# COMBINED MANAGEMENT REPORT

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## 1 OVERVIEW OF FINANCIAL YEAR 2019/20 AND OUTLOOK

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

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

- Adjusted EBITDA: EBITDA excluding transformation costs and earnings contributions from real estate transactions
- EBITDA: EBITDA as reported in the financial statements, including transformation costs and earnings contributions from real estate transactions

### Earnings position

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

## Financial and asset position

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

## Outlook of METRO

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

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

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

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

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

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

# 2 PRINCIPLES OF THE GROUP

## 2.1 Group business model

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

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

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

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

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

### OVERVIEW OF METRO

METRO

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

**Others**

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

**METRO**

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

**Others**

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

## STORE NETWORK BY COUNTRY AND SEGMENT

as of the closing date of 30/9

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

FSD = Food Service Distribution, CFF = Classic Fine Foods

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

## 2.2 Management system

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

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

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

### MANAGEMENT SYSTEM

### Key performance indicators describing the earnings position

The first of our most important key performance indicators for our operational business is the exchange rate-adjusted sales growth (respectively as a total figure and a like-for-like figure). The like-for-like sales growth represents the sales growth measured in local currency generated on a comparable selling space or in relation to a comparable panel of locations or merchandising concepts, such as online shopping and delivery. The figure only includes sales of locations with a comparable history of at least 1 year. It follows that sales generated by locations that were affected by openings, closures, significant redevelopment works or other conceptual changes in the reporting year or the comparison year are excluded from the analysis.

The second of our most important key performance indicators, in addition to sales growth adjusted for currency effects, is EBITDA excluding transformation costs and earnings contributions from real estate transactions. This key performance indicator gives transparent account of METRO'S operational performance. Irrespective of it, the development of real estate assets and the proceeds from divestments remain core components of the group's real estate strategy.

In light of the strategic portfolio streamlining and the corresponding focus on the wholesale business, METRO is implementing the following changes: starting with financial year 2019/20, METRO is presenting this key performance indicator without accounting for transformation costs resulting from (usually) non-recurring expenses in connection with the efficiency measures. Therefore, deviating from previous reports, the following indicators are posted:

- Adjusted EBITDA: EBITDA excluding transformation costs and earnings contributions from real estate transactions
- EBITDA: EBITDA as reported in the financial statements (including transformation costs and earnings contributions from real estate transactions)

Other important key performance indicators of METRO are the profit or loss for the period and the earnings per share. These key performance indicators ensure that the tax and net financial result are given consideration in addition to the operational result and thereby allow for a holistic assessment of METRO'S earnings position from the perspective of the shareholders.

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

### Key performance indicators relating to the financial and asset position

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

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

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

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

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

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

**Value-oriented key performance indicators**

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

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

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

## 2.3 Innovation management

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

## 2.4 Combined non-financial statement of METRO AG

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

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

### Business model

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

### METRO SUSTAINABLE

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

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

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

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

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

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

### Actively managing sustainability

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

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

**METRO SUSTAINABLE – OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT**


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

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

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

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

### Environmental matters

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

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

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

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

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

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

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

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

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

## Employee interests

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

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

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

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

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

Our focus is on the following areas:

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

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

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

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

**Employee attraction**

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

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

Our main activities:

