HALF YEAR FINANCIAL REPORT

H1/Q2 2020/21

CONTENT

ROBUST SALES DEVELOPMENT AND SOLID EARNINGS IN Q2 2020/21 DESPITE CONTINUED LOCKDOWNS

With the sale of the majority stake in METRO China and the hypermarket business completed in the financial year 2019/20, the differentiation of reporting into continuing and discontinued operations in accordance with IFRS 5 will no longer apply from the financial year 2020/21 onwards. The following presentations in the reporting year therefore relate to the group units that were reported as continuing operations in the previous year.

The sales and EBITDA outlook for the financial year 2020/21, which was published on 14 December 2020, was adjusted on 20 April 2021. This was due to the continuous prolongation and the high volatility of regulatory measures related to Covid-19. These measures continue to significantly restrict public life in many of the METRO countries. METRO had so far assumed that re-openings of hospitality businesses would be starting in April at the latest. This appears no longer realistic on a broad scale before June. The Management Board, however, is still convinced of the fast and substantial recovery of the hospitality and tourism industry upon release of the governmental restrictions and has seen evidence of this in the countries where hospitality businesses have been reopened partially or in full.

The Management Board therefore decided to adjust the outlook for financial year 2020/21 on 20 April 2021. Based on the updated assumption of hospitality re-openings broadly between June and August, METRO now expects

- Sales (both total sales and like-for-like) decline by approximately -3% to -6% to previous year (previously: slightly below previous year)
- EBITDA adjusted decline by roughly € -50 million to €-175 million to previous year (previously: decline by mid double-digit euro million amount)

The outlook assumes stable exchange rates and no further adjustments to the portfolio. The sensitivity of sales and earnings to the duration and severity of governmental restrictions is the highest for hospitality driven regions, esp. in the segment Western Europe. In contrast, the segments Russia and Asia are expected to perform better than the group.

H1:
Sales in local currency declined by -11.5%. Like-for-like sales decreased by -11.6%. Reported sales declined by -16.0% to €11.4 billion

Adjusted EBITDA (excluding transformation costs and earnings contributions from real estate transactions) amounted to €490 million (H1 2019/20: €659 million). In H1 2020/21 transformation costs of €12 million (H1 2019/20: €45 million) were incurred. Earnings contributions from real estate transactions amounted to €42 million (H1 2019/20: €1 million). EBITDA reached €520 million (H1 2019/20: €615 million)

EBITDA adjusted for currency effects amounted to €-120 million, or -20%, below the previous year

The profit or loss for the period attributable to METRO shareholders reached €-32 million in H1 2020/21. In H1 2019/20, the profit or loss for the period in continuing operations amounted to €5 million and in discontinued operations €-126 million

The earnings per share in H1 2020/21 dropped to €-0.09. In H1 2019/20, earnings per share in continuing operations amounted to €0.01 and in discontinued operations €-0.35

The net debt was reduced to €4.5 billion (31.3.2020: €6.2 billion)

Q2:
Sales in local currency declined by -11.9%. Like-for-like sales decreased by -12.0%. Reported sales declined by -15.9% to €5.1 billion

Adjusted EBITDA (excluding transformation costs and earnings contributions from real estate transactions) amounted to €114 million (Q2 2019/20: €133 million). In Q2 2020/21 transformation costs of €11 million (Q2 2019/20: €45 million) were incurred. Earnings contributions from real estate transactions amounted to €17 million (Q2 2019/20: €0 million). EBITDA reached €121 million (Q2 2019/20: €87 million)

The profit or loss for the period attributable to METRO shareholders reached €-131 million in Q2 2020/21. In Q2 2019/20, the profit or loss for the period in continuing operations amounted to €-116 million and in discontinued operations €29 million

The earnings per share in Q2 2020/21 dropped to €-0.36. In Q2 2019/20, earnings per share in continuing operations amounted to €-0.32 and in discontinued operations €0.08

OVERVIEW

H1/Q2 2020/21

€ million	H1 2019/20	H1 2020/21	Change	Q2 2019/20	Q2 2020/21	Dev.
Sales	13,555	11,388	-16.0%	6,006	5,050	-15.9%
EBITDA adjusted	659	490	-25.7%	133	114	-14.2%
Transformation costs	45	12	-73.0%	45	11	-76.5%
Earnings contributions from real estate transactions	1	42	-	0	17	-
EBITDA	615	520	-15.5%	87	121	38.2%
EBIT	184	116	-37.2%	-143	-85	40.8%
Earnings before taxes EBT	24	29	21.1%	-252	-130	48.4%
Profit or loss for the period from continuing operations[1]	5	-32	-	-116	-131	-
Earnings per share from continuing operations (€)	0.01	-0.09	-	-0.32	-0.36	-
Profit or loss for the period[1]	-121	-32	-	-87	-131	-
Earnings per share (€)	-0.33	-0.09	-	-0.24	-0.36	-

[1] attributable to METRO shareholders.

INTERIM GROUP MANAGEMENT REPORT

MACROECONOMIC CONDITIONS

In H1 2020/21, the global economy was again significantly impacted by the Covid-19 pandemic. Although the Covid-19 vaccination of the population has begun worldwide, it is progressing at varying speeds from country to country or even region to region. Furthermore, the number of new infections has risen again since late autumn, which was also due to the increasing spread of new virus mutations. Since then, many countries have alternated between easing, reintroducing or even tightening restrictions on social and economic activities.
Altogether, these developments led to the recovery of the global economy falling short of original expectations, despite slightly positive growth compared to the same period last year. For the time being, the major exception remains China, which was able to demonstrate strong economic growth throughout H1 2020/21.
In terms of sector development, the tourism, air travel, culture and hospitality sectors continue to be most affected by the impact of the restrictions. Since many countries, especially in Europe and North America, launched extensive economic stimulus packages and assistance programmes to boost the economy, national debt has also increased significantly. On the other hand, there was no increase in unemployment or inflation, barring a few exceptions. The same applies to the number of insolvencies, which is probably due to countermeasures, such as the partial suspension of the insolvency obligation. It is not yet possible to estimate the impact of the Brexit on the European economies, as the effects of the pandemic are occurring simultaneously and may overshadow the actual effect. However, indicators in imports and exports seem to suggest initial negative effects.

In **Germany**, the economic situation did not ease in H1 2020/21. Delays in the vaccination campaign and a high recurrence in the number of infections have shaped the social and economic landscape. Moreover, the first effects of the completed Brexit are becoming apparent in exports. Contrary to expectations compared with the time of the last Annual Report, the gross domestic product has shrunk. Private consumption, apart from food spending, and industrial production also developed negatively. The labour market remains at a good, stable level despite a slight increase in unemployment figures. The inflation rate has only risen moderately. In an effort to keep infection levels at a tolerable level for the healthcare system, restrictive measures continue to be applied in Germany, especially in the cultural and hospitality sectors. Vaccination coverage of the population is slowly but surely increasing. So far, a decline of -3.1% is expected for the macroeconomic development in H1 2020/21 compared to the previous year.

The pandemic also continued to ravage the other countries of Western Europe in H1 2020/21 and thus had similar effects as in Germany, although the countermeasures and the occurrence of infection varied on a case-by-case basis. Large countries such as France, Italy, Spain and Portugal continue to be strongly affected. The impact on tourism and the hospitality industry continues to be particularly serious in those countries. Overall economic performance in the Western European region is dwindling in H1 2020/21 compared to the same period last year. Likewise, private consumer spending as well as imports and exports have slumped, the latter due to the completed Brexit. The unemployment rate has risen slightly but remains at a moderate to low level.

In line with the general trend, the Russian economic output contracted slightly in H1 2020/21 compared to the same period last year. It continues to be shaped by the development of the gas and oil business. Social and economic restrictions were at a rather low level compared to Western European countries, even though the vaccination rate is still fairly low. Private consumer spending still developed slightly positively in the first business quarter compared to the previous quarter, but declined again in the second quarter. The unemployment rate has dropped slightly and is at a low level overall. Trade conflicts have still not been fully resolved, which put additional pressure on economic development.

