ANNUAL REPORT 2018/19

Consolidated financial statements of METRO AG

WHOLE-SALE

360

METRO IN FIGURES

€ million		2017/18[1]	**2018/19**	Change in %
Key financial figures for continuing operations				
Sales development (like-for-like)	%	1.3	**2.1**	–
Sales development in local currency	%	1.3	**2.2**	–
Sales (net)		26,792	**27,082**	1.1
EBITDA excluding earnings contributions from real estate transactions		1,088	**1,021**	−6.1
Earnings contributions from real estate transactions		128	**338**	–
EBITDA		1,216	**1,359**	11.8
EBIT		713	**828**	16.1
EBT (earnings before taxes)		576	**709**	23.1
Profit or loss for the period[2]		357	**405**	13.7
Earnings per share (basic = diluted)	€	0.98	**1.12**	13.7
Cash flow from operating activities		766	**796**	3.9
Investments		565	**499**	−11.7
Net debt		3,102	**2,858**	−7.9
Employees (annual average by headcount)		104,912	**101,654**	−3.1

[1] Previous year's adjustment due to discontinued operations.
[2] Attributable to METRO shareholders.

€ million		2017/18	**2018/19**	Change in %
Key financial figures for continuing operations, incl. METRO China (outlook analysis)				
Sales development (like-for-like)	%	1.3	**2.4**	–
Sales development in local currency	%	1.5	**2.5**	–
Sales (net)		29,476	**29,928**	1.5
EBITDA excluding earnings contributions from real estate transactions		1,242	**1,173**	−5.5
EBITDA excluding earnings contributions from real estate transactions Development[1]	%	1.2	**−4.2**	–
Profit or loss for the period[2]		443	**523**	18.0
Earnings per share (basic = diluted)	€	1.22	**1.44**	18.0
Dividend per ordinary share	€	0.70	**0.70**[3]	–
Dividend per preference share	€	0.70	**0.70**[3]	–

[1] At constant exchange rates.
[2] Attributable to METRO shareholders.
[3] Subject to the resolution of the Annual General Meeting.

In October 2019, METRO signed an agreement to sell a majority stake in METRO China to Wumei. As a result of the sale METRO China is reported as a discontinued operation as of 30 September 2019 in accordance with IFRS 5.

Unless expressly stated otherwise, all presentations refer to continuing operations (excluding the hypermarket business and excluding METRO China).

Only the comparison of outlook with actual business developments as well as the dividend proposal refer to the outlook issued for 2018/19 which includes METRO China.

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TO OUR SHARE-HOLDERS

LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

Our origin is wholesale, wholesale is our future. We have consistently aligned our company in that direction in recent years. Since 2012, we have focused all our efforts on wholesale while simultaneously modernising and localising our business models. The restructuring of the group took high priority. For example, with more than one major annual transaction in the area of mergers and acquisitions, we have demonstrably forged ahead with portfolio simplification. This allowed us to reduce the company's debt by around €5 billion. At the same time, we have been expanding our core business, wholesale. With a consistent focus on the 2 core customer groups HoReCa (hotels, restaurants and catering companies) and Traders (independent grocery stores) we were once again able to report noticeable sales growth in the past financial year. This enabled us to create the foundation for further growth and to identify new business opportunities. All things considered, we are much more vital and agile today than at the beginning of our transformation. This also puts us in a position to respond much faster to an increasingly dynamic market environment.

As a shareholder, you join us in the implementation of our strategy. During the group restructuring phase we were able to distribute more than €2 billion to our shareholders. Thank you for supporting us on this path.

In financial year 2018/19, we made great progress with our transformation strategy once again:

- The sale of the hypermarket business is well advanced. We are in the final stages of negotiations and are working with the potential buyer on the future concept for Real, which includes retaining part of the core business and passing on some store networks to competitors. Moreover, the early involvement of the antitrust authorities has increased transaction

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

security. Therefore, we are confident that we will be able to sign off on the transaction in the very near future.

- In October 2019, we signed an agreement to **sell a majority stake in METRO China** to Wumei. As a result of the sale, the global share of sales of the core customer groups HoReCa and Traders will increase significantly, while METRO's 20% stake will open up various strategic partnership opportunities with Wumei. We expect this transaction to result in a net cash inflow of more than €1 billion, after deduction of debt, taxes and other transaction costs. These proceeds will provide room and flexibility for future growth initiatives. As a result of the sale, METRO China is reported as a discontinued operation as of 30 September 2019 in accordance with IFRS 5. However, selectively it is still included in this annual report for the purpose of comparison with the outlook for the past financial year and as the basis for the dividend proposal.

- Group-wide, we achieved like-for-like sales growth of 2.4% including METRO China. This is the **highest growth in the last decade for METRO Wholesale**. This clearly shows how our strategic approach Wholesale 360 increases customer relevance and consequently our sales.
- As expected, EBITDA from operating activities of the group as a whole declined by −4.2% due to higher investments in IT and digitalisation as well as the ongoing macroeconomic challenges in Russia. By contrast, EBITDA grew in the Western Europe, Germany and Asia segments.
- Supplemented by income from real estate transactions in the amount of €388 million which clearly exceeded expectations, a largely stable tax rate and a significantly improved financial result, we considerably increased **earnings per share from 1.22 to 1.44** (including METRO China). On this basis, we will propose a **dividend of €0.70 per share** to the Annual General Meeting of METRO AG. This dividend proposal corresponds to 49% of earnings per share (including METRO China) and is thus in line with our dividend policy.

With the completed reduction of the conglomerate, the focus on the wholesale business and the expansion of service offerings for our customers, we will succeed in further increasing the value of the company. As part of the voluntary takeover offer by EP Global Commerce (EPGC), whom we welcome among our shareholders, you, our current shareholders, have held onto a majority of your shares. By doing so, you have confirmed your confidence in METRO's strategy and we thank you for that.

Focus on wholesale

Let me take this opportunity to explain in more detail why the wholesale business offers so many opportunities for us. METRO operates in attractive and constantly growing markets. The addressable HoReCa and Traders markets comprise more than €650 billion and more than €850 billion, respectively, for our country portfolio. Growth rates in these markets continue to rise, driven primarily by increasing disposable income and more people eating out. Our clear focus on added value for professional customers will further increase our relevance for these target groups. Consequently, growth rates in our core business will also continue to develop positively. Market consolidation offers another opportunity for growth in wholesale. We operate in very fragmented markets with plenty of opportunities for additional dynamic growth through acquisitions. We intend to make greater use of this opportunity in the coming years, particularly in our European countries.

We strive for long-term customer relationships characterised by a high level of loyalty. Currently, 78% of our sales are generated by customers who purchase goods and services from us on a regular basis. Moreover, orders from HoReCa and Traders customers average approximately €225, while purchases from retail consumers only come in at around one tenth of this value.

Our strong localisation efforts have made us a preferred partner for professional customers in many countries. This wealth of data enables us to better understand the needs of our customers and accommodate them even better. At the same time, we are constantly working on improving the efficiency of our operations, because we know that with every saving that we get, we can invest into generating additional value for our customers. This also includes further development of our own brands. In 2017, we joined forces with professional chefs to align our brand image and product range with the wholesale sector. In 2018 we rolled out this product mix in all countries, and like-for-like sales of own-brands grew by 3% in financial year 2018/19. The sales share is now 16%. We still see a lot of potential here beyond the current successes – especially with HoReCa customers and in the delivery business.

In order to consistently align ourselves to the needs of our customers, we continually ask them for their opinion. With the **Net Promoter Score (NPS)**, we frequently collect feedback and measure customer satisfaction in order to identify improvement potential and prioritise operational projects. The Net Promoter Score has been introduced worldwide in all METRO stores and distribution centres, with all countries exhibiting positive NPS ratings. So far, METRO has received feedback from roundly 2.2 million customers and more than 610,000 callbacks have already taken place.

METRO is well positioned to play a leading role in the HoReCa and Traders sector and is increasingly exploiting this opportunity: once the sale of the majority stakes of METRO China is completed, the core customer groups will account for 70% of total sales. This is more than 10 percentage points above the level of about 10 years ago. Like-for-like sales growth for these 2 target groups in financial year 2018/19 was 4.2% for HoReCa sales and 5.1% for Traders sales in the focus countries.