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

**Employee development and retention**

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

**Talent management and succession planning**

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

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

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

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

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

**Training and development**

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

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

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

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

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

### TRAINING COURSES AT METRO

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

### TRAINING COURSES AT METRO AG

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

**Performance-based remuneration**

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

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

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

**Diversity and inclusion**

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

**Equal opportunities at work**

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

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

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

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

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

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

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

**Occupational safety and health management**

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

**Occupational safety**

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

**Occupational safety and health reporting**

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

**KPIs for occupational safety and health**

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

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

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

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

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

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

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

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

**Development of employee numbers**

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

### DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENT

Full-time equivalents, average

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

### DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENT

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

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

## Social matters

**Respect for human rights**

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

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

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

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

**Global labour and social standards in the supply chain and supplier development**

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

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

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

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

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

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

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

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

## Combating corruption and bribery

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

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

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

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

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

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

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

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

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

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

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

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

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

## Customers

### Customer satisfaction and innovation management

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

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

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

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

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

**Protection of personal data**

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

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

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

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

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

# 3 ECONOMIC REPORT

## 3.1 Macroeconomic and sector-specific parameters

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

### Global economy

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

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

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

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

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

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

## Germany

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

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

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

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

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

## Western Europe

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

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

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

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

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

### Russia

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

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

### Eastern Europe

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

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

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

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

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

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

**DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN IMPORTANT WORLD REGIONS AND GERMANY**

Year-on-year change in %

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

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

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

[2] Outlook.

## 3.2 Asset, financial and earnings position

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

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

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

## Financial and asset position

### Financial management

#### Principles and objectives of financial activities

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

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

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

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

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

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

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

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

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

Short-term financing requirements are covered through the Euro Commercial Paper Programme with a maximum volume of €2 billion. On average, the programme was used at €575 million during the reporting period. As of 30 September 2020, the utilisation amounted to €295 million (30/9/2019: €387 million).

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

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

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

### UNDRAWN CREDIT FACILITIES BY METRO

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

#### Investments/divestments

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

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

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

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

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

### METRO INVESTMENTS

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

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

### Liquidity (cash flow statement)

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

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

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

### CASH FLOW STATEMENT[1]

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

[1] Abridged version. The complete version is shown in the consolidated financial statements.

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

## Capital structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Asset position

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

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

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

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

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

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

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

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

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

## Discontinued operations

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

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

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

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

## Earnings position

### Overview of group business development

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

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

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

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

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

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

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

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

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

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

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

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

## Comparison of outlook with actual business developments

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

The original sales and EBITDA outlook for financial year 2019/20 was retracted on 3 April 2020. The reason for it was the uncertainty over the duration of the restrictions imposed by the government in response to the Covid-19 pandemic and their effects on business development. For financial year 2019/20, METRO had originally expected growth in total sales and like-for-like sales of 1.5% to 3% and EBITDA excluding transformation costs and earnings contributions from real estate transactions at approximately the same level as in financial year 2018/19. The outlook was based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covered METRO's continuing operations.

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

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

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

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

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

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

### Sales and earnings development of the segments

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

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

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

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

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

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

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

## METRO KEY SALES FIGURES 2019/20

In year-on-year comparison

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

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

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

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

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

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

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

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

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

## Depreciation, financial result and taxes

### DEPRECIATION, FINANCIAL RESULT AND TAXES

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

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

### Depreciation

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

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

### Net financial result

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

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

### Taxes

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

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

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

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

### Discontinued operations

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

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

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

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

### Profit or loss for the period and earnings per share

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

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

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

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

This result forms the basis for the dividend recommendation.

