None
b) Elisa Corporation[1], Helsinki, Finland, Board of Directors, since 20 April 2020
Tritax EuroBox plc[1], London, United Kingdom, Board of Directors, since 10 December 2019

Dr Liliana Solomon
Group Chief Financial Officer of Awaze Limited, London, United Kingdom
Shareholder representative
a) None
b) Unit4 N.V., Utrecht, Netherlands – Supervisory Board, since 1 January 2020

Alexandra Soto
Group Executive Director, Managing Director and Global Chief Operating Officer of Lazard Financial Advisory, Lazard & Co., Limited, London, United Kingdom
Shareholder representative
a) None
b) None

Manuela Wetzko, since 17 July 2020
IT coordinator for region 5 at METRO Deutschland GmbH
Employee representative
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Angelika Will
Honorary Judge at the Federal Labour Court
Secretary of the Regional Association Board North Rhine-Westphalia of DHV – Die Berufsgewerkschaft e. V.
(federal specialist group on trade and logistics)
Employee representative
a) None
b) None

Manfred Wirsch
Trade union secretary of ver.di – Vereinte Dienstleistungsgewerkschaft e. V.
Employee representative
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Silke Zimmer
Trade union secretary of ver.di – Vereinte Dienstleistungsgewerkschaft e. V.
Employee representative
a) None
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG).
[1] Listed company.
[2] Intra-group mandate.

Permanent Supervisory Board committees and their composition

(As of 1 December 2020)

Presidential Committee

Jürgen Steinemann (Chairman)
Xaver Schiller (Vice Chairman)
Thomas Dommel
Prof. Dr Edgar Ernst

Audit Committee

Prof. Dr Edgar Ernst (Chairman)
Xaver Schiller (Vice Chairman)
Marco Arcelli
Stefanie Blaser
Michael Heider
Dr Fredy Raas

Nomination Committee

Jürgen Steinemann (Chairman)
Gwyn Burr
Herbert Bolliger

Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act

Jürgen Steinemann (Chairman)
Xaver Schiller (Vice Chairman)
Thomas Dommel
Prof. Dr Edgar Ernst

Members of the Management Board

(As of: 1 December 2020)

Olaf Koch (Chairman)

a) real GmbH[2] (Chairman), until 25 June 2020
METRO-NOM GmbH[2] (Chairman), since 28 January 2020
b) Hospitality Digital GmbH[2]– Advisory Board (Chairman)

Christian Baier (Chief Financial Officer)

a) METRO Großhandelsgesellschaft mbH[2]
METRO Re AG[2] – Supervisory Board (Chairman)
b) Hospitality Digital GmbH[2] – Advisory Board
METRO Cash & Carry International Holding GmbH[2], Vösendorf, Austria – Supervisory Board (Chairman)
METRO Holding France S. A.[2], Vitry-sur-Seine, France – Board of Directors

Andrea Euenheim (Chief Human Resources Officer and Labour Director)
Since 1 November 2019

a) METRO Großhandelsgesellschaft mbH[2], since 1 November 2019
METRO LOGISTICS Germany GmbH[2], since 16 July 2020
METRO-NOM GmbH[2], since 4 March 2020
real GmbH[2], until 25 June 2020
b) None

Rafael Gasset (Chief Operating Officer – Convenience Cluster)
Since 1 April 2020

a) None
b) METRO Logistics Polska sp. z o.o.[2], Warsaw, Poland – Supervisory Board
Makro Cash and Carry Polska S.A.[2], Warsaw, Poland – Supervisory Board
WM Holding (HK) Limited, Hong Kong, China – Board of Directors, since 23 April 2020

Heiko Hutmacher (Chief Human Resources Officer and Labour Director, until 31 October 2019)
Until 31 December 2019

a) METRO Großhandelsgesellschaft mbH[2], until 31 October 2019
real GmbH[2], until 31 December 2019
METRO-NOM GmbH[2] (Chairman), until 31 October 2019
b) None

Eric Poirier (Chief Operating Officer – Hospitality Cluster)
Since 1 April 2020

a) None
b) Makro Cash and Carry Polska S. A.[2], Warsaw, Poland – Supervisory Board
METRO FSD France S.A.S.[2], Montauban, France – Board of Directors (Chairman), since 1 April 2020
Hospitality Digital GmbH[2] – Advisory Board, since 11 May 2020
METRO Holding France S. A.[2], Vitry-sur-Seine, France – Board of Directors (Chairman), since 1 April 2020

Philippe Palazzi (Chief Operating Officer)
Until 31 March 2020

a) None
b) Hospitality Digital GmbH[2] – Advisory Board, until 11 May 2020
METRO Holding France S. A.[2], Vitry-sur-Seine, France – Board of Directors (Chairman), until 31 March 2020
METRO FSD France S.A.S.[2], Montauban, France – Board of Directors (Chairman), until 31 March 2020
METRO Wholesale Myanmar Ltd.[2], Rangoon, Myanmar – Supervisory Board, until 10 June 2020
Classic Fine Foods Netherlands B. V.[2], Rotterdam, Netherlands – Board of Directors, until 3 June 2020

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG).
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG).
[1] Listed company.
[2] Intra-group mandate.