In Eastern Europe, economic growth also developed negatively and has shrunk compared to H1 in the previous financial year. Turkey and Ukraine are exceptions here, with clearly positive growth. This trend is also reflected in the development of private consumption. In contrast, imports and exports as well as industrial production showed mixed developments within the region. The labour market situation remains stable, with only a slight increase in unemployment. Inflation rates in most Eastern European countries increased slightly, with the highest increase in Turkey and Ukraine.

In some Asian countries, economic development was significantly more positive in H1 2020/21, especially in China. The Indian economic growth has stagnated compared to the same period of the previous year. Overall, Asian countries recorded significantly fewer infections, with the exception of India, where the situation deteriorated noticeably over time. Private consumer spending declined in most Asian countries. The unemployment rate did not fully follow the economic shock, rising only moderately in the various countries. The production index developed differently across countries in H1 2020/21, while imports and exports have slumped, except in China. Overall, the economic development is more positive compared to the European countries.

As vaccination of the (global) population progresses, a slow return to the pre-pandemic economic level can be expected. In Europe, however, it will likely not happen before the end of the summer due to vaccine shortages. Then again, there is also a chance that newly emerging virus variants could significantly weaken or even nullify the protection provided by previously developed vaccines. If that happens, the global economic development will need to be reassessed. Consequently, the duration of the pandemic is difficult to predict, but if the previous target figures for vaccinations are maintained, the global economy could already be back on a positive track in the last quarter of the financial year.

EARNINGS, FINANCIAL AND ASSET POSITION OF THE GROUP

Key performance indicators

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 the 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 has been implementing the following changes: since financial year 2019/20, METRO has been presenting this key performance indicator as adjusted EBITDA without accounting for transformation costs resulting from (usually) non-recurring expenses in connection with the efficiency measures. By contrast, the reported EBITDA includes contributions to earnings from real estate transactions as well as transformation costs.

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. Please refer to the Annual Report 2019/20 for a presentation of additional key performance indicators relating to the financial and asset position and value-oriented key performance indicators.

SALES, EARNINGS AND FINANCIAL POSITION

H1 2020/21 was markedly impacted by the government measures associated with the Covid-19 pandemic. The renewed closure of hospitality operations had a noticeable negative impact on METRO's business development, especially since the second half of Q1 2020/21. It continued in Q2 2020/21. By contrast, business with SCO customers continued to develop positively. It is important to remember that the sales development for all customer groups in the previous year's quarter was strongly influenced by the Covid-19 pandemic from mid-March onwards. Consequently, the basis for comparison is becoming more challenging (SCO customers were stockpiling in the previous year) or easier (HoReCa customers were affected by government restrictions in the previous year).

The development of METRO's individual segments has been affected by the Covid-19 pandemic to varying degrees. The degree depends on the composition of the customer groups as well as the duration and intensity of the restrictions in each country. Sales in the HoReCa customer group declined significantly in H1 2020/21. In contrast, sales with Traders and especially SCO customers, developed positively. The net sales growth in Russia (31% Traders, 55% SCO sales share in financial year 2019/20) developed positively, while Asia (36% Traders, 29% SCO sales share in financial year 2019/20) developed slightly below the level of the previous year. Eastern Europe (excluding Russia) (33% Traders, 36% SCO sales share in financial year 2019/20) and Germany (13% Traders, 46% SCO sales share in financial year 2019/20) showed a slightly negative trend in the balance of all customer groups. 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 was 60% in financial year 2019/20. In the course of Q2, especially in March, restaurants and hotels in selected regions in individual countries were partly allowed to reopen. This led to an immediate and noticeable recovery in HoReCa sales. According to market data[1] Germany as well as some countries in Western Europe outperformed the market.

Sales

In H1 2020/21, sales in local currency declined by -11.5% and like-for-like sales declined by -11.6%. METRO's total sales decreased by -16.0% to €11.4 billion.
In Q2 2020/21, sales in local currency declined by -11.9%. Like-for-like sales decreased by -12.0%. METRO's total sales decreased by -15.9% to €5.1 billion. Overall, Q2 2020/21 remained largely unaffected by calendar effects. The negative effect of the additional calendar day in February 2020 (leap year) was offset by sales from an earlier Easter date in March 2021.

Earnings

The adjusted earnings before depreciation and amortisation (EBITDA) in H1 2020/21 totalled €490 million (H1 2019/20: €659 million). Government restrictions in the context of the Covid-19 pandemic had a negative impact on the majority of the segments. Negative exchange rate developments, especially of the Russian and Turkish currencies, also contributed to the decline. One-time effects in the mid double-digit million euro range had a compensating effect in Western Europe (excluding Germany), Eastern Europe and especially in the Others segment. These effects mainly occurred in Q2 2020/21. They included the collection of a negative difference from the acquisition of the Food Service Distribution (FSD) Company Davigel in Spain and the release of risk provisions for resolved legal disputes. In the Others segment, they included income from the termination of arbitration proceedings and from the reassessment of transaction-related provisions.

[1] npdgroup CREST Panel, NPD

In H1 2020/21, transformation costs of €12 million (H1 2019/20: €45 million) were incurred. Earnings contributions from real estate transactions amounted to €42 million (H1 2019/20: €1 million) and resulted mainly from the disposal of the last remaining real estate property of the hypermarket business and from the sale of an at-equity accounted investment in a store network in Germany. Adjusted for currency effects, the adjusted EBITDA decreased by €-120 million (-20%). EBITDA reached €520 million (H1 2019/20: €615 million).

In Q2 2020/21, the adjusted EBITDA amounted to €114 million (Q2 2019/20: €133 million). In Q2 2020/21 transformation costs of €11 million (Q2 2019/20: €45 million) were mainly incurred for the closure of a Multi-Center and various market restaurants in Germany. Income from real estate transactions amounted to €17 million (Q2 2019/20: €0 million). EBITDA reached €121 million (Q2 2019/20: €87 million).

METRO's depreciation and amortisation in H1 2020/21 amounted to €404 million (H1 2019/20: €431 million). In Q2 2020/21, depreciation and amortisation amounted to €205 million (Q2 2019/20: €230 million). The decrease mainly results from goodwill impairment in the previous year.

The net financial result in H1 2020/21 amounted to €-87 million (H1 2019/20: €-160 million). The other financial result mainly developed positive due to more stable exchange rates for Eastern European currencies and the Turkish lira, which had a more favourable effect on the valuation of foreign currency lease liabilities. The interest result improved mainly due to a decrease in interest expenses from leases in the amount of €13 million.

Earnings before taxes in H1 2020/21 amounted to €29 million (H1 2019/20: €24 million). The tax expense of €56 million (H1 2019/20: €17 million) for H1 2020/21 has been calculated taking into account the expected Group tax expense at the end of the financial year.

The profit or loss for the period attributable to METRO shareholders reached €-32 million in H1 2020/21. In H1 2019/20, the profit or loss for the period in continuing operations amounted to €5 million and in discontinued operations €-126 million. The profit or loss for the period attributable to METRO shareholders reached €-131 million in Q2 2020/21. In Q2 2019/20, the profit or loss for the period in continuing operations amounted to -€116 million and in discontinued operations €29 million.

The earnings per share in H1 2020/21 dropped to €-0.09. In H1 2019/20, earnings per share in continuing operations amounted to €0.01 and in discontinued operations €-0.35. The earnings per share in Q2 2020/21 dropped to €-0.36. In Q2 2019/20, earnings per share in continuing operations amounted to €-0.32 and in discontinued operations €0.08.

Investments

METRO invested €315 million in H1 2020/21 (H1 2019/20: €302 million). Adjusted for acquisitions (mainly the Portuguese food supplier Aviludo Group), isolated, country-specific Covid-19-related savings resulted in decreased investments.

Financing and net debt

The company's medium-term and long-term financing needs are covered by an ongoing bond issuance programme with a maximum volume of €5 billion. By 31 March 2021, the bond issuance programme had been utilised up to €1.776 billion (31/3/2020: €1.776 billion).
Short-term financing requirements are covered through the Euro Commercial Paper Programme with a maximum volume of €2 billion. On average, the programme was used at €506 million during the reporting period. By 31 March 2021, the programme had been utilised up to €471 million (31/3/2020: €339 million).
Bilateral credit facilities totalling €209 million were used as of 31 March 2021 (31/3/2020: €1,470 million). As a cash reserve, 2 syndicated credit facilities worth €1,750 million and additional multi-year bilateral credit facilities worth €250 million were concluded. The reported net debt, after netting cash and cash equivalents as well as financial investments with financial liabilities (incl. liabilities from leases), totalled €4.5 billion as of 31 March 2021 (31/3/2020: €6.2 billion). The € 1.7 billion reduction in net debt is due in particular to the sale of the majority stake in METRO China and the hypermarket business in the course of the previous financial year.