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

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

# 4 REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

## REPORT ON EVENTS AFTER THE CLOSING DATE

### Events after the closing date

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

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

## OUTLOOK

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

## Macroeconomic parameters

### Global economy

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

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

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

### Germany

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

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

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

**Western Europe**

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

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

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

**Russia**

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

**Eastern Europe**

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

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

**Asia**

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

## Outlook of METRO

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

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

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

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

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

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

# 5 OPPORTUNITIES AND RISK REPORT

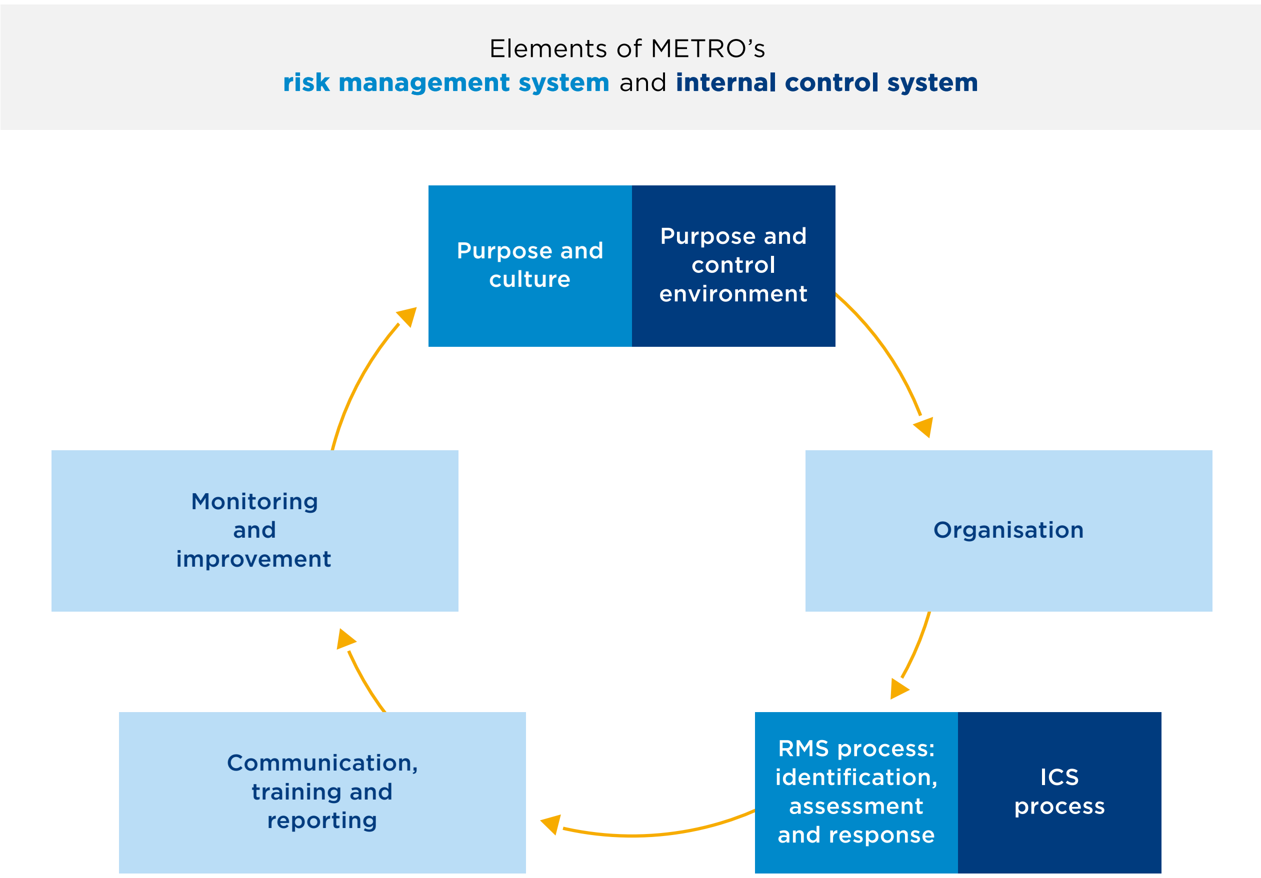
## Risk management system and internal control system