59. Affiliated companies of the group METRO AG as of 30 September 2020 pursuant to § 313 of the German Commercial Code

Name	Registered office	Country	Shares in capital in %
Consolidated subsidiaries			
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf	Germany	100.00
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Adolf Schaper GmbH & Co. Grundbesitz-KG i. L.	Düsseldorf	Germany	100.00
AIB Verwaltungs GmbH	Düsseldorf	Germany	100.00
ARKON Grundbesitzverwaltung GmbH	Düsseldorf	Germany	100.00
ASSET Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
ASSET Köln-Kalk GmbH	Düsseldorf	Germany	100.00
Aubepine SARL	Châlette-sur-Loing	France	100.00
Avilo Marketing Gesellschaft m. b. H.	Vösendorf	Austria	100.00
BAUGRU Immobilien - Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG i. L.	Düsseldorf	Germany	100.00
Beijing Weifa Trading & Commerce Co. Ltd.	Beijing	China	100.00
CCG DE GmbH	Kelsterbach	Germany	100.00
CJSC METRO Management Ukraine	Kiev	Ukraine	100.00
Classic Coffee & Beverage Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods (Hong Kong) Limited	Hong Kong	China	100.00
Classic Fine Foods (Macau) Ltd	Macao	China	99.80
Classic Fine Foods (Singapore) Private Limited	Singapore	Singapore	100.00
Classic Fine Foods (Thailand) Company Limited	Bangkok	Thailand	100.00
Classic Fine Foods (Thailand) Holding Company Limited	Bangkok	Thailand	49.00
Classic Fine Foods (Vietnam) Limited	Ho Chi Minh City	Vietnam	100.00
Classic Fine Foods China Holdings Limited	Hong Kong	China	100.00
Classic Fine Foods China Trading Limited	Hong Kong	China	100.00
Classic Fine Foods EM LLC	Abu Dhabi	United Arab Emirates	50.00
Classic Fine Foods Group Limited	London	United Kingdom	100.00
Classic Fine Foods Holdings Limited	London	United Kingdom	100.00
Classic Fine Foods Japan Holdings	Tokyo	Japan	100.00
Classic Fine Foods Macau Holding Limited	Hong Kong	China	100.00
Classic Fine Foods Netherlands BV	Rotterdam	Netherlands	100.00
Classic Fine Foods Philippines Inc.	Makati	Philippines	100.00
Classic Fine Foods Rungis SAS	Rungis	France	100.00
Classic Fine Foods Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods UK Limited	London	United Kingdom	100.00
Classic Fine Foodstuff Trading LLC	Abu Dhabi	United Arab Emirates	49.00
Concarneau Trading Office SAS	Concarneau	France	100.00
COOL CHAIN GROUP PL Sp. z o.o.	Cracow	Poland	100.00
Culinary Agents Italia s.r.l.	San Donato Milanese	Italy	100.00

Deelnemingmaatschappij Arodema B.V.	Amsterdam	Netherlands	100.00
Deutsche SB-Kauf Beteiligungsverwaltung GmbH	Düsseldorf	Germany	100.00
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf	Germany	100.00
DFI Verwaltungs GmbH	Düsseldorf	Germany	100.00
Dinghao Foods (Shanghai) Co. Ltd.	Shanghai	China	100.00
Etablissements Blin SAS	Saint-Gilles	France	100.00
Fideco AG	Courgevaux	Switzerland	100.00
French F&B (Japan) Co., Ltd.	Tokyo	Japan	93.83
Freshly CR s.r.o.	Prague	Czech Republic	100.00
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG i. L.	Düsseldorf	Germany	100.00
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf	Germany	100.00
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG i. L.	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG i. L.	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG i. L.	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG i. L.	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG i. L.	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG i. L.	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt - KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbh & Co. Objekt Bitterfeld KG i. L.	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG i. L.	Düsseldorf	Germany	100.00

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbh & Co. Objekt Krefeld KG i. L.	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn "Südring Center" KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG i. L.	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbh & Co. Objekt Stralsund KG i. L.	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG i. L.	Düsseldorf	Germany	100.00
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf	Germany	100.00
GrandPari Limited Liability Company	Moscow	Russia	100.00
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf	Germany	3.26[1]
HoReCa Innovation I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf	Germany	0.67[1]
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf	Germany	3.32[1]
HoReCa Investment I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf	Germany	0.07[1]
HoReCa Investment Management GmbH	Düsseldorf	Germany	100.00
HoReCa Komplementär GmbH	Düsseldorf	Germany	100.00

HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf	Germany	4.26[1]
HoReCa Strategic I GmbH & Co. KG	Düsseldorf	Germany	100.00
Horten Nürnberg GmbH	Düsseldorf	Germany	100.00
Hospitality Digital France SAS	Paris	France	100.00
Hospitality Digital GmbH	Düsseldorf	Germany	100.00
Hospitality Digital Services Germany GmbH	Düsseldorf	Germany	100.00
HOSPITALITY.digital, Inc.	Wilmington	USA	100.00
ICS METRO Cash & Carry Moldova S.R.L.	Chişinău	Moldova	100.00
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf	Germany	90.24
Inpakcentrale ICN B.V.	Duiven	Netherlands	100.00
Johannes Berg GmbH, Weinkellerei	Düsseldorf	Germany	100.00
Kaufhalle GmbH	Düsseldorf	Germany	100.00
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf	Germany	100.00
Klassisk Group (S) Pte. Ltd.	Singapore	Singapore	100.00
Klassisk Investment Limited	Hong Kong	China	100.00
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i. L.	Düsseldorf	Germany	100.00
LLC Ukrainian Wholesale Trade Company	Kiev	Ukraine	100.00
Makro Autoservicio Mayorista S. A. U.	Madrid	Spain	100.00
MAKRO Cash & Carry Belgium NV	Wommelgem	Belgium	100.00
MAKRO Cash & Carry CR s.r.o.	Prague	Czech Republic	100.00
Makro Cash & Carry Egypt LLC	Cairo	Egypt	100.00
Makro Cash & Carry Portugal S.A.	Lisbon	Portugal	100.00
Makro Cash & Carry UK Holding Limited	Manchester	United Kingdom	100.00
Makro Cash and Carry Polska S.A.	Warsaw	Poland	100.00
MAKRO Fulfillment SL	Madrid	Spain	100.00
Makro Ltd.	Manchester	United Kingdom	100.00
Makro Pension Trustees Ltd.	Manchester	United Kingdom	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf	Germany	94.90
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf	Germany	100.00
MCC Trading Deutschland GmbH	Düsseldorf	Germany	100.00
MCC Trading International GmbH	Düsseldorf	Germany	100.00
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf	Germany	94.90
MCCAP Holding GmbH	Vienna	Austria	100.00
MCCI Asia Pte. Ltd.	Singapore	Singapore	100.00
MDH Secundus GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Achte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Advertising GmbH	Düsseldorf	Germany	100.00
METRO Advertising Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00