Balance sheet

Total assets decreased by €0.7 billion to €12.5 billion compared to the end of the financial year on 30 September 2020, in particular due to the reduction in trade liabilities on the balance sheet date and the reduction in cash. In year-on-year comparison as of 31 March 2020, total assets decreased by €4.8 billion. This is mainly due to the disposal of the hypermarket business and the majority stake in METRO China.
As of 31 March 2021, the METRO group balance sheet reports equity in the amount of €1.8 billion.
The equity ratio has declined slightly from 16% to 15% since 30 September 2020. In year-on-year comparison as of 31 March 2020, the equity ratio increased from 10% to 15%.

Cash flow

The operating activities in H1 2020/21 resulted in cash outflow amounting to €-185 million (H1 2019/20: €-280 million cash outflow).
Cash flow from investing activities amounted to €15 million (H1 2019/20: €-73 million) and relates to investments in property, plant and equipment, investment properties as well as intangible assets. In H1 2020/21, the acquisitions of Davigel Spain and Aviludo Group led to payments (after deduction of cash and cash equivalents obtained) of €-22 million. The disposals of subsidiaries relate to payments received in connection with the disposal of the last hypermarket business real estate property as well as the IT companies METRO-NOM and METRO SYSTEMS Romania, which were sold to the future IT provider WIPRO. The divestments mainly include the sale of an at-equity investment in a store network in Germany.
Cash flow from financing activities totalled €-0.3 billion (H1 2019/20: €0.4 billion). In H1 2020/21, commercial paper amounting to €0.5 billion was issued under the existing commercial paper programme and €0.3 billion was repaid.

METRO SEGMENTS

METRO sales figures

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21
Total	13,555	11,388	2.0%	-16.0%	0.5%	-4.5%	1.5%	-11.5%	1.5%	-11.6%
Germany	2,421	2,254	1.9%	-6.9%	0.0%	0.0%	1.9%	-6.9%	1.9%	-6.7%
Western Europe (excl. Germany)	5,117	3,951	-2.6%	-22.8%	0.0%	0.0%	-2.6%	-22.8%	-2.5%	-22.9%
Russia	1,459	1,210	6.2%	-17.0%	4.8%	-21.0%	1.4%	4.0%	0.9%	4.2%
Eastern Europe (excl. Russia)	3,677	3,187	7.8%	-13.3%	0.0%	-8.1%	7.9%	-5.2%	7.8%	-5.2%
Asia	867	767	2.8%	-11.5%	0.7%	-8.4%	2.0%	-3.1%	1.8%	-4.4%
Others	14	19	-	-	-	-	-	-	-	-

	Sales (€ million)		Change (€)		Currency effects		Change (local currency)		Like-for-like (local currency)	
	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21
Total	6,006	5,050	1.8%	-15.9%	-0.3%	-4.0%	2.1%	-11.9%	2.3%	-12.0%
Germany	1,074	966	4.9%	-10.0%	0.0%	0.0%	4.8%	-10.0%	4.8%	-9.4%
Western Europe (excl. Germany)	2,185	1,714	-6.3%	-21.5%	0.0%	0.0%	-6.3%	-21.5%	-6.3%	-21.8%
Russia	637	533	11.3%	-16.4%	1.0%	-17.4%	10.4%	1.1%	9.8%	1.3%
Eastern Europe (excl. Russia)	1,703	1,459	9.9%	-14.3%	-1.3%	-7.1%	11.2%	-7.3%	11.2%	-7.3%
Asia	401	363	0.0%	-9.4%	-0.4%	-8.7%	0.5%	-0.7%	0.2%	-2.2%
Others	7	15	-	-	-	-	-	-	-	-

In Germany, sales in local currency in H1 2020/21 declined by -6.9%. Like-for-like sales decreased by -6.7%. This is mainly attributable to a significant decline in sales to HoReCa customers in the wake of the Covid-19 pandemic. While METRO Germany was able to offset the decline in HoReCa relatively well through the positive development of the SCO business, Rungis Express was more severely affected by the restrictions. Reported sales declined by -6.9%. In Q2 2020/21, sales in local currency declined by -10.0% and like-for-like sales declined by -9.4%. The same quarter in the previous year was positively impacted due to stock up purchases by SCO customers. Reported sales decreased by -10.0%.

Sales in local currency in Western Europe (excluding Germany) in H1 2020/21 declined significantly by -22.8% and like-for-like sales declined by -22.9%. In France, Italy and Spain in particular, the government-imposed restrictions associated with the Covid-19 pandemic had a noticeable negative impact. Reported sales also declined by -22.8% to €4.0 billion. In Q2 2020/21, sales in local currency declined by -21.5% and like-for-like sales declined by -21.8%. Reported sales decreased by -21.5%.

In Russia the sales in local currency in H1 2020/21 showed a significant growth of 4.0%. Sales growth was driven by the HoReCa and Trader customer groups. Like-for-like sales increased by 4.2%. Reported sales decreased by -17.0% due to negative currency effects. In Q2 2020/21, sales in local currency increased by 1.1% and like-for-like sales increased by 1.3% compared to a strong prior-year basis due to stock up purchases. The reported sales decreased by -16.4% due to currency effects.

In Eastern Europe (excluding Russia), sales in local currency and like-for-like sales declined by -5.2%. In Poland, the Czech Republic, Slovakia and Hungary, Covid-19 related restrictions had a particularly negative impact. Ukraine, Romania and Turkey in particular developed positively in local currency. Due to negative currency effects, especially in Turkey and Ukraine, reported sales were down by -13.3%. In Q2 2020/21, sales in local currency and like-for-like sales declined by -7.3%. The reported sales decreased by -14.3% due to currency effects.

Sales in local currency in Asia in H1 2020/21 declined by -3.1%. Like-for-like sales decreased by -4.4%. The government-imposed restrictions had a noticeably negative impact in Japan and on Classic Fine Foods. Impacted by negative currency effect developments reported sales decreased by -11.5%. In Q2 2020/21, sales in local currency declined only by -0.7% and like-for-like sales declined by -2.2%. The reported sales decreased by -9.4% due to currency effects. Negative currency effects were observed particularly in India and Pakistan.

In H1 2020/21, due to Covid-19 related restrictions on the HoReCa sector, METRO's delivery sales declined by -26% to €1.6 billion (H1 2019/20: €2.2 billion) and reached a sales share of 14% (H1 2019/20: 16%). The decline is attributable to government-imposed restrictions on the hospitality industry, which represents the largest delivery share in the METRO portfolio. In Q2 2020/21, delivery sales declined by -20% to €0.8 billion (Q2 2019/20: €1.0 billion) and reached a sales share of 15% (Q2 2019/20: 16%).

As of 31 March 2021, the store network comprised 680 locations. In H1 2020/21, new stores included 1 location in India and 1 location in Pakistan.