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

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

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

**RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM**



### Objectives of the RMS and ICS

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

### Organisation of the RMS and ICS

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

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

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

## Identification, assessment and steering of risks

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

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

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

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

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

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

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

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

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

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

## Internal control system for financial and operational processes

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

### IFRS accounting guideline

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

### Accounting processes of companies included in the consolidated financial statements

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

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

### Accounting processes for consolidation purposes

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

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

### IT security

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

### Reporting on RMS and ICS

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

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

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

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

### Monitoring and improvement of the RMS and ICS

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

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

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

## Description of the opportunity and risk situation

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

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

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

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

## Opportunities and risks related to the business environment

**Opportunities in connection with Covid-19**

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

**Risks from Covid-19 (#1, new)**

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

**Opportunities from the development of business and political conditions**

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

**Macroeconomic and political risks (#2)**

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

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

**Interruption of business activities (#3)**

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

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

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

## Environmental opportunities and risks

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

**Sustainability risks (#4)**
The consumption of energy and other natural resources affects our operating costs and may have a negative impact on the environment, for example through the emission of climate-damaging greenhouse gases. National regulations aimed at reducing the climate impact of accumulated energy and fuel consumption could lead to higher energy price levels (for example for electricity, gas, fuel) and thus to higher overall energy costs for METRO. In particular, the levies under the German Combined Heat and Power Act (KWKG) and the German Renewable Energy Sources Act (EEG) are increasing year after year. These additional price components alone have caused our energy costs to rise compared to the previous year. We continue to assess the risk of further increases in energy prices as a result of a possible $CO_2$ price increase as probable. The climate target previously defined by METRO, which was expanded by the supply chain in 2019, will help to minimise this risk.

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

## Sector-specific opportunities and risks

### Retail business

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

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

**Opportunities from customer focus**

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

**Challenged business model (#5)**

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

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

### Real estate

#### Opportunities from increase in value

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

#### Real estate risks (#6)

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

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

## Opportunities and risks related to business performance

### Suppliers and products

#### Opportunities from responsible trading

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

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

#### Opportunities from higher own-brand penetration

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

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

## Financial opportunities and risks

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

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

## Other opportunities and risks

### Opportunities from portfolio simplification and efficiency improvements

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

### Opportunities from company acquisitions

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

### Risks from completed transactions (#9)

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

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

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

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

## Information technology

### Opportunities from master data

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

## Legal and tax risks

### Trade regulations (#10)

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

### More stringent regulation pertaining to deferred compensation (#11)

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

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

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

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

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

## Management’s overall assessment of the opportunity and risk situation

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

# 6 REMUNERATION REPORT

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

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

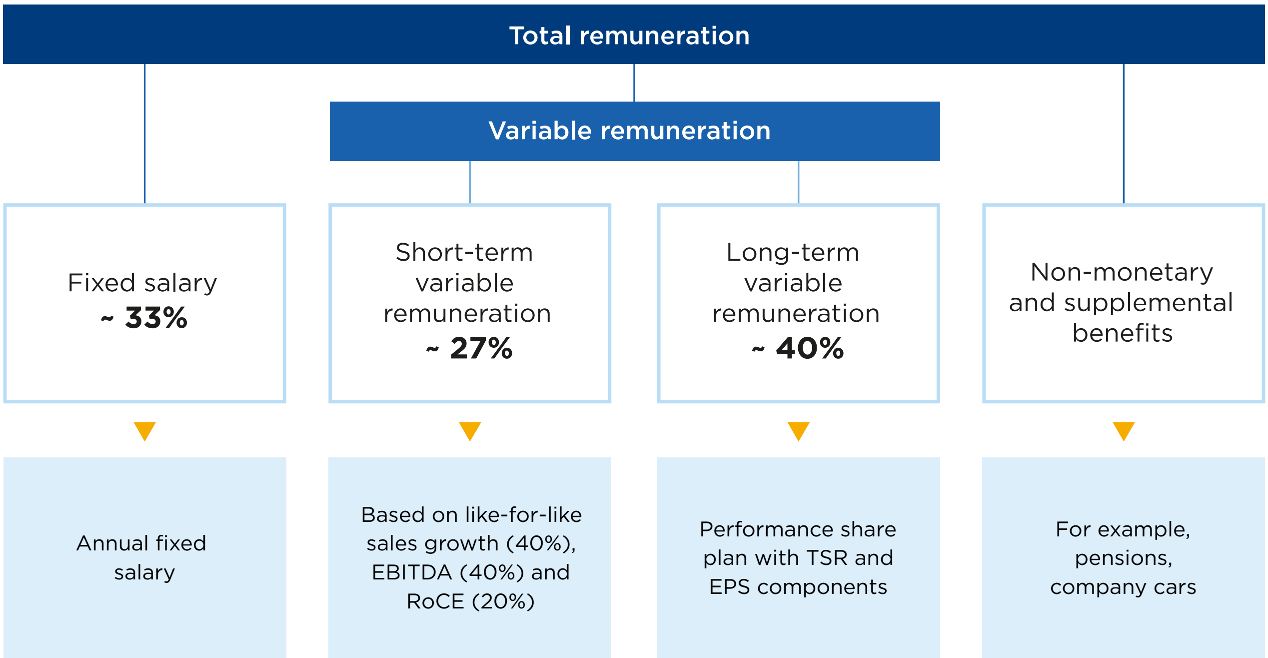
## The remuneration system for members of the Management Board