On the way to becoming a complete solution partner – the Wholesale 360 approach

We have laid the foundation for a successful future, but what happens next? How can we build on the accelerating growth to further increase customer relevance and capture additional market share? The answer lies at the heart of our strategy. Since 2012, we have been working continuously to contribute to the success of our professional customers. We are accomplishing this with tailor-made product assortments, improved sales channels and, increasingly, also by inspiring and training our customers. Our goal is to be the preferred partner for our professional customers. How can we assert this claim even more? Only by putting ourselves completely in the shoes of our customers and identifying the challenges they face. And there are many. Rising costs, higher regulatory requirements, increasing competitive pressure and staff shortages are just a few examples. The reality in our customers' operations is often very similar: a great deal of passion but very little support. We want to change that by supporting them with digital tools, advice and services. Our goal is to offer our customers added value in as many areas as possible. We call this Wholesale 360. Of course, we will not be able to do this on our own. Rather, we will focus on targeted partnerships. We are convinced that this approach will help us make our customers even more successful. We are aspiring to intensify our customer relationships and are already seeing the fruits of our work today as these initiatives are leading to the acquisition of many new customers. Service quality in the core business is and remains a key component. In financial year 2018/19, we were able to further increase these in various countries.

The **delivery business** continued to grow strongly at around 10% and thus accounted for a share of 17% of total sales. The delivery companies Classic Fine Foods in Asia, Pro à Pro in France and Rungis Express in Germany and Switzerland significantly contributed to this growth. This development was also facilitated by the roll-out of our online ordering system, which significantly simplifies and accelerates recurring ordering processes for HoReCa customers in particular. As a result, the average order ticket rose by up to 18%. In financial year 2018/19, we processed approximately 5.3 million orders using this tool. In March 2019, METRO also supported thedelivery business by entering the Myanmar market. In contrast to other countries, METRO does not operate any store-based wholesale stores in Myanmar, but offers customers a purchasing experience with a virtual one-stop shop solution that combines online wholesale with delivery service.

In the Traders segment, we continued to roll out and optimise our **franchise system**, which is primarily represented in Eastern Europe under various names. We provide our customers with a comprehensive range of support services that enable them to compete with retail chains. Today we already have 7,460 franchisees as METRO partners and we are determined to provide additional solutions. This includes various digital tools and an online ordering system that already significantly simplifies the ordering process thus ties our customers more closely to METRO.

7,460
franchisees

For HoReCa customers, we want to continuously expand our range of services. One of our goals is to provide the widest range of products. To this end, we created a new platform: METRO MARKETS. In September 2019, we launched the online B2B marketplace developed especially for wholesale business, which builds on the experience of Real's highly successful marketplace. We sell our own goods via this platform, but at the same time also work together with strong trading partners. We make our brand and our reach available to HoReCa specialists from all over the world. METRO MARKETS is clearly aimed at HoReCa customers and offers a wide range of non-food products tailored to the hospitality industry. After only 2 months, the marketplace already offered around 87,000 non-food articles for the hospitality industry through 110 partners. In just a few months, we will multiply the assortment range and depth and thus offer restaurateurs further significant added value.

We have also made good progress in the digitalisation of the hospitality industry. In particular, our proprietary **digital tools** have received a very good response. The DISH platform connects restaurateurs online and offers them digital tools for more efficient operation of their businesses. Today, it already has more than 170,000 customers who use digital services such as a fully comprehensive online presence or the reservation tool. Our goal is to make the data the best ingredient in the hospitality industry. With our MenuKit, we digitalise the menus of our customers. The data obtained through this method offer a variety of insights, which we communicate to our customers through our specialist advice. This allows us to significantly increase their entrepreneurial success and in turn open up new potential for METRO. A similarly strong potential is offered by the analysis of POS data. The specially designed cockpit increases the transparency of economic relationships even more, so that restaurateurs can use this tool as a 'control centre' for their business decisions. All these examples show that the digitalisation of the hospitality industry can open up considerable economic potential. METRO is ideally positioned to drive this trend forward and further increase its relevance for professional customers.

The collected data continuously open up new possibilities. By analysing the ingredients of a meal, ideas can be developed as to how work steps can be further optimised with modern equipment. Does this mean that METRO wants to fully dive into this sector? No, but it has inspired us to look for ways to target this opportunity. In July 2019, we entered into a cooperation with Pentagast, Germany's largest association of 24 hospitality and canteen kitchen suppliers. The goal of this partnership is to offer restaurateurs tailor-made solutions from a single source and to merge the 2 industry competences of food and technology. For example, restaurateurs will be able to acquire tailor-made offers for efficient and economical kitchen solutions in the future under the name SMART & EASY. Showrooms are also planned in selected METRO stores in order to exhibit a selection of the Pentagast product range in the non-food assortment on an area of approximately 100 m^2. Additional partnerships of this kind are in the works, for example to support our customers with customised financing.

We have also made considerable progress this year when it comes to our **sustainability initiatives**. In addition to its renewed certification as the best in the industry in the Dow Jones Sustainability Index Europe, METRO is also listed as a member of the sustainability stock market index FTSE4Good. This is an enormous sign of appreciation of our work.

With our focus on the food sector, we rely on 3 main topics:

- 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 promote more conscious consumption, especially through the use of alternative proteins.
- By pooling our partnership strengths, we are fighting against food waste.

50%

reduced food waste by 2025

In financial year 2018/19, for example, METRO was the first retail company in Germany to have its climate targets confirmed by the Science Based Targets initiative (SBTi). Based on estimates of the Science Based Target initiative, METRO is working towards a climate target of ‘well below 2 °C’ by 2030 by reducing the submitted commitments in category 1 (for example fluorinated gases from cooling in wholesale stores) and category 2 (for example emissions from acquired electricity) by 60% per square metre of selling and delivery space compared to the base year 2011. METRO's climate targets are thus in line with the reductions required to keep global warming well below 2 °C. Furthermore, as part of its commitment to the New Plastics Economy of the Ellen MacArthur Foundation, METRO has set the goal of reducing another 300 tonnes of plastic packaging by September 2023 (basis: October 2018). As a member of the Consumer Goods Forum, METRO has also undertaken to reduce food waste in its own operations by 50% by 2025 compared to 2016.

Outlook

Financial year 2018/19 was a successful year across the entire METRO organisation. Including METRO China, METRO increased like-for-like sales by 2.4% in financial year 2018/19 and thus significantly increased the growth momentum. Reported sales of €29.9 billion were €0.4 billion higher than in the previous year’s figures. EBITDA excluding earnings contributions from real estate transactions amounted to €1,173 million. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions was down €52 million or −4.2% compared to the previous year’s figures. METRO has thus achieved its targets for financial year 2018/19.

In this annual report, our hypermarket business and METRO China are reported as discontinued operations. We expect both transactions to be closed shortly. Therefore, the outlook for financial year 2019/20 only covers our continuing operations.

For financial year 2019/20, based on the assumption of stable exchange rates and no further adjustments to the portfolio, we expect total sales and like-for-like sales to grow by 1.5% to 3%. This includes a further trend improvement in Russia and a flat sales development in Germany. Western Europe (excluding Germany), Eastern Europe (excluding Russia) and Asia are expected to grow at the previous year’s level. Across all segments, the Management Board sees the FSD business in particular and the synergetic interaction of the various channels as well as the focus on HoReCa and Traders customers as growth drivers.

An important focus of METRO is on increasing operating efficiency and portfolio simplification. Against this background, the Management Board announced to adopt efficiency measures on 19 November 2019. In financial year 2019/20, the Management Board expects this to result in non-recurring transfomation costs of €60 million to €80 million.

Before transfomation costs for these efficiency measures, the Management Board expects EBITDA excluding earnings contributions from real estate transactions to be roughly at the level of the past financial year (2018/19: €1,021 million). Earnings in Russia are expected to decline by between €20 million and €30 million as a result of the ongoing repositioning. Earnings growth in Germany and Western Europe (excluding Germany) is expected to compensate for this. For the remaining segments EBITDA is expected to remain roughly at the previous year's level.

The transformation of our company is progressing steadily. This requires the full commitment of all parties involved. In the wholesale segment, the key success factor is our team. Our team members are in daily contact with our customers, procure unique products, develop new concepts and ensure high efficiency of our company. We would therefore like to express our sincere gratitude to all our employees for their commitment and motivation. Their commitment is the foundation for future success. Therefore, we assess the satisfaction level of our employees several times a year by means of an employee survey. This year we were able to record a commitment value of 74%. Thus, we are once again well above average for the retail sector, which is 65% worldwide.

Dear shareholders, I want to take this opportunity to thank you very much. In financial year 2018/19, you once again proved that you believe in METRO and our future success. We find ourselves in a stronger position than a year ago. Our core business is getting better and better; our profile as a focused wholesaler is becoming ever clearer; our opportunities to open up new wholesale business areas are growing continuously; and our motivation to constantly work on new ideas in order to provide even better solutions for our customers has never been as high. In addition, the transaction in China will significantly boost our balance sheet and increase our strategic ability to act.

My colleagues and I look forward to another exciting financial year in which we intend to further enhance our performance profile in order to firmly establish a clear image in the eyes of our customers: METRO is my partner – unmatched in quality, service and innovation.