METRO key figures

€ million	EBITDA adjusted H1 2019/20	EBITDA adjusted H1 2020/21	EBITDA adjusted Change (€)	Transformation costs H1 2019/20	Transformation costs H1 2020/21	Earnings contributions from real estate transactions H1 2019/20	Earnings contributions from real estate transactions H1 2020/21	EBITDA H1 2019/20	EBITDA H1 2020/21
Total	659	490	-169	45	12	1	42	615	520
Germany	72	77	4	0	10	0	0	72	66
Western Europe (excl. Germany)	227	82	-145	0	0	1	0	228	82
Russia	124	101	-23	0	0	0	0	124	101
Eastern Europe (excl. Russia)	181	157	-24	0	0	0	0	181	157
Asia	11	12	1	0	0	0	0	11	12
Others	42	62	20	45	2	0	42	-4	102
Consolidation	1	-1	-3	0	0	0	0	1	-1

€ million	EBITDA adjusted Q2 2019/20	EBITDA adjusted Q2 2020/21	EBITDA adjusted Change (€)	Transformation costs Q2 2019/20	Transformation costs Q2 2020/21	Earnings contributions from real estate transactions Q2 2019/20	Earnings contributions from real estate transactions Q2 2020/21	EBITDA Q2 2019/20	EBITDA Q2 2020/21
Total	133	114	-19	45	11	0	17	87	121
Germany	-4	9	13	0	10	0	0	-4	-1
Western Europe (excl. Germany)	23	-12	-35	0	0	0	0	23	-12
Russia	37	32	-4	0	0	0	0	37	32
Eastern Europe (excl. Russia)	64	54	-10	0	0	0	0	64	54
Asia	-1	3	4	0	0	0	0	-1	3
Others	14	29	15	45	0	0	17	-31	46
Consolidation	0	-1	-1	0	0	0	0	0	-1

In Germany, the adjusted EBITDA in H1 2020/21 reached €77 million (H1 2019/20: €72 million). This increase is mainly the result of good margin development and rigorous cost management. The positive effects were particularly visible in Q2 2020/21, when adjusted EBITDA reached €9 million (Q2 2019/20: €-4 million). In Q2 2020/21 transformation costs of €10 million were mainly incurred for the agreed closure of a Multi-Center and various store restaurants (Q2 2019/20: €0 million).

In Western Europe (excluding Germany), the adjusted EBITDA in H1 2020/21 reached €82 million (H1 2019/20: €227 million). This decline is largely a consequence of the Covid-19-related government restrictions, which caused a sales- and margin-related decline in EBITDA in France that could only be partially offset by cost savings. Other countries such as Italy and Spain, for example, also experienced sales-related EBITDA declines due to the Covid-19 pandemic, as did Pro à Pro. The acquisition of Davigel Spain yielded positive one-time earnings in the mid single-digit euro million range. Earnings contributions from real estate transactions amounted to €0 million in H1 2020/21 (H1 2019/20: €1 million). In Q2 2020/21, the adjusted EBITDA amounted to €-12 million (Q2 2019/20: €23 million).

Adjusted EBITDA in H1 2020/21 in Russia reached €101 million (H1 2019/20: €124 million). Adjusted for currency effects, adjusted EBITDA increased by €2 million as a result of the positive sales trend. In Q2 2020/21, the adjusted EBITDA amounted to €32 million (Q2 2019/20: €37 million).

In Eastern Europe (excluding Russia), the adjusted EBITDA in H1 2020/21 reached €157 million (H1 2019/20: €181 million). This decrease is mainly attributable to the declining sales development caused by Covid-19, especially in Poland, the Czech Republic and Slovakia. Adjusted for currency effects, adjusted EBITDA declined by €-7 million in Eastern Europe. In Q2 2020/21, adjusted EBITDA amounted to €54 million (Q2 2019/20: €64 million). The conclusion of a legal dispute with a mid single-digit euro million amount had a positive effect here.

Adjusted EBITDA in Asia in H1 2020/21 reached €12 million (H1 2019/20: €11 million). While India developed positively, the government-imposed restrictions in the wake of the Covid-19 pandemic had a negative impact, especially on Classic Fine Foods. Earnings from the share of METRO China's partnership with Wumei contributed positively to earnings development, with a low single-digit euro million amount. Adjusted for currency effects, adjusted EBITDA in Asia increased by €3 million. In Q2 2020/21, adjusted EBITDA amounted to €3 million (Q2 2019/20: €-1 million), which is slightly above previous year's level.

Adjusted EBITDA in the Others segment in H1 2020/21 reached €62 million (H1 2019/20: €42 million). Essential elements of the improvement compared to the previous year are an improved result at METRO Logistics and license earnings from the partnership with Wumei. Furthermore, savings from the restructuring carried out in the previous year had a positive effect on personnel costs. In addition, one-off income from the termination of arbitration proceedings and from the reassessment of transaction-related provisions totalling a low double-digit euro million amount supported the earnings development. Transformation costs of €2 million (H1 2019/20: €45 million) were incurred. Earnings contributions from real estate transactions amounted to €42 million (H1 2019/20: €0 million) and resulted mainly from the disposal of the last remaining real estate property of the hypermarket business and from the sale of an at-equity accounted investment in a retail store network in Germany. Adjusted EBITDA in Q2 2020/21 reached €29 million (Q2 2019/20: €14 million).

OPPORTUNITIES AND RISKS

Since the preparation of the consolidated financial statements, there have been considerable changes to the risks and opportunities for the anticipated development of the group detailed in the METRO annual report 2019/20. The following section describes the changes that have occurred.

The probability of occurrence of risk #4 'Sustainability risks' has decreased from probable (> 50%) to possible (25–50%), but the loss potential has increased from minor (< €50 million) to major (> €100–300 million). The background for the greater loss potential is the increasing international regulations on traceability, which may lead to fines or result in a ban on the sale of the affected goods in case of non-compliance.

The loss potential of risk #5 'Business model challenge' has decreased from significant (> €300 million) to major (> €100–300 million). The reduced risk reflects the completion of the disposal of the hypermarket business.

In connection with the completion of the disposal of hypermarket business, the probability of occurrence of risk #9 'Risks from completed transactions' was raised from possible (25–50%) to probable (> 50%), since the remaining risks, such as the potential residual costs, have a probability of occurrence of more than 50%.

For risk #12 'Tax risks', a new component was added compared to the Annual Report 2019/20. This relates to the possible expiry of existing tax loss carryforwards if an anchor shareholder acquires more than 50% of the shares in METRO AG. The risk has become more significant since the shareholder EPGC currently holds more than 40% of the shares after two takeover attempts. The economic risk has therefore increased from moderate (> €50–100 million) and possible (25–50%) to significant (> €300 million) and probable (> 50%). For the assessment of the direct financial impact on the consolidated financial statements, it should be noted that no significant deferred tax assets are recognised on the loss carry forwards in the balance sheet.

In comparison to the Annual Report 2019/20, another risk was added related to safety and occupational health. This risk is assessed as moderate (> €50–100 million) and possible (25–50%) and mainly relates to the increasing political unrest as well as risks in connection with operational safety.

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

OUTLOOK

Outlook for METRO

The sales and EBITDA outlook for the financial year 2020/21, which was published on 14 December 2020, was adjusted on 20 April 2021. This was due to the continuous prolongation and the high volatility of regulatory measures related to Covid-19. These measures continue to significantly restrict public life in many of the METRO countries. METRO had so far assumed that re-openings of hospitality businesses would be starting in April at the latest. This appears no longer realistic on a broad scale before June. The Management Board, however, is still convinced of the fast and substantial recovery of the hospitality and tourism industry upon release of the governmental restrictions and has seen evidence of this in the countries where hospitality businesses have been reopened partially or in full.

The Management Board therefore decided to adjust the outlook for financial year 2020/21 on 20 April 2021. Based on the updated assumption of hospitality re-openings broadly between June and August, METRO now expects

- Sales (both total sales and like-for-like) decline by approximately -3% to -6% to previous year (previously: slightly below previous year)
- EBITDA adjusted decline by roughly €-50 million to €-175 million to previous year (previously: decline by mid double-digit euro million amount)

The outlook assumes stable exchange rates and no further adjustments to the portfolio. The sensitivity of sales and earnings to the duration and severity of governmental restrictions is the highest for hospitality driven regions, esp. in the segment Western Europe. In contrast, the segments Russia and Asia are expected to perform better than the group.

Increased cost efficiency and proven measures support the operating business. A continuous resilient development with Trader and SCO customers further allows to partly compensate the impact on the HoReCa customers. Considering the strong financial profile, the proven competitive position and the comprehensive digital footprint, METRO is well positioned to benefit from the upcoming recovery.

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 and H1 2020/21. This strategy was key for the continuous market outperformance during the Covid-19 pandemic and the respective rapid recoveries METRO experienced already in less intense periods of the pandemic. Key elements are:

- 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.