METRO Asia Investment GmbH	Düsseldorf	Germany	100.00
METRO Asia Investment Management Limited	Hong Kong	China	100.00
METRO Asset Management Services GmbH	Düsseldorf	Germany	100.00
METRO Białystok sp. z o.o.	Warsaw	Poland	100.00
METRO Bielsko-Biała sp. z o.o.	Warsaw	Poland	100.00
METRO Bydgoszcz sp. z o.o.	Warsaw	Poland	100.00
METRO Campus Services GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Cash & Carry Central Asia Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry China Holding GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry d.o.o.	Zagreb	Croatia	100.00
METRO Cash & Carry d.o.o.	Belgrade	Serbia	100.00
METRO Cash & Carry Danmark ApS.	Glostrup	Denmark	100.00
METRO Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Import Limited Liability Company	Noginsk	Russia	100.00
METRO Cash & Carry India Private Limited	Bangalore	India	100.00
METRO Cash & Carry International GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry International Holding B. V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry International Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Japan KK	Tokyo	Japan	100.00
METRO Cash & Carry Myanmar Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Nederland B.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry OOO	Moscow	Russia	100.00
METRO Cash & Carry Österreich GmbH	Vösendorf	Austria	73.00
METRO CASH & CARRY ROMANIA SRL	Bucharest	Romania	100.00
METRO Cash & Carry Russia N.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Cash & Carry TOO	Almaty	Kazakhstan	100.00
METRO Cash & Carry Ukraine Ltd.	Kiev	Ukraine	100.00
METRO Cash & Carry Wines	Hyderabad	India	99.99
METRO Central East Europe GmbH	Vienna	Austria	100.00
METRO Częstochowa sp. z o.o.	Warsaw	Poland	100.00
METRO Delivery Service NV	Willebroek	Belgium	100.00
METRO Deutschland Consulting GmbH	Düsseldorf	Germany	100.00
METRO Deutschland GmbH	Düsseldorf	Germany	100.00
METRO Dienstleistungs-Holding GmbH	Düsseldorf	Germany	100.00
METRO Digital GmbH	Düsseldorf	Germany	100.00
METRO Distributie Nederland B. V.	Amsterdam	Netherlands	100.00
METRO DOLOMITI S.p.A.	San Donato Milanese	Italy	100.00
METRO Dreizehnte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Dritte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Elfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO FIM S.p.A.	Cinisello Balsamo	Italy	100.00
METRO France Immobiliere S. a. r. l.	Nanterre	France	100.00
METRO France S.A.S.	Nanterre	France	100.00

METRO FSD France S.A.S.	Montauban	France	100.00
METRO FSD Holding GmbH	Düsseldorf	Germany	100.00
METRO Fulfillment GmbH	Düsseldorf	Germany	100.00
METRO Fünfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO GastroFinanz GmbH	Düsseldorf	Germany	100.00
METRO Gdańsk-Przejazdowo sp. z o.o.	Warsaw	Poland	100.00
METRO Gdynia sp. z o.o.	Warsaw	Poland	100.00
METRO Global Business Services Private Limited	Pune	India	100.00
METRO Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul	Turkey	100.00
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf	Germany	100.00
METRO Großhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO GROUP Accounting Center GmbH	Düsseldorf	Germany	100.00
METRO Group Asset Management Ukraine, Limited Liability Company	Kiev	Ukraine	100.00
METRO Group Properties SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Group Retail Real Estate Romania S.R.L.	Voluntari	Romania	100.00
METRO Group Wholesale Real Estate Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Holding France S. A.	Vitry-sur-Seine	France	100.00
METRO Hospitality Digital Holding GmbH	Düsseldorf	Germany	100.00
METRO Innovations Holding GmbH	Düsseldorf	Germany	100.00
METRO Insurance Broker GmbH	Düsseldorf	Germany	100.00
METRO International AG	Baar	Switzerland	100.00
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf	Germany	100.00
METRO Italia Cash and Carry S. p. A.	San Donato Milanese	Italy	100.00
METRO Kalisz sp. z o.o.	Warsaw	Poland	100.00
METRO Kereskedelmi Kft.	Budaörs	Hungary	100.00
METRO Kielce sp. z o.o	Warsaw	Poland	100.00
METRO Kobierzyce sp. z o.o.	Warsaw	Poland	100.00
METRO Koszalin sp. z o.o.	Warsaw	Poland	100.00
METRO Kraków Jasnogórska sp. z o.o.	Warsaw	Poland	100.00
METRO Kraków Zakopiańska sp. z o.o.	Warsaw	Poland	100.00
METRO Leasing GmbH	Düsseldorf	Germany	100.00
METRO Leasing Objekt Schwerin GmbH	Düsseldorf	Germany	100.00
METRO Legnica sp. z o.o.	Warsaw	Poland	100.00
METRO Łódź sp. z o.o.	Warsaw	Poland	100.00
METRO LOGISTICS Germany GmbH	Düsseldorf	Germany	100.00
METRO Logistics Polska sp. z o.o.	Warsaw	Poland	100.00
METRO Logistics Polska spółka z ograniczoną odpowiedzialnością i Spółka spółka komandytowa	Warsaw	Poland	99.83
METRO Lublin sp. z o.o.	Warsaw	Poland	100.00
METRO Management EOOD	Sofia	Bulgaria	100.00
METRO Markets GmbH	Düsseldorf	Germany	100.00
METRO Neunte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Olsztyn sp. z o.o.	Warsaw	Poland	100.00
METRO Opole Sp. z o.o.	Warsaw	Poland	100.00
METRO Pakistan (Pvt.) Limited	Lahore	Pakistan	100.00
METRO Payment Services GmbH	Düsseldorf	Germany	100.00
METRO Poznań II sp. z o.o.	Warsaw	Poland	100.00

METRO Poznań sp. z o.o.	Warsaw	Poland	100.00
METRO Properties B.V.	Amsterdam	Netherlands	100.00
METRO Properties CR s.r.o.	Prague	Czech Republic	100.00
METRO PROPERTIES France SAS	Nanterre	France	100.00
METRO Properties Gayrimenkul Yatirim A.Ş.	Istanbul	Turkey	100.00
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	92.90
METRO PROPERTIES Holding GmbH	Düsseldorf	Germany	100.00
METRO PROPERTIES Management GmbH	Düsseldorf	Germany	66.67
METRO Properties Real Estate Management Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO PROPERTIES Sp. z o.o.	Warsaw	Poland	100.00
METRO Re AG	Düsseldorf	Germany	100.00
METRO Retail Real Estate GmbH	Düsseldorf	Germany	100.00
METRO Rybnik sp. z o.o.	Warsaw	Poland	100.00
METRO Rzeszów sp. z o.o.	Warsaw	Poland	100.00
METRO Rzgów sp. z o.o.	Warsaw	Poland	100.00
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar	Germany	100.00
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden	Germany	100.00
METRO Sechste Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Services PL spółka z ograniczoną odpowiedzialnością	Szczecin	Poland	100.00
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf	Germany	100.00
METRO Siebte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Sosnowiec sp. z o.o.	Warsaw	Poland	100.00
METRO Sourcing (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO Sourcing International Limited	Hong Kong	China	100.00
METRO South East Asia Holding GmbH	Vienna	Austria	100.00
METRO Systems Romania S.R.L.	Bucharest	Romania	100.00
METRO Systems Ukraine LLC	Kiev	Ukraine	100.00
METRO Szczecin sp. z o.o.	Warsaw	Poland	100.00
METRO Toruń sp. z o.o.	Warsaw	Poland	100.00
METRO Vierte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Warehouse Noginsk Limited Liability Company	Noginsk	Russia	100.00
METRO Warszawa Jerozolimskie sp. z o.o.	Warsaw	Poland	100.00
METRO Warszawa Kolumbijska sp. z o.o.	Warsaw	Poland	100.00
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf	Germany	100.00
METRO Wholesale Myanmar Ltd.	Rangoon	Myanmar	88.12
METRO Wholesale Real Estate GmbH	Düsseldorf	Germany	100.00
METRO Zabki sp. z o.o.	Warsaw	Poland	100.00
METRO Zabrze sp. z o.o.	Warsaw	Poland	100.00
METRO Zehnte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Zielona Góra sp. z o.o.	Warsaw	Poland	100.00
METRO Zwölfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO-nom GmbH	Düsseldorf	Germany	100.00
MGB METRO Group Buying RUS OOO	Moscow	Russia	100.00
MGC METRO Group Clearing GmbH	Düsseldorf	Germany	100.00