Yours truly,

Olaf Koch
Chairman of the Management Board of METRO AG

THE MANAGEMENT BOARD

Philippe Palazzi | Heiko Hutmacher | Olaf Koch | Andrea Euenheim | Christian Baier

OLAF KOCH

Chairman of the Management Board

Areas of responsibility
Corporate Communications, Corporate Public Policy, Corporate Development including strategy and M&A, Corporate Legal Affairs & Compliance, Corporate Office, Corporate Investor Relations, responsibility for the METRO Wholesale country organisations in: Bulgaria, Germany including Rungis Express, Croatia, Moldova, Austria, Serbia, Slovakia, Czech Republic, Romania, Ukraine and Hungary, Hospitality Digital, METRO MARKETS, METRO-NOM (since 1 October 2019), Real.

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

CHRISTIAN BAIER

Chief Financial Officer

Areas of responsibility
Corporate Accounting, Corporate Controlling & Finance, Corporate Risk Management, Corporate Tax, Corporate Treasury, Global Business Services (since 1 October 2019), Group Internal Audit (since 1 October 2019), METRO PROPERTIES, METRO LOGISTICS, MIAG, METRO Insurance Broker.

Profile
Christian Baier was appointed member of the Management Board of METRO AG on 11 November 2016. His current appointment as a member of the Management Board runs until 30 September 2020. In addition Mr Baier is reappointed from this date until 30 September 2025. He was the Chief Financial Officer (CFO) of METRO Cash & Carry (now METRO Wholesale) from 1 July 2015 to 1 March 2017 and previously held the position of Group Director Strategy, Business Innovation and M&A at the former METRO AG (now: CECONOMY AG). Mr Baier joined METRO Cash & Carry Germany (now METRO Germany) as a member of the Management Board/Head of Finance and Administration – C+C Schaper – in the year 2011. He holds a BA in business administration and an MBA from New York University and was previously employed at the finance investor Permira and a number of banks.

ANDREA EUENHEIM

Chief Human Resources Officer and Labour Director Since 1 November 2019

Areas of responsibility
Human Resources (Campus HR, Compensation, Global Mobility & HR Processes, Global Talent Management & Recruiting, HR Operations & Leadership, Labour Relations Germany & Labour Law), METRO Campus Services.

Profile
Andrea Euenheim was appointed member of the Management Board and Labour Director of METRO AG on 1 November 2019 for a term ending on 31 October 2022.

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

HEIKO HUTMACHER

Member of the Management Board Until 31 December 2019

Areas of responsibility
In the period from 1 November to 31 December 2019, Heiko Hutmacher's HR responsibilities will be transferred to Andrea Euenheim.

Until 30 September 2019, Heiko Hutmacher was also responsible for Corporate Responsibility, Customer Experience, Global Business Services, Group Internal Audit and METRO-NOM.

Profile
Heiko Hutmacher assumed his position as a member of the Management Board on 2 March 2017 and was appointed Chief Human Resources Officer and Labour Director of METRO AG on 31 August 2017. His appointment as Labour Director ended on 31 October 2019; Mr Heiko Hutmacher will leave the company at his own request on 31 December 2019. He was a member of the Management Board of the former METRO AG (now: CECONOMY AG) from 1 October 2011 to 12 July 2017 and held the position of Chief Human Resources Officer and Labour Director. From April 2012 to June 2015, Mr Hutmacher headed the Human Resources Department at METRO Cash & Carry (now METRO Wholesale). Mr Hutmacher holds a degree in business administration. His experience in human resources spans over 30 years, including posts at IBM and Akzo Nobel.

PHILIPPE PALAZZI

Chief Operating Officer

Areas of responsibility
METRO Wholesale centralised functions (Corporate Responsibility [since 1 October 2019], Customer Experience [since 1 November 2019], Digital Transformation, Expansion & Investment, Food Service Distribution, Global Branding & Activation, Global Business & Supplier Management, Global Food Sourcing, Global Non-Food, Global Own Brand Management, International Expansion, Pricing, Quality Assurance, Supply Chain Management, Trader Franchise), responsibility for the METRO Wholesale country organisations in: Belgium, China, France including Pro à Pro, India, Italy, Japan, Kazakhstan, Myanmar, the Netherlands, Pakistan, Poland, Portugal, Russia, Spain and Turkey, Classic Fine Foods, METRO ADVERTISING, METRO SOURCING International.

Profile
Philippe Palazzi was appointed member of the Management Board of METRO AG on 7 May 2018 for a term ending on 30 September 2021. From 1 July 2015 to 6 May 2018, he held the position of Operating Partner with responsibility for METRO France including Pro à Pro, MAKRO Spain and MAKRO Portugal. He previously held the position of Chief Customer and Marketing Officer at METRO AG and various posts at the METRO country organisations, most recently as Chief Executive Officer of METRO Italy.

THE YEAR IN REVIEW

SELECTED EVENTS IN FINANCIAL YEAR 2018/19

Q1 2018/19

Own Business Day
9/10/2018 – For the 3rd time, METRO honours the commitment of small and medium-sized entrepreneurs at Own Business Day. METRO encourages own business owners to place their offers online free of charge on a platform and thus become part of a major marketing campaign.

DISH – digital service connects restaurateurs
16/10/2018 – As part of the METRO digital offensive, interested restaurateurs can receive a free website. The new DISH online platform offers hospitality operators additional tools for more efficient management of their businesses. They include a free internet presence, a free online reservation tool and other digital solutions from third-party providers.

Sustainability: Global commitments to the New Plastics Economy
29/10/2018 – METRO signs the Ellen MacArthur Foundation's global commitment to the New Plastics Economy. Among other things, 100% of plastic packaging is supposed to be reusable, recyclable or compostable by 2025.

Award for F-Gas Exit Programme
22/11/2018 – METRO is honoured at the ATMOsphere Europe conference for the F-Gas Exit Programme as the industry's best food retailer. The programme is part of METRO's commitment to reduce CO_2 emissions group-wide by 50% by 2030.

E-Commerce platform for Trader customers
27/11/2018 – In addition to the digital ordering platform M-Shop for hospitality industry customers, METRO launches a tailor-made online shop for Traders customers in Romania. METRO-NOM cooperates with IT service provider Spryker to set up the e-commerce platform.

METRO and Target announce international start-up programme
3/12/2018 – With the 'METRO Target Retail Accelerator certified by Techstars', international start-ups are given the opportunity to be supported by mentors in their efforts to set up a company with access to global wholesale and retail markets. For the first time, METRO cooperates with Target, a leading retail chain in the USA.

Q2 2018/19

9 METRO companies named 'Top Employer 2019'
14/2/2019 – Once again, the METRO national subsidiaries in Belgium, Bulgaria, France, Italy, Pakistan, Poland and Turkey have received the 'Top Employer' award. METRO AG and METRO-NOM are also certified for the first time. The award recognises the fact that METRO places its employees at the centre of its entrepreneurial activities and offers an outstanding work environment.

Annual General Meeting approves dividend
15/2/2019 – METRO AG's Annual General Meeting approves all resolutions proposed by the management and approves a dividend of €0.70 per ordinary share and preference share. As in the previous year, a stable dividend was distributed despite the ongoing transformation process.

METRO received 'Gold Class' award at Sustainability Award 2019
26/2/2019 – METRO is included in the Sustainability Yearbook for the 4th time in a row with the highest distinction: 'Gold Class'. The yearbook, published by the international investment entity RobecoSAM, presents companies that draw attention through their outstanding sustainability performance. The positive rating is the result of RobecoSAM's annual Corporate Sustainability Assessment (CSA).

Start of the purchasing cooperation Horizon International
6/3/2019 – The purchasing cooperation Horizon International between METRO, Auchan Retail, Dia Group and Casino Group starts in 47 countries in Europe, Asia and South America. The cooperation brings together market participants who share a common vision for new supplier relationships – from services for international suppliers to supporting small and medium-sized enterprises in their international development.

METRO expands its international portfolio by adding Myanmar
8/3/2019 – METRO announces its official market entry in Myanmar. Supported by highly efficient digital ordering and delivery services, METRO Myanmar serves local commercial customers in the rapidly growing restaurant and tourism sector. Instead of stationary wholesale stores, METRO offers its customers a delivery service. Customers can order via website or mobile app.

Q3 2018/19

Expansion of own-brand portfolio to include organic assortment
15/4/2019 – METRO's own-brand portfolio is expanded by an organic assortment with focus on fruits and vegetables. With METRO Chef Bio the wholesaler meets the growing demand of its customers for organic products. The own brand METRO Chef Bio will initially be introduced at METRO Austria and successively rolled out.

Exclusivity agreement signed for sale of Real
8/5/2019 – METRO and a consortium led by Redos agree on exclusive contract negotiations. The goal is to conclude a contract based on detailed due diligence.