CONDENSED INTERIM FINANCIAL REPORT

INCOME STATEMENT

€ million	H1 2019/20	H1 2020/21	Q2 2019/20	Q2 2020/21
Sales Revenues	13,555	11,388	6,006	5,050
Cost of sales	-11,262	-9,510	-5,053	-4,263
Gross profit on sales	2,293	1,877	954	787
Other operating income	473	597	225	294
Selling expenses	-1,990	-1,826	-994	-899
General administrative expenses	-411	-380	-222	-190
Other operating expenses	-173	-157	-97	-75
Earnings from impairment of financial assets	-18	-10	-15	-8
Earnings share of operating companies recognised at equity	10	13	5	6
Earnings before interest and taxes (EBIT)	184	116	-143	-85
Earnings share of non-operating companies recognised at equity	0	0	0	0
Other investment result	1	10	0	6
Interest income	15	17	7	8
Interest expenses	-126	-112	-62	-55
Other financial result	-50	-3	-54	-4
Net financial result	-160	-87	-109	-46
Earnings before taxes EBT	24	29	-252	-130
Income taxes	-17	-56	135	0
Profit or loss for the period from continuing operations	7	-28	-117	-130
Profit or loss for the period from discontinued operations	-121	0	33	0
Profit or loss from the period	-114	-28	-84	-130
Profit or loss for the period attributable to non-controlling interests	7	4	3	1
from continuing operations	2	4	-1	1
from discontinued operations	6	0	4	0
Profit or loss for the period attributable to the shareholders of METRO AG	-121	-32	-87	-131
from continuing operations	5	-32	-116	-131
from discontinued operations	-126	0	29	0
Earnings per share in € (basic = diluted)	-0.33	-0.09	-0.24	-0.36
from continuing operations	0.01	-0.09	-0.32	-0.36
from discontinued operations	-0.35	0.00	0.08	0.00

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

€ million	H1 2019/20	H1 2020/21	Q2 2019/20	Q2 2020/21
Profit or loss from the period	-114	-28	-84	-130
Other comprehensive income				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	54	12	37	18
Remeasurement of defined benefit pension plans	73	17	48	24
Effects from the fair-value measurements of equity instruments	0	0	0	0
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss	-19	-5	-12	-7
Items of other comprehensive income that may be reclassified subsequently to profit or loss	-358	34	-328	40
Currency translation differences from translating the financial statements of foreign operations	-319	42	-309	46
Effective portion of gains/losses from cash flow hedges	-39	1	-19	4
Effects from the fair-value measurements of equity instruments	0	0	0	0
Share of other comprehensive income of associated companies/joint ventures accounted for using the equity method	0	-9	0	-9
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss	0	0	0	-1
Other comprehensive income	-304	47	-291	58
Total comprehensive income	-418	19	-375	-73
Total comprehensive income attributable to non-controlling interests	7	4	3	1
Total comprehensive income attributable to the shareholders of METRO AG	-425	14	-379	-73

BALANCE SHEET

ASSETS

€ million	31/3/2020	30/09/2020	31/3/2021
Noncurrent assets	8,335[1]	8,277	8,065
Goodwill	742	731	739
Other intangible assets	569	576	571
Property, plant and equipment	6,201[1]	5,811	5,676
Investment properties	119	188	181
Financial assets	96	98	89
Investments accounted for using the equity method	177	421	354
Miscellaneous financial assets	136	185	164
Miscellaneous non-financial assets	18	16	18
Deferred tax assets	277[1]	252	273
Current assets	8,907	4,915	4,403
Inventories	2,074	1,888	2,033
Trade receivables	351	429	357
Financial assets	3	3	3
Miscellaneous financial assets	502	525	537
Miscellaneous non-financial assets	416	377	347
Entitlements to income tax refunds	186	145	111
Cash and cash equivalents	606	1,525	1,014
Assets held for sale	4,769	22	0
	17,242[1]	13,192	12,468

[1] Adjustment of previous year in connection with IFRS 16 (Leases).

EQUITY AND LIABILITIES

€ million	31/3/2020	30/09/2020	31/3/2021
Equity	1,666[1]	2,061	1,825
Share capital	363	363	363
Capital reserve	6,118	5,048	5,048
Reserves retained from earnings	-4,847[1]	-3,358	-3,599
Equity before non-controlling interests	1,634[1]	2,053	1,812
Non-controlling interests	31	8	14
Noncurrent liabilities	5,515	5,506	4,834
Provisions for post-employment benefits plans and similar obligations	503	550	518
Other provisions	108	139	156
Financial liabilities	4,658	4,541	3,901
Miscellaneous financial liabilities	53	17	17
Other non-financial liabilities	25	193	133
Deferred tax liabilities	168	66	108
Current liabilities	10,062	5,625	5,809
Trade liabilities	2,951	3,199	2,775
Provisions	171	287	258
Financial liabilities	2,129	773	1,579
Miscellaneous financial liabilities	610	724	642
Other non-financial liabilities	305	451	344
Income tax liabilities	95	184	210
Liabilities related to assets held for sale	3,802	7	0
	17,242[1]	13,192	12,468

[1] Adjustment of previous year in connection with IFRS 16 (Leases).

CASH FLOW STATEMENT

€ million	H1 2019/20	H1 2020/21
EBIT	184	116
Depreciation/amortisation/impairment losses/reversal of impairment losses of fixed assets excl. financial investments	431	404
Change in provisions for pensions and other provisions	13	-32
Change in net working capital	-571	-490
Paid (-) / received income taxes	-86	16
Reclassification of gains (–) / losses (+) from the disposal of fixed assets	-2	-18
Lease payments received	18	29
Others	-267	-209
Cash flow from operating activities of continuing operations	-280	-185
Cash flow from operating activities of discontinued operations	290	0
Cash flow from operating activities	10	-185
Acquisition of subsidiaries	0	-22
Investments in property, plant and equipment and in investment property (excluding right-of-use assets)	-106	-70
Other investments	-77	-65
Investments in monetary assets	0	-1
Disposals of subsidiaries	0	45
Divestments	110	122
Disposal of monetary assets	0	7
Cash flow from investing activities of continuing operations	-73	15
Cash flow from investing activities of discontinued operations	-30	0
Cash flow from investing activities	-103	15
Dividends paid	-261	-254
to METRO AG shareholders	-254	-254
to other shareholders	-7	0
Proceeds from borrowings	5,294	524
Redemption of borrowings	-4,328	-295
Lease payments	-283	-271
Interest paid	-39	-59
Interest received	7	9
Other financing activities	-6	6
Cash flow from financing activities of continuing operations	383	-341
Cash flow from financing activities of discontinued operations	-179	0
Cash flow from financing activities	204	-341
Total cash flows	112	-511
Currency effects on cash and cash equivalents	-24	-1
Total change in cash and cash equivalents	88	-512
Total cash and cash equivalents as of 1 October	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 1 October	500	1,525
Total cash and cash equivalents as of 31 March	1,131	1,014
less cash and cash equivalents reported in assets in accordance with IFRS 5	525	0
Cash and cash equivalents as of 31 March	606	1,014

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

€ million	Share capital	Capital reserve	Reserves retained from earnings[1]	Total equity before non-controlling interests[1]	Non-controlling interests	Total equity[1]
1/10/2019	363	6,118	-4,167	2,314	31	2,345
Earnings after taxes	0	0	-121	-121	7	-114
Other comprehensive income	0	0	-304	-304	0	-304
Total comprehensive income	0	0	-425	-425	7	-418
Capital increases	0	0	0	0	0	0
Dividends	0	0	-254	-254	-7	-261
Capital transactions with a change in the participation rate	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
31/3/2020	363	6,118	-4,847	1,634	31	1,666
1/10/2020	363	5,048	-3,358	2,053	8	2,061
Earnings after taxes	0	0	-32	-32	4	-28
Other comprehensive income	0	0	46	46	0	47
Total comprehensive income	0	0	14	14	4	19
Capital increases	0	0	0	0	0	0
Dividends	0	0	-254	-254	0	-254
Capital transactions with a change in the participation rate	0	0	-1	-1	1	0
Other changes	0	0	0	0	0	0
31/3/2021	363	5,048	-3,599	1,812	14	1,825

[1] Adjustment of previous year in connection with IFRS 16 (Leases).