MGE Warenhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Bulgaria LTD	Sofia	Bulgaria	100.00
MGL METRO Group Logistics GmbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Limited Liability Company	Noginsk	Russia	100.00
MGL METRO GROUP LOGISTICS UKRAINE LLC	Kiev	Ukraine	100.00
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf	Germany	100.00
MIP METRO Holding Management GmbH	Düsseldorf	Germany	100.00
MP Gayrimenkul Yönetim Hizmetleri Anonim Şirketi	Istanbul	Turkey	100.00
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG i. L.	Düsseldorf	Germany	100.00
Multi-Center Warenvertriebs GmbH	Düsseldorf	Germany	100.00
My Mart (China) Trading Co., Ltd.	Guangzhou	China	100.00
My Mart (Shanghai) Trading Co. Ltd.	Shanghai	China	100.00
N & NF Trading GmbH	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG i. L.	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG i. L.	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG i. L.	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Moers KG i. L.	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG i. L.	Düsseldorf	Germany	100.00
NX-Food GmbH	Düsseldorf	Germany	100.00
Petit RUNGIS express GmbH	Meckenheim	Germany	100.00
PIL Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
PRO A PRO DISTRIBUTION EXPORT SAS	Montauban	France	100.00
PRO A PRO DISTRIBUTION NORD SAS	Châlette-sur-Loing	France	100.00
PRO A PRO DISTRIBUTION SUD SAS	Montauban	France	100.00
PT Classic Fine Foods Indonesia	North Jakarta	Indonesia	100.00
Real Estate Management Misr Limited Liability Company	Cairo	Egypt	100.00
Remo Zaandam B.V.	Zaandam	Netherlands	100.00
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Restu s.r.o.	Prague	Czech Republic	100.00
Retail Property 5 Limited Liability Company	Moscow	Russia	100.00
Retail Property 6 Limited Liability Company	Moscow	Russia	100.00
R'EXPRESS ALIMENTOS, UNIPESSOAL LDA	Lisbon	Portugal	100.00
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG i. L.	Düsseldorf	Germany	100.00
Rotterdam Trading Office B.V.	Amsterdam	Netherlands	100.00
RUDU Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
RUNGIS express GmbH	Meckenheim	Germany	100.00
RUNGIS express SPAIN SL	Palma de Mallorca	Spain	100.00
RUNGIS express Suisse Holding AG	Courgevaux	Switzerland	100.00
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG i. L.	Düsseldorf	Germany	100.00
Schaper Beteiligungsverwaltung GmbH	Düsseldorf	Germany	100.00
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00

Sentinel GCC Holdings Limited	Tortola	British Virgin Islands	100.00
Servicios de Distribución a Horeca Organizada, S.L.	Madrid	Spain	100.00
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Warsaw	Poland	100.00
Shenzhen Mymart Trade Co., Ltd.	Shenzhen	China	100.00
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf	Germany	100.00
Sinco Großhandelsgesellschaft m. b. H.	Vösendorf	Austria	73.00
Sodeger SAS	Château-Gontier	France	100.00
Star Farm Pakistan Pvt. Ltd.	Lahore	Pakistan	100.00
STW Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
TIMUG GmbH & Co. Objekt Homburg KG i. L.	Düsseldorf	Germany	94.00
TIMUG Verwaltung GmbH	Düsseldorf	Germany	100.00
Transpro France SARL	Montauban	France	100.00
Transpro SAS	La Possession	France	100.00
VALENCIA TRADING OFFICE, S.L.	Madrid	Spain	100.00
Weinkellerei Thomas Rath GmbH	Düsseldorf	Germany	100.00
Western United Finance Company Limited	London	United Kingdom	100.00
Wholesale Real Estate Belgium N.V.	Wommelgem	Belgium	100.00
Wolfgang Wirichs GmbH	Düsseldorf	Germany	100.00
WRE Real Estate Limited Liability Partnership	Almaty	Kazakhstan	100.00
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG i. L.	Düsseldorf	Germany	100.00
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG i. L.	Düsseldorf	Germany	100.00

Joint ventures			
CABI-SFPK JV	Lahore	Pakistan	48.00
Intercompra LDA	Lisbon	Portugal	50.00
MAXXAM B.V.	Ede	Netherlands	16.67
MAXXAM C.V.	Ede	Netherlands	16.67
MEC METRO-ECE Centermanagement GmbH & Co. KG	Düsseldorf	Germany	50.00
MEC METRO-ECE Centermanagement Verwaltungs GmbH	Düsseldorf	Germany	50.00
METSPA Beszerzési és Kereskedelmi Kft.	Budaörs	Hungary	33.33
METSPA d.o.o. za trgovinu	Zagreb	Croatia	50.00
Professional Finance Technologies Limited Liability Company	Moscow	Russia	40.00

Investments accounted for using the equity method			
EKS Handelsgesellschaft mbH	Salzburg	Austria	15.00
EKS Handelsgesellschaft mbH & Co. KG	Salzburg	Austria	15.00
Fachmarktzentrum Essen GmbH & Co. KG	Pullach im Isartal	Germany	94.00
FILPROMER SAS	Cherbourg-en-Cotentin	France	24.90
Gourmet F&B Korea Ltd.	Seoul	South Korea	28.00
Habib METRO Pakistan (Pvt) Ltd	Karachi	Pakistan	40.00
Helm Wohnpark Lahnblick GmbH	Aßlar	Germany	25.00
Horizon International Services Sàrl	Le Grand-Saconnex	Switzerland	25.00
Iniziative Methab s.r.l.	Bolzano	Italy	50.00
Kato Property GmbH	Berlin	Germany	5.10