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

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

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

## THE REMUNERATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD




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

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

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

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

### Fixed salary

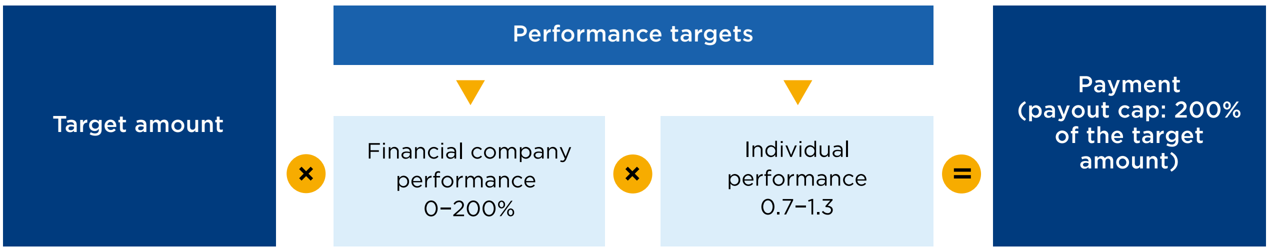
The fixed salary is contractually set and is paid in monthly instalments.

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

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

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

**SHORT-TERM INCENTIVE**




Schematic diagram.

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

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

in each case based on the target amount.

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

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

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

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

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

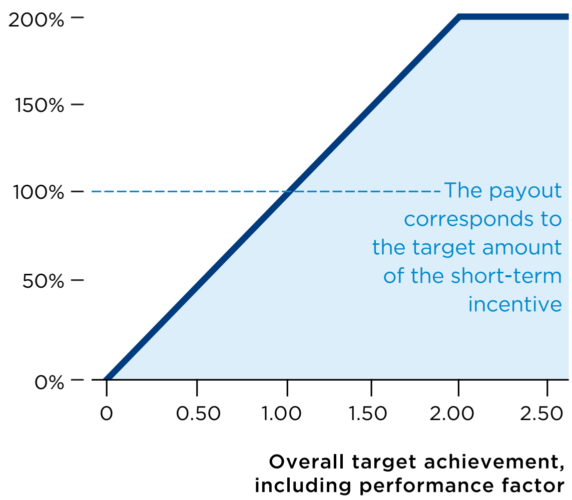
To ensure the individual performance orientation of Management Board remuneration, the Supervisory Board reserves the general right to reduce or increase the individual short-term incentive by up to 30%. The basis for this are targets that were agreed individually with the respective members of the Management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