METRO is committed to human rights in the supply chain
1/6/2019 – METRO becomes a member of Sedex. The non-profit organisation collects data on social standards in the supply chain. METRO is thus strengthening its own commitment to enforcing and complying with social standards.

METRO sets science-based target for itself
14/6/2019 – METRO expanded the climate target to the supply chain and as the first German retailer set a recognised science-based target for itself. METRO 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. Furthermore, METRO is committed to reducing absolute Scope-3-CO_2 emissions (supply chain) by 15% by 2030 compared to 2018.

Q4 2018/19

METRO cooperates with Pentagast
22/7/2019 – METRO Germany and Pentagast, the largest association of catering and canteen kitchen suppliers in Germany, will start a strategic cooperation in September 2019, initially at 6 METRO locations/ stores in Germany.

Trader franchise continues to grow
24/7/2019 – METRO expands its Trader Franchise concept. The number of Trader Franchise locations in the various Eastern European countries grows by 600 to 7,100 locations within one year.

Andrea Euenheim is appointed as the new Labour Director to the Management Board of METRO AG
2/8/2019 – As of 1 November 2019, Andrea Euenheim will be appointed to the Management Board of METRO AG as the new Labour Director. She is succeeding Heiko Hutmacher, who is leaving the company as of 31 December 2019 at his own request.

Voluntary takeover bid by EPGC falls short of minimum acceptance threshold
9/8/2019 – EP Global Commerce VI GmbH (EPGC), an acquisition companycontrolled by Daniel Křetínský, has not reached the minimum acceptance threshold of 67.5% for its voluntary takeover offer published on 10 July 2019.

11 European wholesale stores sold
2/9/2019 – METRO PROPERTIES sold 11 wholesale stores in Poland, Hungary and the Czech Republic in August 2019. METRO continues to operate all wholesale stores at the respective locations based on long-term leases agreed as part of sale-and-leaseback transactions.

METRO MARKETS online marketplace launched in Germany
13/9/2019 – METRO is further expanding its digital portfolio for the hospitality industry with a new online marketplace. At the launch of the platform, more than 20,000 non-food items from approximately 40 partners are on offer. METRO MARKETS is responsible for the development and operation of the digital B2B platform.

New product solution Gourvenience under own-brand METRO Chef
24/9/2019 – Using the own-brand METRO Chef, METRO Germany introduces the Gourvenience assortment. The 200 articles comprise high-quality convenience products for restaurateurs.

Verification of efficiency measures
25/9/2019 – METRO AG confirms to review efficiency measures with regard to administrative structures, processes and business activities. The efficiency measures to be examined would be triggered by the intended sale of the hypermarket business and the resulting smaller size of the company and would predominantly depend on this transaction.

Customer focus through Net Promoter Score
30/9/2019 – Since the implementation of the Net Promoter Score roundly 2.2 million customer feedbacks have been collected. This enables METRO to respond even more efficiently to customer needs and offer customers a better shopping experience and improved delivery.

Events after the closing date

Sale of METRO China
11/10/2019 – METRO AG signs contract to sell a majority stake in METRO China to Wumei. After this transaction, the core customer groups HoReCa and Trader contribute around 70% to METRO's sales. In addition, the transaction offers further opportunities to accelerate growth organically and through acquisitions.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

With the significant acceleration of like-for-like sales growth by 2.4% (including METRO China) METRO reaches the outlook delivered for the financial year 2018/19. Thereby METRO confirms that the focus on the wholesale business is already moving in the right direction, although METRO is still dealing with a difficult market environment in Russia. EBITDA (excluding earnings from real estate divestments) was also in line with the forecasted corridor with around −4% compared to the previous year.

With regard to the voluntary takeover offer issued by EP Global Commerce in summer 2019, Management Board and Supervisory Board were of the opinion that the offered price significantly undervalues the earnings' power and value perspective of METRO. It is now up to all of us to dedicate all our strengths to realize the real value of METRO!

Jürgen Steinemann

Chairman of the Supervisory Board

Profile

Jürgen Steinemann was born in 1958 in Damme, Germany. He graduated with a degree in business administration from the European Business School in Wiesbaden, London and Paris in 1985 and initially held different management positions at Eridania Béghin-Say, Unilever and Nutreco. Jürgen Steinemann was CEO of Barry Callebaut AG from 2009 to 2015 and has been a member of the company's board of directors since 2014. From 2015 to the demerger of the former METRO GROUP in July 2017, Mr Jürgen Steinemann was a member of the Supervisory Board of the former METRO AG (now: CECONOMY AG) and Chairman of the Supervisory Board since February 2016. Jürgen Steinemann has been a member and Chairman of the Supervisory Board of the new METRO AG since 2017.

– **More information about the other members of the Supervisory Board can be found at www.metroag.de in the section company – Supervisory Board.**

Strategic projects planned with foresight, such as for example the sale of the majority stake in METRO China, affirm the clear focus on the target of being a pure wholesaler. Another major step towards reaching this target is the planned sale of Real which is driven forward, cautiously keeping an eye on the prospectus for the employees and the future viability of Real.

At the end of the financial year, we initiated a change in the Management Board. Heiko Hutmacher is leaving the company at his own request at the end of the year. We thank Heiko Hutmacher for his support in the last 8 years. Andrea Euenheim is taking over the position as Labour Director. We are convinced that she is an experienced and inspiring new member of the Management Board of METRO AG.

On behalf of the Supervisory Board, I would like to thank the Management Board and all employees for their work in financial year 2018/19, which was not only marked by greater intensity and more focus on the wholesale business but also by a large number of strategic projects.

The demonstrated commitment is one of the most important prerequisites for a further successful growth of our company.

Advice and supervision in consultation with the Management Board

In financial year 2018/19, the Supervisory Board performed the duties imposed on it by law, the Articles of Association and the Code of Procedure. We advised the Management Board in relation to the management of METRO AG and the group and supervised its activities. The Management Board furnished us with detailed written and verbal information on all significant developments within METRO at the Supervisory Board meetings (and also in-between, if necessary) in a timely manner and in accordance with the statutory requirements. Its reporting in particular included information on the intended business policies and other fundamental concerns relating to corporate planning, as well as the ongoing business development and information about the situation of the company and the group (including the risk position, risk management and compliance). The Management Board provided detailed explanations for any deviations from planned business performance. Based on the Management Board's reports, we discussed all transactions that were of significance to the company at the Supervisory Board meetings and within the committees. The Supervisory Board was involved in all decisions bearing material significance for the company. These decisions included inter alia the joint reasoned statement of Management Board and Supervisory Board with regard to the voluntary takeover offer of EP Global Commerce VI GmbH as well as measures and transactions for which the Supervisory Board's approval was prescribed by law as well as the Articles of Association or intercompany regulations, such as for example the sale of the majority stake in METRO China. We thoroughly reviewed the relevant matters and discussed benefits, potential opportunities, risks and other implications with the Management Board. Managers from the relevant departments of METRO attended meetings to address particular agenda items.

Prof. Dr Edgar Ernst as the Chairman of the Audit Committee and I as the Chairman of the Supervisory Board continuously, closely and regularly exchanged information and ideas with regard to key issues and pending decisions with the Chief Financial Officer and/or the Chief Executive Officer also outside of meetings. I was also in contact with the members of the Supervisory Board outside of meetings. In our capacity as committee chairmen, Prof. Dr Edgar Ernst and I also reported in detail on the work and recommendations of the respective committees at the subsequent Supervisory Board meeting. Since no matters requiring clarification arose in financial year 2018/19, we did not make use of the Supervisory Board’s rights of inspection and audit pursuant to § 111 Section 2 Sentence 1 and 2 of the German Stock Corporation Act (AktG).

The Supervisory Board held 8 meetings in financial year 2018/19, with 1 meeting convened as an extraordinary meeting. Moreover, 2 resolutions were passed in a written procedure outside a Supervisory Board meeting. In so-called closed sessions, the members of the Supervisory Board regularly exchanged views without the participation of the members of the Management Board. As was customary in the past, both the shareholder and employee representatives on the Supervisory Board of METRO AG discussed relevant agenda items in separate preliminary meetings.

The members of the Supervisory Board are required to disclose any conflicts of interest without delay. Member of the Supervisory Board Dr Florian Funck is also a member of the Management Board of Franz Haniel & Cie. GmbH, which, at the time of the takeover offer by EPGC Global Commerce VI GmbH, indirectly held about 15.20% of the voting rights in METRO AG as documented in the voting rights notification dated 5 October 2018. Due to the business relationship of Franz Haniel & Cie. GmbH with EP Global Commerce, Dr Florian Funck was neither involved in the flow of information in financial year 2018/19 nor did he take part in deliberations and resolutions of the Supervisory Board concerning the voluntary takeover offer of EP Global Commerce VI GmbH. No further conflicts of interest involving members of the Management Board and the Supervisory Board arose in financial year 2018/19.