Mayfair GP S.à r.l.	Luxembourg	Luxembourg	40.00
Mayfair Holding Company S.C.S.	Luxembourg	Luxembourg	39.99
Napier Property GmbH	Berlin	Germany	5.10
OPCI FRENCH WHOLESALE PROPERTIES - FWP	Paris	France	5.00
OPCI FRENCH WHOLESALE STORES - FWS	Paris	France	25.00
Peter Glinicke Grundstücks-GmbH & Co. KG	Pullach im Isartal	Germany	50.00
Quadrant Property GmbH	Berlin	Germany	5.10
Sabra Property GmbH	Berlin	Germany	5.10
Tatra Property GmbH	Berlin	Germany	5.10
Upton Property GmbH	Berlin	Germany	5.10
Wilcox Property GmbH	Berlin	Germany	5.10
WM Holding (HK) Limited	Hong Kong	China	20.04
Xiali Property GmbH	Berlin	Germany	5.10
Zagato Property GmbH	Berlin	Germany	5.10
Zender Property GmbH	Berlin	Germany	5.10

Investments			
BINARY SUBJECT, S.A.	Torres Vedras	Portugal	16.03
Culinary Agents Inc.	Wilmington	USA	18.33
Diehl & Brüser Handelskonzepte GmbH	Düsseldorf	Germany	100.00[2]
eVentures Growth, L.P.	Wilmington	USA	5.00
Horizon Achats SARL	Paris	France	8.00
Horizon Appels d'Offres SARL	Paris	France	8.00
MATSMART IN SCANDINAVIA AB	Stockholm	Sweden	13.98
METRO plus Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	Germany	20.00
orderbird AG	Berlin	Germany	14.18
Planday A/S	Copenhagen	Denmark	11.74
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Schönefeld	Germany	6.00
RTG Retail Trade Group GmbH	Hamburg	Germany	11.11
Shore GmbH	Munich	Germany	12.41
Verwaltungsgesellschaft Lebensmittelgesellschaft "GLAWA" mbH & Co. KG	Hamburg	Germany	18.75
Yoyo Wallet Ltd.	London	United Kingdom	12.44

[1] To be included in accordance with IFRS 10.

[2] Not fully consolidated and not accounted for using the equity method due to immateriality to the asset, financial and earnings position.

1 December 2020

The Management Board

Olaf Koch Christian Baier Andrea Euenheim Rafael Gasset Eric Poirier

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the group, and the combined 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 significant opportunities and risks associated with the expected development of the group.

1 December 2020

The Management Board

Olaf Koch   Christian Baier   Andrea Euenheim   Rafael Gasset   Eric Poirier

INDEPENDENT AUDITOR'S REPORT

To METRO AG, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of METRO AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 October 2019 to 30 September 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of METRO AG and the Group (hereinafter "combined management report") for the financial year from 1 October 2019 to 30 September 2020.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2020, and of its financial performance for the financial year from 1 October 2019 to 30 September 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") 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). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

- **Sale of hypermarket activities**

  For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods ▶ page 151**". Disclosures on the subsequent measurement of the IFRS 5 disposal group up until deconsolidation and on the deconsolidation of the discontinued operation of the hypermarket activities can be found in the notes to the consolidated financial statements under** Note 43 ▶ page 236**.**

The financial statement risk

In an ad hoc announcement pursuant to Article 17 (1) of the EU Market Abuse Regulation [MAR] on 13 September 2018, the Management Board of METRO AG announced that it was starting the process of selling the Real retail business including the associated business activities, as well as the real estate portfolio that is used as part of the hypermarket business and is under METRO's ownership. The hypermarket operations had since then been classified as disposal group and discontinued operation pursuant to IFRS 5.

By purchase agreement dated 18 February 2020, METRO sold the majority of the hypermarket activities to the SCP Group S.a r.l. ('SCP Group'). The sale was concluded on 25/26 June 2020 after all approvals had been obtained from the competent regulatory and competition authorities. Taking into account costs of disposal, there was a negative sales proceeds after taxes of EUR −627 million, which, together with the current earnings (after taxes) of EUR 213 million, was presented under discontinued operations.

The presentation of the deconsolidation in the consolidated financial statements and the calculation of the sales proceeds are complex and subject to judgement.

There is a risk for the consolidated financial statements that the presentation of the deconsolidation in the consolidated financial statements and the calculation of the sales proceeds are not appropriate. There is a further risk that the disclosures in the notes to the consolidated financial statements as required by IFRS 5 up until disposal are not appropriate.

Our audit approach
As part of our audit, we first assessed whether the conditions for deconsolidation according to IFRS 10 had been fulfilled. We then assessed which assets and liabilities were to be considered as part of the deconsolidation. To this end we evaluated the contractual arrangements, held meetings with the responsible people involved in the sales transaction and assessed the technical IT implementation of the deconsolidation in the consolidation system. We subsequently evaluated whether the assets and liabilities disposed of had been completely and correctly derecognised and whether the sales proceeds had been appropriately calculated and entered in the accounts. We reconciled the determination of the purchase price with the contractual arrangements. To this end, we inspected and evaluated the underlying documentation, verified the calculation of the purchase price methodically and computationally based on the contractually agreed purchase price mechanism and reconciled the incoming payments with the account statements.

Finally, we assessed whether the disclosures required by IFRS 5 up until deconsolidation and the disclosures in the notes to the consolidated financial statements on the disposal were appropriate.

Our observations
The approach underlying the presentation of the deconsolidation in the consolidated financial statements and the calculation of the deconsolidation proceeds is appropriate. The disclosures required by IFRS 5 up until deconsolidation and the disclosures in the notes to the consolidated financial statements on the disposal are appropriate.

- **Impairment testing of goodwill**

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods page 151". Disclosures on the development of goodwill as well as impairment testing can be found in Note 19 page 185 to the consolidated financial statements. We also refer to Note 6 page 176 on the impairment of goodwill.

The financial statement risk
Goodwill in the amount of EUR 731 million was reported in the consolidated financial statements of METRO AG as at 30 September 2020. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. These units are the organisational units for each country for METRO.