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

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

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

**SHORT-TERM INCENTIVE – PAYOUT CALCULATION**




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

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

**Performance share plan (since financial year 2016/17)**

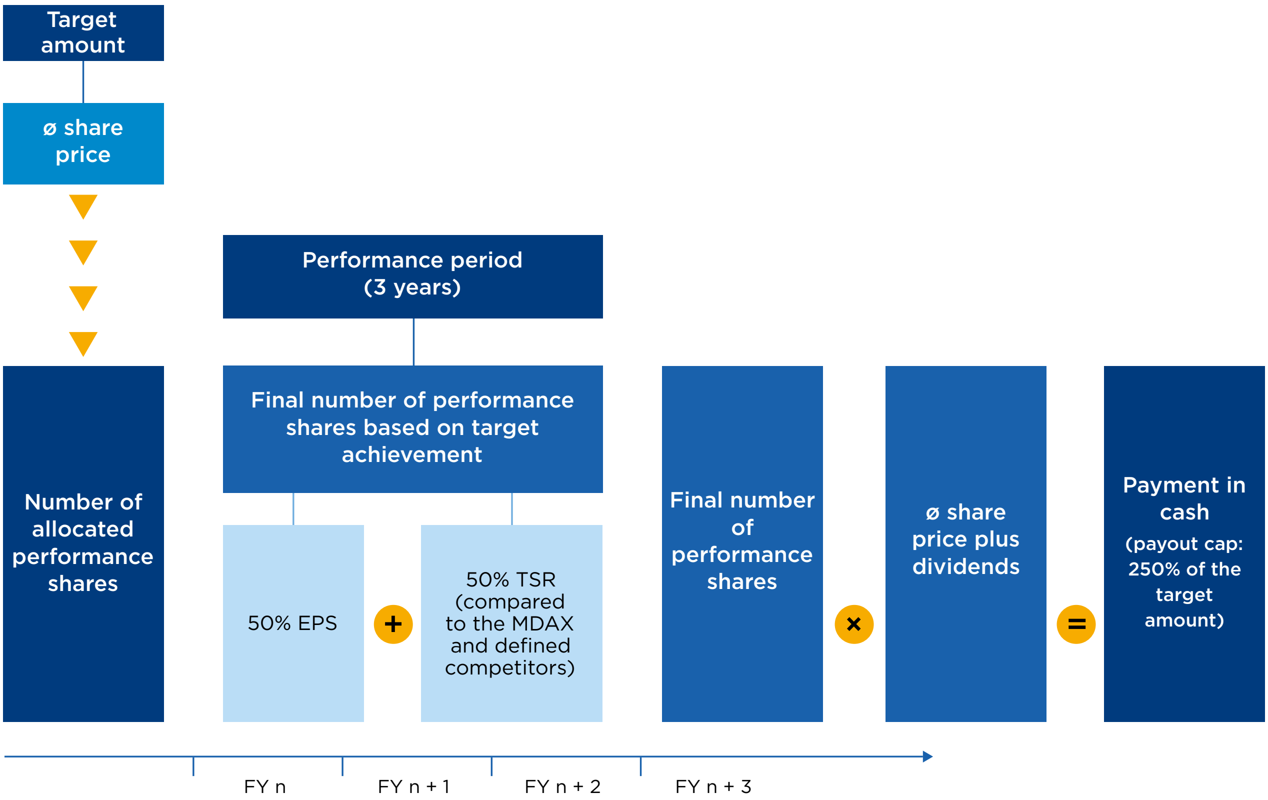
The annual tranches of the performance share plan and their associated performance targets are generally based on a multi-year assessment. The performance period is usually 3 years. The payout amount is limited to a maximum of 250% of the individually determined target value (payout cap). In case of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

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

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

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

## LONG-TERM INCENTIVE



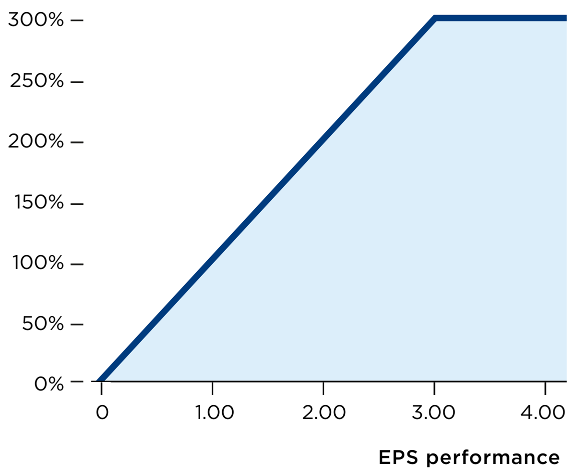

Schematic diagram.