Key issues covered by Supervisory Board meetings

November 2018 – At this meeting, the Management Board initially informed us routinely about current business developments. In this setting, the Management Board also reported on the status of preparations for a sales process of Real. We then discussed the company’s capital market outlook for 2018/19. We also resolved on the individual performance factors of the members of the Management Board for determining the amount of the short-term incentive for financial year 2017/18 and dealt with Management Board remuneration for 2018/19, in particular the discussion of the individual targets for the individual members of the Management Board. We discussed the annual report on governance functions in the group and, to prepare for the annual report, dealt with the non-financial statement to be issued for the first time in financial year 2017/18. Furthermore, we passed a resolution to mandate a consultant for succession planning in the boards and were informed about the company’s sustainability initiatives and changes in top management.

December 2018 – Our Supervisory Board meeting held on 7 December 2018 focused on the annual and consolidated financial statements and the combined management reports for METRO AG and for the group for financial year 2017/18, including the non-financial statement as well as the proposal for the appropriation of the balance sheet profit to the Annual General Meeting 2019. The auditor attended this discussion and reported on the key findings of his audits. Other important subjects discussed at the Supervisory Board meeting were, in addition to the ordinary report by the Management Board about the current business development, the adoption of a resolution concerning the Report of the Supervisory Board and the Corporate Governance Report for financial year 2017/18, as well as the preparation of the Annual

General Meeting 2019. We also received information on the development of preparations for the Real sales process and the company's communication strategy.

February 2019 – In a meeting held immediately before the Annual General Meeting on 15 February 2019, the Management Board provided information about the current business development. It also reported on the development of the country organisation in China and the status of strategic considerations in this regard. As a precautionary measure, the Supervisory Board adopted a resolution granting power of attorney to a law firm, in particular in relation to potential actions for rescission and/or annulment against resolutions adopted by the Annual General Meeting 2019. Subject to the appointment of the auditor by the Annual General Meeting, we approved the audit assignments for the 2018/19 annual and consolidated financial statements and the review of the condensed financial statements and interim management report for the first half of financial year 2018/19. We also reviewed the status of the public prosecution's investigation of suspected insider trading and market manipulation. Ultimately, we received information on changes in top management and the review of OTC derivative contracts pursuant to § 32 of the German Securities Trading Act (WpHG, old version).

In a written procedure immediately following the Annual General Meeting, the Supervisory Board re-elected Dr Fredy Raas as a member of the Audit Committee. This re-election was necessary after his membership of the Supervisory Board ended at the end of the Annual General Meeting on 15 February 2019 and he had been re-elected by the Annual General Meeting on the same day.

May 2019 – As part of the information on current business developments, the Management Board provided detailed information on the status of the sales process of Real. The Supervisory Board passed a resolution to mandate an independent consultant to revise the existing remuneration system for the members of the Management Board of METRO AG. After receiving information on the changes in top management, the Supervisory Board dealt with the subject of leadership at METRO and obtained information on talent management and succession planning. Another resolution of the Supervisory Board addressed the adjustment of Mr Heiko Hutmacher's employment contract with regard to the waiver of the post-contractual restraint on competition. In this context, a resolution was also passed to mandate a consultant (including a budget) for the succession of the position of Labour Director.

Moreover, the members of the Supervisory Board had the opportunity to participate in an internal training event on the subject of 'HoReCa customers as a strategic basis for METRO'.

June 2019 – The 2-day strategy meeting in Moscow focused on consulting with the Management Board on the status quo and strategy of METRO Wholesale, particularly in Russia and Germany, as well as the group and portfolio strategy. We dealt with the initiatives to transform METRO into a pure wholesaler and to improve earnings. We also talked about the realignment of the business model towards the strategic target groups HoReCa and Traders. The Supervisory Board also discussed personnel matters relating to the Management Board and passed a resolution to terminate the appointment of Mr Heiko Hutmacher as a member of the Management Board and Labour Director by mutual consent no later than 31 December 2019. In this regard, the conclusion of a termination agreement with Mr Heiko Hutmacher was also approved.

July 2019 – On 21 June 2019, EP Global Commerce VI GmbH, a special purpose entity directly held by Mr Daniel Křetínský and Mr Patrik Tkáč, announced that it intended to make a voluntary public takeover offer to the shareholders of METRO AG to acquire all ordinary and preference shares. Consequently, a resolution was passed by the Supervisory Board outside a meeting on the establishment of a Takeover Committee with equal representation for the duration of the takeover process. The task of this committee was to deal with the takeover process on an ongoing basis and to prepare all necessary or expedient tasks and decisions of the Supervisory Board in this respect.

In an extraordinary meeting on 23 July 2019, the Supervisory Board dealt exclusively with the takeover process in addition to the current business development. The strategic and financial parameters of the takeover offer were examined. The measurement and fairness opinions of the respective investment banks were explained in detail and discussed with the financial and legal consultants of the company and the Supervisory Board. After preparatory work by the Takeover Committee and with the support of the financial and legal consultants of the company and the Supervisory Board, the Supervisory Board passed a resolution on a joint reasoned statement by the Management Board and the Supervisory Board of METRO AG pursuant to § 27 of the German Securities Acquisition and Takeover Act (WpÜG) on the voluntary takeover offer.

At the Supervisory Board meeting held at the end of July as scheduled, the members of the Supervisory Board were informed about the status of the takeover process and the sales process of Real. Furthermore, the Supervisory Board received an investment review regarding the acquisition of Pro à Pro in February 2017. With regard to personnel matters relating to the Management Board, a resolution was passed on the appointment of Ms Andrea Euenheim as a member of the Management Board and as Labour Director of METRO AG effective 1 November 2019 and on the corresponding revocation of Mr Heiko Hutmacher as Labour Director. The Supervisory Board also discussed the concept prepared by the Presidential Committee with support of the remuneration consultant for the revision of the remuneration system for the Management Board.

September 2019 – At its September meeting, the Supervisory Board focused on budget and medium-term planning for financial year 2019/20 and subsequent years. Moreover, the Supervisory Board was updated on the sales process of Real and discussed the strategic options with regard to METRO China. Routinely, the Supervisory Board dealt with the remuneration of the Management Board and resolved on the performance targets of the short-term incentive for financial year 2019/20 for the members of the Management Board. In addition, the Supervisory Board adopted schedules of responsibilities of the Management Board of METRO AG, which are valid from 1 October 2019 and from 1 November 2019, when Ms Andrea Euenheim joined the Management Board. Furthermore, we again discussed the concept for revising the Management Board remuneration system. We resolved on the declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and mandated the auditor to conduct a limited assurance audit of the company's non-financial statements. After METRO Germany's management was filled with a dual leadership position in July 2019, Co-CEOs Frank Jäniche and Christof Knop introduced themselves to the Supervisory Board and explained their strategic and operational plans. The Management Board also provided an overview of the development of the company's IT strategy and information about the project to introduce a new goods management system.

Work in the committees

For the purpose of effectively performing its duties, the Supervisory Board relies on the work of 4 permanent committees: the Presidential Committee, the Audit Committee, the Nomination Committee and the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG). Furthermore, a Takeover Committee was set up for the duration of the takeover process. The committees prepare the board-level consultations and resolutions. In addition, also decision-making responsibilities were transferred to the committees within the legally allowed parameters. The respective chairmen of the committees report to the Supervisory Board regularly and comprehensively with regard to the work in the committees. A detailed description of the working methods of the committees is contained in the corporate governance report, which is combined with the declaration on corporate management pursuant to §§ 289f and 315d of the German Commercial Code (HGB). The corresponding versions as well as information about the current members of the Supervisory Board can be found on the website www.metroag.de/en in the section Company – Corporate Governance.