Goodwill is tested for impairment annually and as required. The starting point for identifying any impairment loss is the recoverable amount, which at METRO generally corresponds to fair value less the costs to sell and is compared with the respective carrying amount of the group of cash-generating units. In doing so, fair value is measured according to the discounted cash flow method. The reporting date for impairment testing is 30 June 2020.

Impairment testing is based on cash flow planning, the starting point of which is the multi-year plan prepared by METRO. Future cash flows are discounted using the weighted average cost of capital of the groups of respective cash-generating units.

The result of this impairment testing is highly dependent upon estimates of future cash flows as well as the cost of capital used and therefore subject to considerable uncertainty. The

Covid-19 pandemic, which has been spreading worldwide since January 2020, has significantly increased the degree of estimation uncertainty with regard to underlying future cash flows. The Management Board is responsible for assessing the future effects of the Covid-19 pandemic on business activities and appropriately accounting for these in cash flow planning. There is a risk for the financial statements that impairment losses are not recognised or are recognised too late and that the expected effects of the Covid-19 pandemic on business performance are not appropriately illustrated in the impairment testing.

In addition, IAS 36 requires extensive disclosures in the notes to the financial statements, particularly also in terms of METRO's consideration of the potential sensitivity of material measurement assumptions and parameters. There is the risk that the disclosures in the notes are not complete and adequate.

Our audit approach

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation model underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy.

We confirmed the appropriateness of the future cash flows used in the calculation, among others, by comparing this information to the current budget figures in the multi-year plan prepared by METRO as well as through comparison with general and industry-specific market expectations. There was special attention required this year for the analysis of the potential future effects of the Covid-19 pandemic. Owing to Covid-19, METRO has prepared multi-year planning based on scenarios. In this regard, we also confirmed the appropriateness of METRO's budget process. Furthermore, we assessed the appropriateness of the long-term growth rates assumed and the sustainable write-down and reinvestment amounts. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO. We also discussed the multi-year plan with those responsible for the budget, paying particular regard to improvements in operating profitability in the detailed planning period.

In view of the very high sensitivity of the calculated fair values to changes in the cost of capital, we rigorously examined – by taking into account country-specific particulars – the underlying assumptions and parameters for the cost of capital, especially the risk-free rate, market risk premium and beta coefficient, and assessed the calculation formula for computational and formal accuracy. Based on the sensitivity analyses carried out by METRO, we examined to what extent a reasonably possible change to the assumptions underlying the calculation could require recognising an impairment loss.

We also audited the completeness and adequacy of the disclosures in the notes to the consolidated financial statements pursuant to IAS 36.

Our observations

The valuation model used for impairment testing is appropriate and in line with applicable IFRS accounting policies. Moreover, the measurement assumptions and parameters used by METRO are within an appropriate range and are reasonable. The disclosures in the notes are accurate.

- **Impairment testing of land, buildings and right-of-use assets**

  For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods ▶ page 151". Disclosures on movements in property, plant and equipment are provided under Note 21 ▶ page 189 in the notes. We also refer to Note 15 ▶ page 181 in the notes on depreciation of property, plant and equipment.

The financial statement risk

The consolidated financial statements of METRO as at 30 September 2020 report land and buildings with a carrying amount of EUR 3,728 million and right-of-use assets (according to IFRS 16) with a carrying amount of EUR 2,084 million, which includes EUR 1,947 million relating to land and buildings. In the year under review, impairment losses of EUR 12 million were recognised.

In accordance with IAS 36, real estate and right-of-use assets must be tested for impairment if there are any indications of potential impairment. Operating performance and the real estate market are relevant indicators of potential impairment. Pursuant to IAS 36, the carrying amount of the affected cash-generating unit must be compared with its recoverable amount for impairment testing purposes. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. METRO regularly carries out impairment tests based on fair value less costs to sell. The basis for measurement is the present value of the future cash flows of the cash-generating unit, which is determined using the discounted cash flow method. Impairment testing is based on the cash flow planning of the cash-generating unit. The Covid-19 pandemic, which has been spreading worldwide since January 2020, has significantly increased the degree of estimation uncertainty with regard to underlying future cash flows. The Management Board is responsible for assessing the future effects of the Covid-19 pandemic on business activities and appropriately accounting for these in cash flow planning.

This measurement is highly dependent upon the estimates of future cash flows as well as the interest rates used and therefore subject to considerable uncertainty. There is a risk that necessary impairment losses are not recognised or are recognised too late and that the expected effects of the Covid-19 pandemic on business performance are not appropriately illustrated in the impairment testing.

Our audit approach

The starting point for our audit were the indications of impairment of land, buildings and right-of-use assets identified by METRO. We initially assessed which land, buildings and right-of-use assets indicated impairment using information obtained in the course of our audit.

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation models underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy. We confirmed the appropriateness of the future cash flows and market rents used in the calculation, among others, by comparing this information with the current budget figures as well as through comparison with general and use-specific market data. There was special attention required this year for the analysis of the potential effects of the Covid-19 pandemic. In addition, we addressed the cost of capital as well as real-estate-specific discount and capitalisation rates. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO.

Our observations

The indications of impairment of land, buildings and right-of-use assets were appropriately identified. The valuation models used for impairment testing are appropriate and in line with the applicable accounting policies. Moreover, the measurement assumptions and parameters used are appropriate and reasonable.

- **First-time application of the new financial reporting standard "IFRS 16 – Leases"**

  For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods ▸ page 151**". Disclosures on the first-time application of IFRS 16 can be found under** Note 47 ▸ page 250 **in the notes to the consolidated financial statements.**

The financial statement risk

As at 30 September 2020, right-of-use assets of EUR 2,084 million and lease liabilities of EUR 3,027 million are recognised in the consolidated financial statements of METRO. Lease liabilities account for 22.9 % of total equity and liabilities and thus have a material effect on the Company's assets, liabilities and financial position.

METRO uses the fully retrospective approach to apply the new financial reporting standard "IFRS 16 – Leases". The first-time application has an impact on the opening balance sheet of the comparative period as at 1 October 2018 and its updating in the comparative period ending as at 30 September 2019, as well as on the current financial year ending as at 30 September 2020. The transition effect of EUR −831 million as at 1 October 2018 was recorded in retained earnings taking into account deferred taxes. Due to the high volume of leases and the resulting transactions, the Company set up processes and controls for the full and appropriate, initial and ongoing recognition of leases according to IFRS 16.

