

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

Auditor

Klaaßen

Auditor