The permanent committees of the Supervisory Board are composed as follows (status: 4 December 2019):

- **Presidential Committee:** Jürgen Steinemann (Chairman), Werner Klockhaus (Vice Chairman), Xaver Schiller, Dr Liliana Solomon
- **Audit Committee:** Prof. Dr Edgar Ernst (Chairman), Werner Klockhaus (Vice Chairman), Thomas Dommel, Dr Florian Funck, Dr Fredy Raas, Xaver Schiller
- **Nomination Committee:** Jürgen Steinemann (Chairman), Gwyn Burr, Prof. Dr Edgar Ernst
- **Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG):** Jürgen Steinemann (Chairman), Werner Klockhaus (Vice Chairman), Prof. Dr Edgar Ernst, Xaver Schiller

The Supervisory Board's **Takeover Committee**, which was set up for the duration of the takeover process, comprised the following members:

Jürgen Steinemann (Chairman), Thomas Dommel, Prof. Dr Edgar Ernst, Werner Klockhaus, Xaver Schiller, Alexandra Soto

Presidential Committee – The Presidential Committee is mainly concerned with the personnel issues of the members of the Management Board and monitors compliance with legal regulations and the application of the German Corporate Governance Code. In accordance with § 107 Section 3 Sentence 4 of the German Stock Corporation Act (AktG), the Presidential Committee passes resolutions on urgent matters and matters submitted to it by the Supervisory Board. The Presidential Committee held 6 meetings in financial year 2018/19, 3 meetings were convened as an extraordinary meeting. One of the key areas of the committee's work was the preparation of the resolutions to be adopted by the Supervisory Board with regard to the appointment of Ms Andrea Euenheim as a member of the Management

Board and Labour Director of METRO AG as of 1 November 2019 and on the amicable departure of Mr Heiko Hutmacher from the Management Board effective 31 December 2019. Another focus was the work on a concept for revising the existing Management Board remuneration system. Moreover, the committee prepared the individual and strategic performance targets for the members of the Management Board for financial year 2018/19, as well as the short-term incentive for financial year 2019/20. Further issues addressed by the Presidential Committee included corporate governance at METRO, especially the preparation of the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG). The committee also focused on the development of talent management and targeted internal succession planning at various organisational levels.

Audit Committee – The Audit Committee is responsible for supervising the company's accounting, accounting processes, the effectiveness of the internal control system, the risk management system, the internal audit system, compliance and the audit of the annual financial statements (in particular relating to the selection and independence of the auditor and any additional performances rendered by the auditor). 7 committee meetings were held in financial year 2018/19, 1 of which was extraordinarily convened. The CFO, the CEO and I as the Chairman of the Supervisory Board attended all meetings. The auditor and managers of the relevant departments of METRO were consulted on selected issues.

The Audit Committee prepared the meeting of the Supervisory Board in December 2018 and conducted an in-depth review of the annual and consolidated financial statements for financial year 2017/18, the combined management report of METRO AG and the group for financial year 2017/18 as well as the combined non-financial statement contained in the combined management report. The results of the audit were discussed by the Supervisory Board in the presence of the auditor. This formed the basis for the Audit Committee to issue recommendations for resolutions to the Supervisory Board after detailed discussion. These included, in particular, the recommendation to approve the annual and consolidated financial statements for financial year 2017/18 and to approve the Management Board's proposal to the Annual General Meeting 2019 on the appropriation of the balance sheet profit. The members of the Audit Committee discussed the quarterly statement and the half-year financial report for financial year 2018/19 prior to their respective publication.

The Audit Committee also prepared the audit engagements for financial year 2018/19 and considered the auditor's planning of the audit as well as the key audit areas. The committee was informed about the so-called non-audit services provided by the auditors and intensively examined the governance functions within the group (internal control systems, risk management system, internal audit and compliance), the draft budget presented by the Management Board, the group controlling plan and the audit plan prepared by the Internal Audit unit. The Audit Committee further requested information about significant projects and legal issues. They particularly included the legally required ongoing development of European and international accounting standards, accounting-related changes and an evaluation of the ensuing implications for METRO.

The Audit Committee also received reports on business developments between meetings in separate telephone calls in which the Chairman of the Management Board and the Chief Financial Officer took part as scheduled.

Nomination Committee – The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board's election proposals to the Annual General Meeting. In financial year 2018/19, 2 committee meetings were held for the purpose of preparing election proposals to the Annual General Meeting.

Takeover Committee – In connection with the voluntary takeover offer of EP Global Commerce VI GmbH, this committee dealt with the takeover process and prepared all necessary or expedient tasks and decisions of the Supervisory Board, in particular the joint reasoned statement of the Management Board and the Supervisory Board pursuant to § 27 of the German Securities Acquisition and Takeover Act (WpÜG). Moreover, the Takeover Committee was authorised to select and commission external consultants, in particular financial and legal consultants, in connection with the takeover offer. The Takeover Committee met 6 times. Due to the short-term nature of the scheduled meetings, the option of telephone participation was also granted.

Mediation Committee – The Mediation Committee formulates proposals for the appointment and revocation of members of the Management Board in cases pursuant to § 31 of the German Co-determination Act (MitbestG). The Mediation Committee did not convene a meeting in financial year 2018/19.

Individual attendance at meetings

The individual attendance of members of the Supervisory Board at meetings of the Supervisory Board and its committees is disclosed in the following:

Supervisory Board	Meeting attendance	Attendance in %
Jürgen Steinemann, Chairman	8/8	100
Werner Klockhaus, Vice Chairman	8/8	100
Stefanie Blaser	8/8	100
Herbert Bolliger	8/8	100
Gwyn Burr	7/8	88
Thomas Dommel	8/8	100
Prof. Dr Edgar Ernst	8/8	100
Dr Florian Funck	8/8	100
Michael Heider	8/8	100
Peter Küpfer	7/8	88
Susanne Meister	8/8	100
Dr Angela Pilkmann	8/8	100
Dr Fredy Raas	8/8	100
Xaver Schiller	7/8	88
Eva-Lotta Sjöstedt	7/8	88
Dr Liliana Solomon	6/8	75
Alexandra Soto	7/8	88
Angelika Will	7/8	88
Manfred Wirsch	5/8	63
Silke Zimmer	8/8	100
Total		**93**

Presidential Committee	Meeting attendance	Attendance in %
Jürgen Steinemann, Chairman	6/6	100
Werner Klockhaus, Vice Chairman	6/6	100
Xaver Schiller	6/6	100
Dr Liliana Solomon	4/6	67
Total		**92**

Audit Committee	Meeting attendance	Attendance in %
Prof. Dr Edgar Ernst, Chairman	7/7	100
Werner Klockhaus, Vice Chairman	7/7	100
Thomas Dommel	7/7	100
Dr Florian Funck	7/7	100
Dr Fredy Raas	7/7	100
Xaver Schiller	7/7	100
Total		**100**

Nomination Commitee	Meeting attendence	Attendence in %
Jürgen Steinemann, Chairman	2/2	100
Gwyn Burr	2/2	100
Prof. Dr Edgar Ernst	2/2	100
Total		**100**

Takeover Committee[1]	Meeting attendance	Attendance in %
Jürgen Steinemann, Chairman	6/6	100
Thomas Dommel	6/6	100
Prof. Dr Edgar Ernst	6/6	100
Werner Klockhaus	6/6	100
Xaver Schiller	6/6	100
Alexandra Soto	6/6	100
Total		**100**

[1] Set up for the duration of the takeover process.

Corporate governance

In September 2019, the Management Board and the Supervisory Board of METRO AG issued their declaration of conformity with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) and published the declaration of conformity on the website www.metroag.de/en in the section Company – Corporate Governance. Reporting on METRO's corporate governance is provided in the Declaration on Corporate Management | Corporate Governance Report. This document has also been published on the website www.metroag.de/en in the section Company – Corporate Governance.

Annual and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the Annual Financial Statements prepared by the Management Board in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared by METRO AG based on the International Financial Reporting Standards (IFRS). It also reviewed the combined management report for METRO AG and the group for financial year 2018/19 and issued an unqualified audit certificate. The auditor also issued an unqualified certificate about the combined non-financial statement contained in the management report as a result of his audit to provide limited assurance. The auditor provided a written report on the audits.

The documents for the annual financial statements, including the combined non-financial statement, and the audit reports were discussed and reviewed in great detail during the meeting of the Audit Committee on 3 December 2019 and in the Supervisory Board meeting on 4 December 2019 in the presence of the auditor. Prior to these meetings, the required documents were distributed to all members of the Audit Committee as well as the Supervisory Board, giving them sufficient time to review them. In both meetings, the auditor reported about the key findings of his audit and was at the Supervisory Board's disposal to answer questions and provide additional information also in the absence of the Management Board.

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

Based on our own review of the Annual Financial Statements, the consolidated financial statements and the combined management report as well as the combined non-financial statement for financial year 2018/19, we had no objections and the Supervisory Board approved the result of the audit. As recommended by the Audit Committee, we approved the Annual Financial Statements and the consolidated financial statements submitted by the Management Board. The METRO AG Annual Financial Statements are thus adopted. Following a careful own review and consideration of the interests involved, we approved the Management Board's proposal to the Annual General Meeting 2020 for the appropriation of the balance sheet profit.

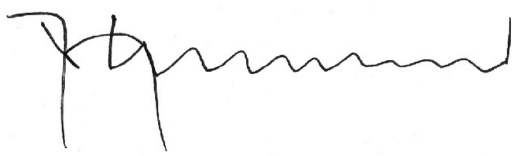
Appointments and resignations

The office terms of the members of the Supervisory Board Ms Eva-Lotta Sjöstedt, Ms Alexandra Soto and Dr Fredy Raas ended at the end of the METRO AG Annual General Meeting on 15 February 2019. On the same day, they entered a new office term through election by the Annual General Meeting. In light of the change in the shareholding structure, member of the Supervisory Board Dr Florian Funck resigned his mandate with effect from the end of 7 December 2019.