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

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

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

**DETERMINING THE TARGET ACHIEVEMENT OF THE EPS COMPONENT**




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

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

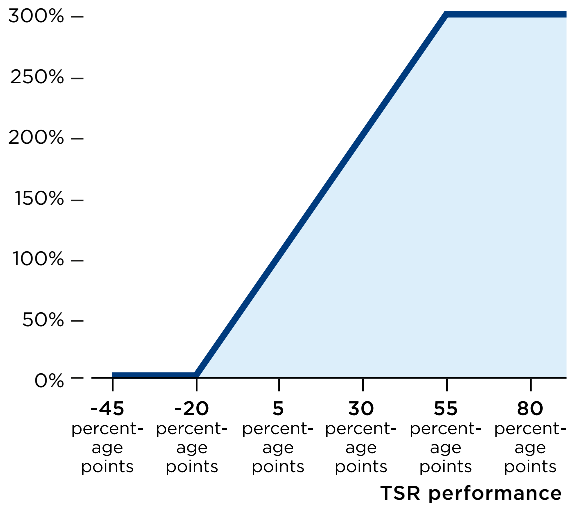
The resulting TSR of the company is compared to the TSR of the 2 peer groups in the performance period determined in the same way. A factor is allocated to the specific degree of target achievement:

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

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

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

**DETERMINING THE TARGET ACHIEVEMENT OF THE TSR COMPONENT**




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

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

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

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

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

**Share ownership guidelines**

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

## Post-employment benefits plans

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

Entitlement to pension plans exists

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

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

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

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

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

**Further benefits in case of an end to employment**

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

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

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

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

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

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

### Other non-monetary and supplemental benefits

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

### Remuneration of the Management Board in financial year 2019/20

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

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

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

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

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

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

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

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

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

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

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

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

## BENEFITS GRANTED

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

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

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

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

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

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

## BENEFITS GRANTED

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

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

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

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

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

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

## BENEFITS GRANTED

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

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

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

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

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

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

## BENEFITS GRANTED

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

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

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

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

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

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

## ACCRUALS

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

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

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

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

## ACCRUALS

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

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

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

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

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

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

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

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

## PERFORMANCE SHARE PLAN

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

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

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

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

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

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

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

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

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

### Termination benefits in financial year 2019/20

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

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

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

### Outlook

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

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

## Remuneration of members of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] Plus potentially applicable value added tax.

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

# 7 TAKEOVER-RELATED DISCLOSURES

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

## Composition of the subscribed capital

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

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

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

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

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

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

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

## Voting rights and transfer-related restrictions

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

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

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

## Shares held in capital

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

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

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

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

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

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

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

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

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

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

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

## Authorities of the Management Board to issue or buy back shares

### Authorities to issue new shares

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

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

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

- to balance fractional amounts;

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

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

### Authorities to issue warrant bonds and/or convertible bearer bonds

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

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

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

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

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

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

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

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

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

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

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

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

### Authorities to repurchase own shares

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

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

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

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

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

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

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

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

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

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

## Fundamental agreements related to the conditions of a change of control

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

## Compensation agreements in the event of a takeover bid

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

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

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

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

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

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

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

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

## Business development of METRO AG

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

## Earnings position of METRO AG and profit appropriation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial position of METRO AG

### Cash flows

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

### Capital structure

#### EQUITY AND LIABILITIES

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

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

## Asset position of METRO AG

### ASSETS

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

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

## Risk situation of METRO AG

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

## Outlook of METRO AG

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

## Planned investments of METRO AG

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

## Declaration on corporate management

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