NOTES ON THE CONDENSED INTERIM FINANCIAL REPORT

SEGMENT REPORTING H1 2020/21

OPERATING SEGMENTS

	Germany		Western Europe (excl. Germany)		Russia		Eastern Europe (excl. Russia)		Asia	
€ million	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21	H1 2019/20	H1 2020/21
External sales (net)	2,421	2,254	5,117	3,951	1,459	1,210	3,677	3,187	867	767
Internal sales (net)	8	5	1	2	18	16	0	0	0	0
Sales (net)	2,430	2,259	5,118	3,953	1,476	1,226	3,677	3,187	867	767
EBITDA adjusted	72	77	227	82	124	101	181	157	11	12
Transformation costs	0	10	0	0	0	0	0	0	0	0
Earnings contributions from real estate transactions	0	0	1	0	0	0	0	0	0	0
EBITDA	72	66	228	82	124	101	181	157	11	12
Depreciation/amortisation/ impairment losses	53	55	128	138	32	25	67	63	45	19
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0
EBIT	19	11	100	-56	92	76	114	94	-34	-7
Investments	50	35	76	157	4	7	53	28	10	9
Non-current segment assets	1,014	955	2,532	2,550	841	780	1,539	1,424	558	495

OPERATING SEGMENTS

€ million	Others H1 2019/20	Others H1 2020/21	Consolidation H1 2019/20	Consolidation H1 2020/21	METRO continuing operations H1 2019/20	METRO continuing operations H1 2020/21
External sales (net)	14	19	0	0	13,555	11,388
Internal sales (net)	415	345	-442	-368	0	0
Sales (net)	429	363	-442	-368	13,555	11,388
EBITDA adjusted	42	62	1	-1	659	490
Transformation costs	45	2	0	0	45	12
Earnings contributions from real estate transactions	0	42	0	0	1	42
EBITDA	-4	102	1	-1	615	520
Depreciation/amortisation/ impairment losses	106	103	0	0	431	404
Reversals of impairment losses	0	0	0	0	0	0
EBIT	-109	-1	1	-1	184	116
Investments	109	79	0	0	302	315
Non-current segment assets	1,310	1,140	7	1	7,802	7,344

SEGMENT REPORTING Q2 2020/21

OPERATING SEGMENTS

€ million	Germany Q2 2019/20	Germany Q2 2020/21	Western Europe (excl. Germany) Q2 2019/20	Western Europe (excl. Germany) Q2 2020/21	Russia Q2 2019/20	Russia Q2 2020/21	Eastern Europe (excl. Russia) Q2 2019/20	Eastern Europe (excl. Russia) Q2 2020/21	Asia Q2 2019/20	Asia Q2 2020/21
External sales (net)	1,074	966	2,185	1,714	637	533	1,703	1,459	401	363
Internal sales (net)	4	2	0	0	8	7	0	0	0	0
Sales (net)	1,078	969	2,185	1,715	645	540	1,703	1,459	401	363
EBITDA adjusted	-4	9	23	-12	37	32	64	54	-1	3
Transformation costs	0	10	0	0	0	0	0	0	0	0
Earnings contributions from real estate transactions	0	0	0	0	0	0	0	0	0	0
EBITDA	-4	-1	23	-12	37	32	64	54	-1	3
Depreciation/amortisation/ impairment losses	27	28	66	73	16	13	33	32	35	10
Reversals of impairment losses	0	0	0	0	0	0	0	0	0	0
EBIT	-31	-30	-43	-85	21	19	30	22	-36	-7
Investments	41	24	49	126	2	5	27	17	5	2
Non-current segment assets	1,014	955	2,532	2,550	841	780	1,539	1,424	558	495

OPERATING SEGMENTS

€ million	Others		Consolidation		METRO continuing operations	
	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21	Q2 2019/20	Q2 2020/21
External sales (net)	7	15	0	0	6,006	5,050
Internal sales (net)	197	164	-209	-174	0	0
Sales (net)	204	179	-209	-174	6,006	5,050
EBITDA adjusted	14	29	0	-1	133	114
Transformation costs	45	0	0	0	45	11
Earnings contributions from real estate transactions	0	17	0	0	0	17
EBITDA	-31	46	0	-1	87	121
Depreciation/amortisation/ impairment losses	54	50	0	0	230	205
Reversals of impairment losses	0	0	0	0	0	0
EBIT	-85	-4	0	-1	-143	-85
Investments	46	39	0	0	170	213
Non-current segment assets	1,310	1,140	7	1	7,802	7,344

NOTES

Group accounting principles and methods

The condensed interim financial report as of 31 March 2021 has been prepared in accordance with IAS 34 (Interim Financial Reporting), which governs interim financial reports as required by the International Financial Reporting Standards (IFRS). As it is a condensed interim financial report, it does not contain all the information required by IFRS for a full consolidated financial statement at the end of a financial year.
This interim financial report is unaudited but has been reviewed in line with Section 115 Paragraph 5 WpHG.
The condensed interim financial report was prepared in euros. All amounts are stated in million euros (€ million), unless indicated otherwise. Amounts below €0.5 million are rounded and reported as €0 million. Individual figures may not add up to the stated sum precisely due to rounding.
Revenue-related and cyclical issues within a financial year are anticipated or deferred, if material.
The interim financial report has been prepared in accordance with all applicable standards and interpretations as published by the International Accounting Standards Board (IASB), provided that the European Union has adopted them. In general, the same accounting policies are applied as in the consolidated financial statements as of 30 September 2020. The notes to the consolidated financial statements as of 30 September 2020 contain further information about the accounting and measurement methods applied. This also includes amended IFRS used for the first time in financial year 2020/21, which do not have a significant impact on the condensed interim financial report.
Reported tax expenses are determined in accordance with the regulations for interim financial reporting using the integral approach. The current company plans as at the end of the financial year are the basis of the calculation.

Accounting standards recently adopted into European law

The information about new or amended standards that are applicable for the first time as provided in the consolidated financial statements as of 30 September 2020 are updated to include the following changes to IFRS which have been approved by the European Union since. However, they are not to be applied by METRO until the coming financial year or, with regard to the second issue concerning the amendment to IFRS 4, until financial year 2023/24:

- amendments to IAS 39, IFRS 4, 7, 9 and 16 regarding the interest rate benchmark reform – phase 2,
- amendments to IFRS 4 regarding the deferral of IFRS 9.

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

Covid-19

H1 2020/21 was markedly impacted by the government measures associated with the Covid-19 pandemic, whereby the individual METRO segments were affected to varying degrees.

In order to prepare this condensed interim financial report while taking into account the changes in the corporate environment, it was necessary to make estimates and assumptions that had an impact on the disclosure and carrying amounts of the assets and liabilities in the balance sheet as well as income and expenses reported. Estimates and underlying assumptions with major effects have been made particularly in the following areas:

- indicator-based impairment testing of assets with and without finite useful lives including goodwill,
- recoverability of receivables – in particular trade receivables and receivables due from suppliers,
- measurement of inventories,
- determination of the tax rate for the integral approach pursuant to IAS 34,
- calculation of provisions for performance-based remuneration components.

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

For the measurement of receivables, increased specific bad debt allowances were earmarked, particularly in units with longer payment terms and strong ties to the HoReCa sector. Furthermore, the future element as part of the general risk provisioning in accordance with IFRS 9 has been risk-adjusted.

The measurement of inventories took into account appropriate risk provisioning in light of the current business environment.

The indicator-based review of the carrying amounts of individual cash-generating units did not result in a need to recognise impairment losses on goodwill, since negative effects on long-term profitability could not be derived from the short-term pandemic-related effects of the earnings position so far.

Provisions and performance-based remuneration components were also calculated based on the corporate planning; however, they also reflected current market parameters such as the development of the share price and comparative indices.

NOTES ON BUSINESS COMBINATIONS

Davigel España, S.A.U

In accordance with the purchase agreement dated 30 December 2020, METRO Cash & Carry International Holding B.V. acquired 100% of Davigel España, S.A.U (Davigel) shares from SYSCO FRANCE SAS (Sysco), France, as of 30 December 2020. The acquisition price was less than one million euros and was paid in cash. Davigel is an established food service distribution (FSD) company in Spain with a strong presence in the Balearic and Canary Islands. More than 70% of all customers are hotel chains, while independent restaurateurs and HoReCa operations account for about 30% of sales. The transaction is of high strategic relevance for METRO in Spain, since Davigel provides access to new customers and secures exclusive rights for certain products of Sysco France.