Effective 1 November 2019, the Supervisory Board appointed Ms Andrea Euenheim as a member of the Management Board and Labour Director. She is succeeding Mr Heiko Hutmacher, who is leaving the company as of 31 December 2019.

Düsseldorf, 4 December 2019

The Supervisory Board



Jürgen Steinemann
Chairman

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

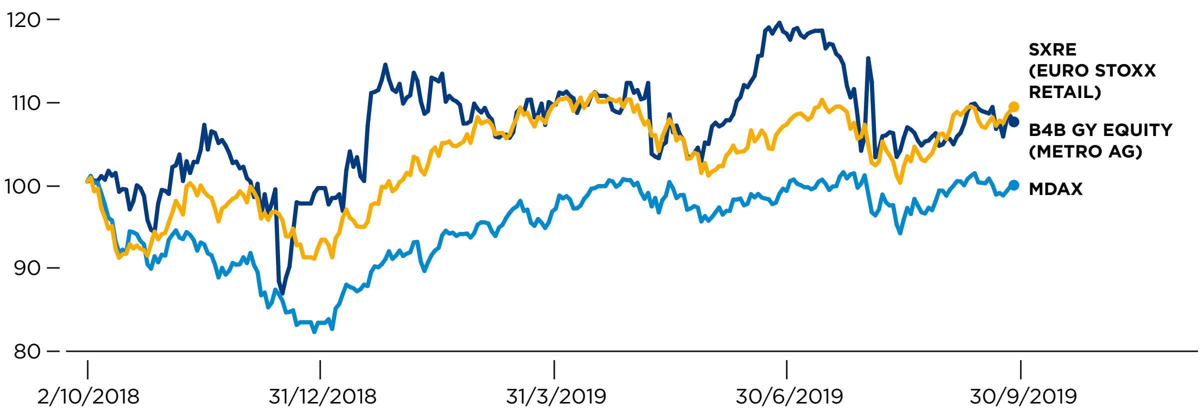
METRO SHARE

Performance of the METRO share

At the beginning of financial year 2018/19, the stock market initially developed weakly, in particular due to the trade conflict between the USA and China as well as due to Brexit. As 2019 progressed, it recovered and the MDAX returned to the previous year's level, reaching 25,887 points on 30 September 2019 (28/9/2018: 25,998 points). In contrast, the EURO STOXX Retail performed very positively and gained 9% compared to 28 September 2018.

As of 30 September 2019, the METRO share finished with a closing price of €14.48 in Xetra trading on the Frankfurt Stock Exchange. This represents an increase of 7%. On a total return basis – and thus comparable with the MDAX – the METRO share recorded an increase of 12% at the end of financial year 2018/19. The preference share traded at €12.90 on 30 September 2019. The METRO share's listing in financial year 2018/19 was marked by a number of positive developments, which were attributable to various business events such as the sale of the hypermarket business and the search for a strategic partner for the Chinese business. Moreover, the share price was influenced by speculation about the voluntary takeover bid by EP Global Commerce. The temporary recovery of the Russian business also made a positive contribution to this trend. The share price was largely stable at the end of the financial year.

DEVELOPMENT OF THE METRO SHARE (%)



METRO SHARE

			2017/18	2018/19
Closing price	Ordinary share	€	13.50	**14.48**
	Preference share	€	12.61	**12.90**
High	Ordinary share	€	18.00	**16.07**
	Preference share	€	17.69	**14.65**
Low	Ordinary share	€	10.08	**11.69**
	Preference share	€	9.93	**10.95**
Dividends	Ordinary share	€	0.70	**0.70**[1]
	Preference share	€	0.70	**0.70**[1]
Dividend yield based on closing price	Ordinary share	%	5.2	**4.81**
	Preference share	%	5.6	**5.41**
Market capitalisation (billion)		€	4.9	**5.3**

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

Data based on Xetra closing prices
Source: Bloomberg

Shareholder structure of METRO AG

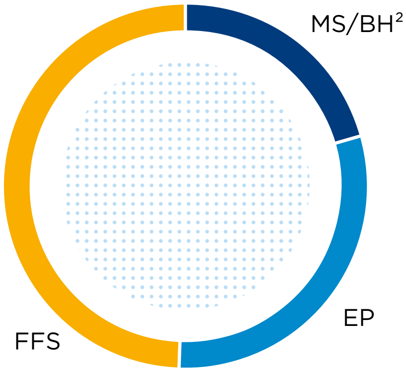
The shareholder structure of METRO AG has changed. In preparing the Annual Financial Statements, the largest (indirect) shareholders of METRO AG, based on the voting rights notifications received by METRO AG in accordance with the German Securities Trading Act (WpHG), are EP Global Commerce GmbH with 29.99% of the ordinary shares and Meridian Stiftung and Beisheim Holding, to which a total of approximately 20.63% of the ordinary shares are allocated on a reciprocal basis memorialised in a pooling agreement. These 3 shareholders hold a total of 50.62% of the voting rights. In addition, Franz Haniel & Cie. GmbH holds 2.71% and CECONOMY AG holds 0.99% of the ordinary shares of METRO AG. In addition, all ordinary shares held by Franz Haniel & Cie. GmbH are subject to a call option of EP Global Commerce GmbH. Under the terms of the demerger agreement, the ordinary shares of CECONOMY AG cannot be sold until 1 October 2023.

- **For more information about details of the pooling agreement between Meridian Stiftung and Beisheim Holding, see chapter** **7 takeover-relevant disclosures in the combined management report. ▶ page 141**

49.38% of METRO AG shares are free-floating and held by a number of national and international investors. The shareholder structure reflects the international distribution of the share capital: approximately 15% of ordinary shares are held by investors from the USA, followed by investors from the United Kingdom with approximately 11%, Germany with approximately 13% and Europe (excluding Germany and the United Kingdom) with approximately 7%. The remaining countries account for around 3%.

SHAREHOLDER STRUCTURE[1]

as of 6/11/2019



MS/BH[2]	20.63%	Meridian Stiftung/Beisheim Holding
EP	29.99%	EP Global Commerce
FFS	49.38%	Free-floating shares
	100.00%	

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

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

Market capitalisation and index inclusion

The market capitalisation of METRO AG was €5.3 billion at the end of September 2019. In the time between the initial stock exchange listing and the end of the financial year, a typical trading day at the Frankfurt Stock Exchange in financial year 2018/19 saw an average of around 900,000 of METRO's ordinary shares traded. Around 4,000 of the significantly fewer liquid preference shares were exchanged on each trading day.

The METRO AG ordinary share is included in a number of indices, most noteworthy the MDAX. The MDAX comprises the 60 largest German corporations with the highest trading volumes below the DAX 30. The composition is based on fixed inclusion criteria. In addition to being listed in the Prime Standard and a free float of more than 10%, inclusion in the index depends on the free-float market capitalisation and the stock exchange turnover. As of 30 September 2019, METRO was ranked number 38 in the MDAX in terms of market capitalisation and number 33 in terms of stock exchange turnover.

The METRO share is also included in the global MSCI index and the relevant industry sector indices EURO STOXX Retail and STOXX 600 Retail.

Many investors place high priority on the issue of sustainability. METRO is fostering the continuous dialogue with sustainability-oriented investors, analysts and rating agencies. In 2019, METRO AG was again confirmed as the best company in the industry in the European sustainability ranking of the Dow Jones Sustainability Index. Rating agency Oekom Research issued a prime recommendation for METRO AG in the wholesale category (Trading Companies & Distributors). METRO is also listed in the FTSE4Good index. METRO has been issuing public statements on climate protection and water for many years through CDP. METRO achieved a rating of A- or B- (on a scale from F to A) for both subject areas. Since 2019, METRO has also reported via the CDP on deforestation, which is associated with sensitive raw materials such as soya, palm oil, meat and wood/paper. The results for 2019 were not yet available on the publication date. METRO shares are also included in the MSCI World ESG Leaders Index and its European counterparts.

METRO has set the future course with its initiation and implementation of sustainable business practices.

Dividend and dividend policy

The Management Board and Supervisory Board of METRO AG will propose a dividend of €0.70 per share to the Annual General Meeting on 14 February 2020. This dividend proposal corresponds to 49% of earnings per share of €1.44 for continuing operations including METRO China (outlook view) and is thus within the payout ratio of 45% to 55% as envisaged by METRO's dividend policy. The dividend yield on the basis of the closing price on 30 September 2019 is 4.8% for the METRO ordinary share and 5.4% for the preference share.