Retrospective determination of the lease term, the amount of the lease payments and the discount rate requires judgement and is based on estimates. Furthermore, calculating the effect of initial IFRS 16 application requires the recording of extensive data from lease agreements.

There is a risk for the consolidated financial statements that the right-of-use assets and lease liabilities are not recorded in full in the balance sheet. There is a further risk that the right-of-use assets and lease liabilities are not measured appropriately.

There is also a risk that the disclosures required by IFRS 16 in conjunction with IAS 8 on the effects of first-time application of IFRS 16 are not complete and appropriate.

Our audit approach

First, we gained an understanding of the process used by METRO to implement IFRS 16. We then evaluated the technical concept and accounting instructions underlying the implementation in terms of completeness and compliance with IFRS 16.

We assessed the appropriateness, setup and effectiveness of controls established by METRO to ensure the full and correct determination of the data to measure the right-of-use assets and lease liabilities. Where IT processing systems were used to determine and collect relevant data, with the involvement of our IT specialists we tested the effectiveness of the rules and procedures that relate to IT applications and support the effectiveness of application controls.

For some lease agreements selected as a representative sample and some selected based on risk criteria, we assessed whether the relevant data was correctly and fully determined and entered in the IT processing systems. Where accounting judgements were made for determining the incremental borrowing rate and the lease term, we examined whether – in light of the prevailing company and market conditions – the underlying assumptions were comprehensible and consistent with other assumptions made in the financial statements.

With the involvement of our valuation experts, we compared the assumptions and parameters underlying the incremental borrowing rates with our own assumptions and publicly available data. We also evaluated the appropriateness of the method to calculate the discount rate based on risk criteria.

For the leases in the selection detailed above, we verified the computational accuracy of the values of the right-of-use assets and lease liabilities determined by METRO from the leases.

Furthermore, we assessed whether the disclosures required pursuant to IFRS 16 in conjunction with IAS 8 concerning the effects of the first-time application of IFRS 16 in the notes to the consolidated financial statements were complete and appropriate.

Our observations

METRO has established appropriate procedures to record leases for the purposes of first-time application of IFRS 16. The assumptions and parameters used to measure the right-of-use assets and lease liabilities from leases are appropriate overall.

The disclosures in the notes to the consolidated financial statements concerning the effects of the first-time application of IFRS 16 are complete and appropriate.

Other Information

The Management Board and the Supervisory Board, respectively, are responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in Section 2.4 of the combined management report, and
- the combined corporate governance statement for the Company and the Group referred to in the combined management report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of a combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Annual General Meeting on 14 February 2020 and engaged by the Supervisory Board on the same date. We have been the group auditor of METRO AG without interruption since financial year 2016/2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr Thorsten Hain.

Düsseldorf, 1 December 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hain	**Klaaßen**
Auditor	Auditor

SERVICE

GLOSSARY

A

Amfori Business Social Compliance Initiative (Amfori BSCI)

Founded in 2003, this global business association for open and sustainable trade works to ensure that production in all supplier countries complies with minimum social standards. The initiative aligns its standards with the UN's Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO).

Audit

A procedure that assesses an organisation's processes and structures according to previously formulated standards and guidelines. Audits shed light on the effectiveness of process optimisation measures. If an audit is conducted by an external auditor, the certificate issued after the review can be used as evidence of adherence to standards.

C

Carbon Disclosure Project (CDP)

The unaffiliated organisation was founded in London in 2000. It aims to disclose companies' CO_2 emissions as well as their climate risks, thereby contributing to the transparency of their corporate financial reporting on climate-relevant data. To this end, the CDP conducts annual company surveys.

Commercial Paper Programme

Ongoing capital market programme typical of money markets that covers short-term financing needs. It facilitates the issuance of commercial papers (CP) as discounted, unsecured bearer bonds without standardised terms of maturity.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

US-based private-sector organisation that developed and published a standard for internal controls in 1992 that is recognised by the U.S. Securities and Exchange Commission. In 2004, this standard was updated and the COSO ERM (Enterprise Risk Management – Integrated Framework), also known as COSO II, was published.

Compliance

All measures specifying compliance with legal requirements as well as social guidelines and values by a company and its employees.

Currency effects

Currency effects result from situations where the same amount of currency units is translated into another currency at differing exchange rates.

D

Delivery (Food Service Distribution, FSD)

Delivery service for professional customers. The delivery segment includes sales from transactions without customer contact with a METRO store. Customers order items online or by telephone and receive their order delivered at the agreed time. In recent years, this type of purchasing has become much more prevalent.

Diversity management

A central element of HR policy that harnesses the diversity of employees for corporate success in terms of gender, age, ethnicity, beliefs, sexual identities and potential disabilities.

Dow Jones Sustainability Indices (DJSI)

An index family that measures the sustainability of the company. The measurement is comprised of economic, environmental and social criteria. For listed companies, the focus is on corporate management, employee policy and transparency, compliance with human rights and risk management. Among all sustainability indices, the DJSI family carries a particular cachet in terms of quality.

E

Earnings per share (basic/diluted)

The earnings per share (basic) are calculated by dividing the profit or loss attributable to the shareholders of METRO AG by the weighted average of shares in circulation. The earnings per share (diluted) give additional consideration to the effect of so-called potential shares, such as those issued in the context of stock options.

EBIT (Earnings Before Interest and Taxes)

Profit or loss before financial result and (income) taxes. Due to its independence from different forms of financing and tax systems, this key figure is also used for international comparison with other companies, among other things.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)

Profit or loss before interest result, income taxes, depreciation/amortisation/impairment losses/reversals of impairment losses on property, plant and equipment, intangible assets and investment properties. This key figure serves the purpose of comparing companies with accounting systems that follow different accounting rules.

EVA (Economic Value Added)

Value-oriented key figure that depicts the absolute value contribution of a company created in a single period under consideration of a risk-adjusted interest rate. It is the difference between the company profit after tax and the cost of capital on the average capital employed.

F

Fair value

Recognised fair value. Amount that would be received in return for the disposal of an asset or paid for the assignment of a debt in an ordinary transaction conducted between market participants on the assessment date.

Food, non-food

Under the global term food, METRO summarises the following categories of goods: fresh foods, durable foods, nutrients, frozen foods and drinks of all kinds, as well as luxury foods, dietary supplements and pet food, but also detergents, cleansers and cleaning agents, which are sometimes also labelled as near-food. All other goods are considered non-food items.

Franchising

Contractually regulated form of organisation in which the franchisor grants the independent franchisees from the Traders segment the right to distribute certain goods or services using a name or trademark of the franchisor. METRO offers a variety of franchise concepts in different countries.