The initial consolidation was carried out as of 1 January 2021. Davigel is part of the segment Western Europe (excluding Germany).

The fair values of the acquired assets and liabilities at the acquisition date consisted of the following:

ACQUIRED ASSETS AND LIABILITIES

€ million	1/1/2021
Assets	12
Property, plant and equipment	3
Deferred tax assets	1
Inventories	2
Trade receivables	2
Cash and cash equivalents	4
Liabilities	5
Financial liabilities (non-current)	1
Deferred tax liabilities	1
Trade liabilities	1
Financial liabilities (current)	1
Other financial liabilities (current)	1

The gross amount of trade receivables is €3 million, of which €1 million was assessed as probably uncollectible at the time of the acquisition.

Costs of significantly less than €1 million were incurred in connection with the transaction, which were reported under other operating expenses.

The initial consolidation of Davigel is provisional with respect to the determination of the final purchase price. The acquisition of Davigel resulted in a provisional negative difference (badwill) of €7 million, which was recognised as other operating income entirely in Q2 2020/21. The negative difference results from the challenging market conditions due to the Covid-19 pandemic, which significantly affects Davigel's main customers in the hotel and restaurant industry and has been taken into account to reduce the purchase price accordingly.

Since the date of initial consolidation on 1 January 2021, Davigel contributed €1 million to METRO’s sales and €-2 million to profit or loss for the period (without collection of the negative difference).
Assuming that the acquisition had taken place on 1 October 2020, Davigel would have contributed €4 million to METRO’s revenue and €-3 million to profit or loss for the period (without collection of the negative goodwill).

The sales and earnings development of Davigel have been negatively influenced to a large extent by the government measures in the context of the Covid-19 pandemic.

Aviludo Group

Pursuant to the purchase agreement dated 16 October 2020, METRO FSD HOLDING PORTUGAL, SGPS, S.A. acquired the following companies from AVILUDO SGPS, S.A., Portugal, on 28 February 2021 (Aviludo Group):

- Aviludo – Indústria e Comércio de Produtos Alimentares, S.A. (100%)
- ATLA – Logística, S.A. (100%)
- LUDOFOODS, S.A. (100%)
- FOODGO – Import Export, LDA. (100%)
- X4DEV – Business Solutions, S.A. (71%)

The purchase price was in the low double-digit million euro range and was paid in cash. With a strong presence in Lisbon and the tourist-oriented south of Portugal, the Aviludo Group specialises in meat processing and is renowned for consistent quality and high customer service standards. Aviludo Group is the second largest Portuguese food supplier with a focus on independent restaurateurs, canteens and restaurant chains. This acquisition is a key step towards a complete alignment on HoReCa customers. With the resulting access to complementary HoReCa customer groups, METRO is reinforcing its position in the growing FSD segment while creating an additional offering for local customers.

The initial consolidation was carried out as of 1 March 2021. The Aviludo Group is part of the segment Western Europe (excluding Germany).

The fair values of the acquired assets and liabilities of the consolidated group at the acquisition date consisted of the following:

ACQUIRED ASSETS AND LIABILITIES

€ million	1/3/2021
Assets	48
Other intangible assets	6
Property, plant and equipment	29
Inventories	3
Trade receivables	4
Miscellaneous non-financial assets	2
Cash and cash equivalents	4
Liabilities	27
Financial liabilities (non-current)	9
Deferred tax liabilities	3
Trade liabilities	9
Financial liabilities (current)	1
Other financial liabilities (current)	3
Other non-financial liabilities (current)	1

The relief-from-royalty method and multi-period excess earnings method were used to determine the fair values of the acquired intangible assets. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademark being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

The gross amount of trade receivables is €4 million, of which €0 million was assessed as probably uncollectible at the time of the acquisition.

Costs of €2 million (thereof: €1 million in financial year 2019/20) were incurred in connection with the transaction, which were reported under other operating expenses.

The initial consolidation of Aviludo Group is provisional with respect to the determination of the final purchase price and the valuation of the assets and liabilities in the opening balance sheet. The acquisition of Aviludo Group resulted in goodwill of €8 million, mainly due to future earnings potential resulting from anticipated synergy effects with the wholesale business of MAKRO Portugal. The goodwill recognized is not expected to be deductible for tax purposes.

From the date of initial consolidation on 1 March 2021, the Aviludo Group contributed €5 million to METRO's sales and €-1 million to profit or loss for the period.

Assuming that the acquisition had taken place on 1 October 2020, Aviludo Group would have contributed €35 million to METRO's sales and €-5 million to profit or loss for the period.

The sales and earnings development of Aviludo Group have been negatively influenced to a large extent by the government measures in the context of the Covid-19 pandemic.

NOTES TO THE INCOME STATEMENT

Sales Revenues

Sales revenues are recognised in accordance with IFRS 15 (Revenue from Contracts with Customers).
Sales revenues are allocated to the following categories:

€ million	H1 2019/20	H1 2020/21
Store-based and other business	11,346	9,763
METRO Germany	2,118	2,114
METRO Western Europe (excl. Germany)	4,220	3,297
METRO Russia	1,329	1,088
METRO Eastern Europe (excl. Russia)	3,108	2,763
METRO Asia	562	485
Others	9	18
Delivery sales	2,209	1,624
METRO Germany	303	140
METRO Western Europe (excl. Germany)	897	655
METRO Russia	130	123
METRO Eastern Europe (excl. Russia)	569	424
METRO Asia	305	282
Others	5	1
Total sales	13,555	11,388
METRO Germany	2,421	2,254
METRO Western Europe (excl. Germany)	5,117	3,951
METRO Russia	1,459	1,210
METRO Eastern Europe (excl. Russia)	3,677	3,187
METRO Asia	867	767
Others	14	19

Depreciation

Depreciation/amortisation/impairment losses amount to €404 million (H1 2019/20: €432 million) and include impairments of €5 million (H1 2019/20: €28 million).
Impairment losses are mainly attributable to property, plant and equipment in the amount of €166 million (H1 2019/20: €178 million), rights of use in the amount of €152 million (H1 2019/20: €161 million) and other intangible assets in the amount of €71 million (H1 2019/20: €61 million). The depreciation/amortisation includes impairment losses of €5 million (H1 2019/20: €0 million) on rights of use, €0 million (H1 2019/20: €25 million) on goodwill and €0 million (H1 2019/20: €2 million) on other property, plant and equipment. Another €0 million (H1 2019/20: €1 million) are attributable to impairments of financial investments.

NOTES TO THE BALANCE SHEET

Dividends paid

Dividend distribution of METRO AG is based on METRO AG's Annual Financial Statements prepared under German commercial law.
As resolved by the Annual General Meeting on 19 February 2021, a dividend of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – was paid from the balance sheet profit of €267 million reported for financial year 2019/20. The remaining sum was carried forward to the new account. The payout took place on 24 February 2021.

Effects from the remeasurement of defined benefit pension plans

Within the scope of the reporting of actuarial gains and losses, a total increase in equity of €17 million (H1 2019/20: €73 million increase in equity) from the remeasurement of defined benefit pension plans was recognised as impairments to equity in the other comprehensive income in the first 6 months of financial year 2020/21 outside of profit or loss. Reported tax expenses in equity had a contrary effect to the sum of €5 million (H1 2019/20: €19 million).
The country-specific actuarial interest rates and pension trends have developed as follows in significant locations:

	31/3/2020				31/3/2021			
%	Germany	Netherlands	United Kingdom	Belgium	Germany	Netherlands	United Kingdom	Belgium
Actuarial interest rate	1.80	2.00	2.30	1.80	1.40	1.70	2.00	1.40
Pension trend	1.50	0.70	1.90	2.00	1.50	0.70	3.00	2.00

Carrying amounts and fair values according to measurement categories

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

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

	31/3/2021	
€ million	Carrying amount	Fair value
Receivables from leases (carrying amount according to IFRS 16)	193	194
Financial liabilities excl. leases (incl. hedged items in hedging relationships according to IAS 39)	2,515	2,568

Assets recognised at fair value amount to €92 million (31/3/2020: €95 million), thereof €61 million from investments (31/3/2020: €67 million) as well as equity and liabilities totalling €12 million (31/3/2020: €79 million).
There were no significant changes in the measurement methods or input parameters.
The measurement of investments recognised at fair value in the amount of €61 million (31/3/2020: €67 million) is recognised through profit or loss for investments in the amount of €57 million (31/3/2020: €63 million) and outside of profit or loss for investments in the amount of €4 million (31/3/2020: €4 million).
In order to hedge the currency risks arising from the expected purchase price for the operations and related real estate of METRO China, a forward currency contract, which was previously subject to the closing of the transaction, was concluded in the previous year once the transaction was completed. It was designated as a cash flow hedge and was recognised with a market value of €-38 million on the closing date last year.
The fair-value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. No transfers between levels 1 and 2 were affected during the reporting period.

Assets held for sale and liabilities

METRO is entering into a strategic partnership with Wipro Limited
On 22 December 2020, METRO AG entered into a strategic partnership with international IT services provider Wipro Limited (Wipro), a global leader in information technology, consulting and business process services. The goal was to boost the transformation of the Group’s IT and to focus more on activities that add diversified value for METRO customers in the future. Under the partnership, more than 1,000 employees in Germany, Romania and India (plus other freelance consultants) will switch to Wipro.

The disposal of the Metro IT companies METRO-NOM GmbH and METRO SYSTEMS Romania as well as the associated transfer of employees to Wipro was completed on 31/3/2021.

As a result of the classification as ‘assets held for sale and liabilities’, €108 million were reported in the consolidated balance sheet under ‘Assets held for sale’ and €33 million under ‘Liabilities associated with assets held for sale’ after consolidation measures until the date of deconsolidation.
The assets held for sale and liabilities disposed of in the context of the deconsolidation are comprised as follows:

DERECOGNISED ASSETS AND LIABILITIES

€ million	31/3/2021
Assets	108
Other intangible assets	3
Property, plant and equipment	41
Deferred tax assets	5
Miscellaneous non-financial assets	14
Cash and cash equivalents	46
Liabilities	33
Provisions for post-employment benefits plans and similar obligations	10
Other provisions	2
Deferred tax liabilities	4
Trade liabilities	7
Financial liabilities (current)	7
Income tax liabilities	1
Other financial liabilities (current)	2
Other non-financial liabilities (current)	1

The provisional purchase price received for the assets and liabilities disposed of amounts to €52 million. Taking into account the outgoing cash, the cash inflow from this transaction amounts to € 6 million. The earnings recognised in EBIT and reported under other operating income in the context of the deconsolidation amounts to €1 million. It is completely attributable to the Others segment.

The components of other comprehensive income from currency translation differences attributable to the shareholders of METRO AG were included in the equity of METRO SYSTEMS Romania until the date of deconsolidation. They had an impact of €1 million on the financial result due to the derecognition through profit or loss.

No expenses were incurred in connection with the measurement of the disposal group at fair value less costs to sell.

METRO disposes of at-equity investment

On 22 December 2020, an agreement was concluded for the sale of our at-equity interest in Mayfair-Group, which mainly comprises a portfolio of retail properties. The transaction closed on 15 January 2021. Accordingly, the carrying amount of €72 million classified as an asset held for sale as of 31 December 2020 was derecognised. The resulting book gain of €17 million is reported under other operating income.

REPORT ON EVENTS AFTER THE CLOSING DATE

No reportable events took place after the quarterly closing date.

OTHER DISCLOSURES

Segment reporting

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

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
- Internal sales represent sales between the group's operating segments. These transactions are settled at normal market conditions.
- Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
- The adjusted EBITDA comprises the EBITDA excluding transformation costs and earnings contributions from real estate transactions.
- The term transformation costs refers to non-recurring expenses in connection with efficiency measures and mainly relate to personnel measures in the head office.
- 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. The properties are leased at market terms. 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.
- The non-current segment assets include non-current assets. They are exclusive of most financial assets, investments accounted for using the equity method, tax items, inventories, trade receivables, receivables due from suppliers, cash and cash equivalents.
- In principle, transfers between segments are made based on the costs incurred from the group's perspective.

Transactions with related parties

Transactions with related parties do not have a material impact on the net assets, financial position and results of operations.

Contingent liabilities

€ million	31/3/2020	31/3/2021
Contingent liabilities from guarantee and warranty	18	35
Contingent liabilities from the provision of collateral for third-party liabilities	10	11
Other contingent liabilities	1	0
	29	46

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

Remaining legal issues

Demerger of the group in 2017

In connection with the demerger of the group, several shareholders took legal action. On 24 January 2018, the Düsseldorf District Court rejected the complaints in their 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 German Federal Court of Justice dismissed the appeal against denial of leave to appeal by order of 24 November 2020. In the rescission proceedings concerning the resolutions of the Annual General Meeting, the Federal Court of Justice dismissed the appeal in its ruling dated 23 February 2021. As a result, all lawsuits filed by shareholders in connection with the demerger of the group have been legally terminated in favour of METRO AG and/or CECONOMY AG.

Further remaining legal issues

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

Düsseldorf, 30 April 2021
The Management Board

CHRISTIAN BAIER	RAFAEL GASSET	ANDREA EUENHEIM	ERIC POIRIER

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial report ensures a true and fair view of the asset, financial and earnings position of the group, and the interim management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining financial year.

Düsseldorf, 30 April 2021
The Management Board

CHRISTIAN BAIER	RAFAEL GASSET	ANDREA EUENHEIM	ERIC POIRIER

AUDIT REVIEW REPORT

To METRO AG, Düsseldorf

We have carried out a review of the condensed interim financial report – consisting of the balance sheet, income statement, reconciliation from profit or loss for the period to total comprehensive income, condensed statement of changes in equity, cash flow statement and select explanatory notes – and the interim corporate management report of METRO AG, Düsseldorf, all of which form the half-yearly financial report as per Section 115 WpHG, for the period from 1 October 2020 until 31 March 2021. The preparation of the condensed interim financial report in accordance with the International Accouting Standard IAS 34 'interim financial reporting' as applicable in the EU and the interim corporate management report in accordance with the WpHG regulations for interim corporate management reports is the responsibility of the legal representatives of the group. It is our responsibility to submit a certificate for the condensed interim financial report and interim corporate management report on the basis of our review.

We have conducted our review of the condensed interim financial report and the interim corporate management report in accordance with the German standards for the audit of financial statements as promulgated by the German Institute of Public Auditors (IDW). These standards stipulate that the review must be planned and carried out in a way that a critical evaluation is reasonably unlikely to find any significant non-compliance of our condensed interim financial report with the International Accouting Standard IAS 34 'interim financial reporting' as applicable in the EU and any significant non-compliance of our interim corporate management report with the WpHG regulations for interim corporate management reports. A review is largely limited to interviews with group employees and analytical evaluations. It does not offer the security provided by a full audit. As ordered, we did not carry out a full audit and are therefore unable to issue an audit certificate.

Our review has not found any circumstances that suggest any significant non-compliance of our condensed interim financial report with the International Accouting Standard IAS 34 'interim financial reporting' as applicable in the EU and any significant non-compliance of our interim corporate management report with the WpHG regulations for interim corporate management reports.

Düsseldorf, 3 May 2021

KPMG AG
Auditing company

Dr. Hain	Klaaßen
Auditor	Auditor

FINANCIAL CALENDAR

Quarterly statement 9M/Q3 2020/21	Wednesday	28 July 2021	6:30 PM
Trading statement financial year 2020/21	Wednesday	20 October 2021	6:30 PM

Times based on German time

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DISCLAIMER

This half-yearly financial report contains forward-looking statements. These statements are based on certain assumptions and expectations held at the time this report is published. Consequently, forward-looking statements involve risks and uncertainties and may differ materially from actual results. In particular, a large number of the risks and uncertainties associated with forward-looking statements are determined by factors that are not controlled by METRO and cannot be reliably estimated today. They include future market conditions and economic developments, the behaviour of other market participants, the achievement of expected synergy effects as well as statutory and political decisions.
METRO does not consider itself obligated to publish any corrections to these forward-looking statements for the purpose of adjusting them to events or circumstances that eventuate after the publishing date.