Free cash flow

Adjusted EBITDA − leasing-payments − cash investments (excluding mergers and acquisitions) +/− changes in net working capital.

Free cash flow conversion

(Adjusted EBITDA − leasing-payments − cash investments (excluding mergers and acquisitions) +/− changes in net working capital) / (adjusted EBITDA − leasing-payments).

G

Global Food Safety Initiative (GFSI)

The initiative was established in 2000. It is the world's largest organisation for the improvement of food safety. The initiative promotes the establishment of international audits to evaluate food suppliers.

GLOBALGAP

A private sector organisation that certifies agricultural and aquacultural products. The standard for 'good agricultural practice' (GAP) resulted from an initiative of European retail companies.

Governance

Statutory and factual regulatory framework for the management and supervision of a company.

Governance management system

System for controlling all management and monitoring processes of a company. The METRO governance management system comprises the risk management system, the internal control system, the compliance management system and the internal auditing system.

H

HoReCa

Short for hotel, restaurant and catering businesses. The HoReCa segment is an important customer group for METRO.

I

IASB (International Accounting Standards Board)

An independent international body with head offices in London that develops and continually revises the International Financial Reporting Standards (IFRS).

IFRIC

Interpretation on IFRS prepared by the IFRS Interpretations Committee (or its predecessor) and approved by the IASB.

IFRS (International Financial Reporting Standards)

Internationally applicable rules for financial reporting developed by the IASB. Contrary to the accounting rules under the German Commercial Code, the IFRS emphasise the informational function.

IFRS 16 – Leases

Standard adopted by the IASB in January 2016 regarding the handling of leases. Under the new rules (right-of-use model), lessees must recognise leases in most cases as rights of use and lease liabilities in the balance sheet.

ISAE (International Standard on Assurance Engagements)

Standards for the procedure of auditors for assurance engagements published by the International Auditing and Assurance Standards Board and intended for uniform application worldwide.

L

Like-for-like sales growth

Term for sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as online retail and delivery. The figure only includes sales of locations with a comparable history of at least 1 year. Locations affected by openings, closures or significant refurbishments during the reporting period or comparison year are excluded.

M

Mark-to-market valuation

Calculation of the fair value of financial instruments on the basis of market prices at a particular assessment date.

N

Net debt

The net debt results from the balance of the financial liabilities (including from leases), cash and cash equivalents less financial investments. Financial investments include short-term bank deposits and short-term liquid debt instruments.

Net Promoter Score (NPS)

Key figure that is used to provide information regarding the performance and customer satisfaction of a company. A standardised customer survey provides ratings from customers that can be used to calculate a comparable cross-company measured value.

Net working capital

The net working capital includes inventories, trade receivables and receivables due from suppliers included in the item other financial and non-financial assets. Trade liabilities are deducted from the total amount of these items.

O

Omnichannel retail

Combination of traditional store-based retail with e-commerce, social media as well as applications for smartphones and tablets. Integrating all channels offers consumers a flexible and seamless shopping experience, since the channels are holistically linked in all purchasing phases.

Own brands

Trademark-protected brand-name products developed by a retail company with an attractive best price/performance ratio.

P

Performance share

As part of performance-related participation agreements, a performance share entitles its owner to a cash payment matching the share price.

Previous year

Period of 12 months relating to the financial year preceding the reporting year, usually cited as reference for statements in an annual report.

R

Rating

In the financial sector, rating represents the systematic, qualitative measurement of creditworthiness. Ratings are expressed in various grades of creditworthiness. Renowned agencies that issue ratings are Standard & Poor's, Moody's and Fitch.

Return on Capital Employed (RoCE)

A key figure that indicates the rate at which the employed capital (less liquid funds and short-term borrowing) is bearing interest at METRO.

S

Sedex audit according to SMETA

Sedex, a data platform for transparency in the sustainability commitment of companies, provides SMETA (Sedex Members Ethical Trade Audit), one of the world's most frequently used concepts for social audits. The audit is focused on working conditions, occupational safety, environmental management and business ethics as well as respect for human rights and temporary employment.

SME services

Abbreviation for small and medium-sized enterprise services. SME services stands for METRO's strategic approach of offering customers customised solutions for the challenges of their business. In addition to food and non-food items, it includes professional services and digital solutions. By intertwining services and product ranges, METRO will be able to offer its customers a more comprehensive assortment and respond to their needs in a more targeted manner.

Social compliance

The adherence to laws, guidelines, standards, codes and/or social conventions by which an organisation ensures socially responsible operations within its value and supply chains. The aim is to ensure the safety and health of employees and to protect their basic rights in their own company as well as among its suppliers.

Start-up company

Newly founded company characterised by an outstanding business idea and a high degree of innovation.

Sustainable Development Goals (SDGs)

Goals for sustainable development: under the title 'Transforming our World: the 2030 Agenda for Sustainable Development', the United Nations formulated political goals that are aimed at the entire international community, companies and private individuals. The agenda includes 17 main objectives that take into account all 3 dimensions of sustainability: economic, social and environmental. METRO is aware of its responsibility and contributes to the achievement of the goals.

T

Task Force on Climate-related Financial Disclosures (TCFD)

Task force deployed by the Financial Stability Board (FSB) in 2015 with the objective of consistently disclosing climate-related financial risks in order to provide different stakeholders with consistent information. The task force's recommendations are intended to help companies customise their climate-related risk reporting to the needs of investors. Information is published on a voluntary basis.

Total shareholder return (TSR)

A key figure that is used to assess the performance of equity investments. It accounts for investment income and dividends.

Traders

The term ‘Traders’ at METRO refers to the customer group of independent resellers such as operators of small grocery stores and kiosks, street food vendors, gas stations and wholesalers.

Transformation costs

Non-recurring expenses related to the focus on the wholesale business and the restructuring measures resulting from this realignment are presented separately in the financial reporting as transformation costs.

W

Weighted average cost of capital (WACC)

Cost of capital in the form of the weighted average (total) cost of capital. The WACC results from the weighted average of the cost rate for equity and borrowing, in each case based on a capital market-based derivation. The weighting is based on the equity and borrowing components of METRO measured at market prices.

FINANCIAL CALENDAR 2020/21

10 February 2021

Quarterly statement Q1 2020/21

19 February 2021

Annual General Meeting 2021

4 May 2021

Half-year financial report H1/Q2 2020/21

28 July 2021

Quarterly statement 9M/Q3 2020/21

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