Analysts' recommendations

20 analysts have regularly published analyses and studies about the METRO share over the course of financial year 2018/19. 16 analysts rated the METRO share neutrally in the medium to long term; 2 analysts recommended selling the share and 2 analysts were 'restricted' at the end of the financial year, that is, the analyst firm had internally blocked the submission of recommendations. The median value of share price targets was €14.60 at the end of September 2019 (€12.50 at the end of September 2018).

Grade	Bank	Head office	Share price target (€)
Hold	Baader Bank	Munich	14.00
	Barclays	London	14.00
	Berenberg	London	14.40
	Bernstein Research	London	13.00
	Commerzbank	Frankfurt	15.00
	DZ Bank	Frankfurt	14.00
	HSBC	London	16.00
	Independent Research	Frankfurt	14.80
	Invest Securities	Paris	16.00
	Jefferies	London	14.70
	Kepler Cheuvreux	Frankfurt	14.30
	LBBW	Stuttgart	14.80
	M.M.Warburg	Hamburg	15.30
	MainFirst	London	15.00
	Oddo BHF	Paris	14.50
	Société Générale	Paris	16.00
Sell	Deutsche Bank	London	13.00
	Exane	London	10.80
Restricted	BAML	London	-
	J.P. Morgan	London	-

Investor Relations

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

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

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

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

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

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GOALS AND STRATEGY

GOALS AND STRATEGY

METRO/METRO WHOLESALE

- As a leading international food wholesaler, METRO continues its transformation into a wholesale specialist in financial year 2018/19.
- Disposal of a majority stake in METRO China immediately after the end of the reporting period supports the focus on the core customer groups HoReCa and Trader.
- With the 'Wholesale 360' approach, METRO positions itself as the partner of choice for thewholesale customers through a comprehensive range of products, consulting, digital tools, marketplace, services and equipment.

METRO is a leading international food wholesaler and global market leader in the cash-and-carry format. METRO is managed by METRO AG as the central strategic management holding company, which also assumes central management and administrative functions for the METRO Wholesale sales line.

METRO Wholesale is active in 34 countries worldwide, including 24 countries with 678 wholesale stores under the METRO and MAKRO brands. The delivery business (Food Service Distribution, FSD) is also part of METRO Wholesale, including the METRO delivery service and the companies specialised in delivery: Classic Fine Foods, Pro à Pro and Rungis Express.

The Others segment includes the digitalisation activities of METRO. They mainly comprise the activities of the Hospitality Digital business unit. The segment also includes the real estate company METRO PROPERTIES as well as various service companies that provide internal services for METRO in the areas of logistics, information technology, advertising and procurement.

METRO's focus on food wholesale follows a long-term strategy that has been continuously and successfully implemented in recent years. METRO already initiated the transformation from a conglomerate to a wholesale specialist in 2012. Following the disposals of the international Real business and Galeria Kaufhof as well as the spin-off of Media-Saturn, a contract was signed on 11 October 2019 for the sale of a majority stake in METRO China to Wumei. Thus, the core customer groups HoReCa and Traders will account for around 70% of METRO's worldwide sales. Moreover, the transaction offers further opportunities to accelerate growth organically and through acquisitions.

At the same time, METRO AG's 20% investments in the joint venture opens up various strategic partnership opportunities with Wumei and its technology partner Dmall, particularly with regard to the international procurement of goods. METRO will continue to participate in the growth of its business in China in a dynamic market environment with improved conditions. The advanced sale of Real marks the conclusion of the transformation process towards an exclusive focus on the wholesale business.

The sale of the hypermarket business is well advanced. We are in the final stages of negotiations and are working with the potential buyer on the future concept for Real, which includes retaining part of the core business and passing on some store networks to competitors. Moreover, the early involvement of the antitrust authorities has increased transaction security. Therefore, we are confident that we will be able to sign off on the transaction in the very near future.

The strategy of focusing on METRO Wholesale is aimed at long-term, consistent growth of (like-for-like) sales and earnings. The like-for-like sales development of METRO Wholesale has been positive for 6 years based on year-on-year growth rates. The wholesale business targets a very attractive industry sector that is characterised by (compared to food retail) very strong customer relationships, high shopping frequency, large shopping baskets and high productivity at significantly lower cost to serve.

HoReCa and Traders Focus

The 2 core customer groups of METRO Wholesale are HoReCa and Traders. The HoReCa section includes hotels, restaurants, bars and cafés as well as catering companies and canteen operators. The Traders section includes, for example, small grocery stores, kiosks, street food vendors as well as petrol stations and other wholesalers. Both core customer groups have very large market potentials. Service Companies and Offices (SCO) are another customer group.

The HoReCa customer group in particular is showing very high growth momentum. Above all, the reason for this is the continuously increasing in out-of-home food consumption. The change in consumer behaviour is leading to an increase in out of home consumption and to a trend towards convenience solutions, from which the Traders customer group also benefits.

Portfolio and market consolidation

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

Localisation via country-specific value creation plans

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

Based on the business model, the national subsidiaries develop and implement their local strategies, which are then translated into individual value creation plans that enable transformation and growth according to local conditions. The central holding functions support local value creation, in particular by relieving administrative tasks. Based on the country-specific and locally generated value creation plans, METRO Wholesale has identified 5 major strategic value enhancers for its wholesale business:

- We want to leverage the full potential of the markets we serve across all customer groups. This is accomplished by differentiating the wholesale stores, for example by designing stores that are specifically tailored to the different customer groups and their respective needs.
- We intend to further expand the delivery sales because it is attractive and complements the core business of the wholesale stores. Delivery is the most important procurement channel for HoReCa customers in most countries.
- We intend to further roll out the Trader Franchising Model in countries such as Poland, Romania and Russia. METRO Wholesale operates in a similar way as a franchisor with its own brand identity. It provides products and offers additional services to the participating independent grocery stores, such as training courses and assortment consultancy. The expansion of the model helps open up new growth opportunities in relevant markets.
- We aim to increase our operating efficiency in order to reduce our cost base. To this end, on the one hand, the group-wide synergy potential is to be exploited. On the other hand, cost advantages are to be realised through strategic cooperation projects with international retail and wholesale companies, for example by reducing procurement costs through international purchasing alliances.
- METRO Wholesale provides its customers with the opportunity to benefit from its know-how by offering them training courses, tutorials and professional advice.

Wholesale 360

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

To achieve this, METRO leverages its experience, knowledge, resources and global presence, which it has gained and perfected in the 55 years since the first METRO wholesale store was opened in Germany. In addition, in a constantly changing environment, the current and future challenges of the customers are identified at an early stage and addressed by offering professional services and digital solutions. It pursues the goal of expanding the customer relationship from a transactional merchandise trade to a sustainable and holistic partnership. This allows METRO to clearly differentiate itself from other wholesalers.

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

- METRO’s core competence is to offer ultra-fresh, high-quality food at attractive prices, tailored to local needs. To this end, METRO Wholesale’s national companies continuously develop their product ranges in order to increase customer satisfaction, shopping cart size and repurchase rates. This also includes the introduction of METRO Chef Gourvenience, an assortment of convenience products at the highest level for professionals.
- Our customers are faced with a multitude of complex challenges, such as lack of personnel and time, efficient operational management, offer design or financing gaps. We offer individual top consulting, based on the know-how and experience of METRO. For this purpose METRO invests in the consulting competence of the customer managers and uses the possibilities of data analysis. In the future market India, METRO and the Fintech company ePayLater developed the app ‘Digital Shop’ for Kirana dealers to help them efficiently track sales, manage inventories or process free digital payments.
- Access to digital solutions and innovative applications is a key topic of our Wholesale 360 approach. The Hospitality Digital business unit offers customers from the hospitality industry convenient access to digital applications, such as free services for creating a website, online reservation systems or efficient staff management systems. Moreover, applications are available for optimising the respective operation, such as the MenuKit for automatic calculation of the cost of goods sold. These applications provide commercial added value for hospitality customers and will be used in a targeted manner in the future to expand existing customer relationships and to achieve an increase in new customers. Digitalisation represents an important strategic growth area and an investment into METRO’s future, and is consistently being implemented, in particular, by METRO-NOM, the group’s own IT subsidiary. METRO-NOM assists in the digital transformation of METRO and develops IT solutions for METRO Wholesale and customer contact points. It includes, for example, the M-Shop customer platform and the METRO Companion shopping app.
- The online marketplace METRO MARKETS, which represents another topic area in our Wholesale 360 approach and is aimed in particular at HoReCa customers, was launched in Germany in September 2019 and is supposed to be expanded to other countries after a pilot phase.

- The range of services within the scope of the Wholesale 360 approach is being intensively worked on, as we expect it to provide noticeable growth impulses in the future. First, we are offering additional services such as financial services in selected countries.
- Modern equipment in modern hospitality industry helps increase productivity and cut costs, while at the same time offering a high level of service quality. Strategic cooperations enable integrated solutions, for example professional equipment at advantageous conditions. In cooperation with Pentagast, the largest association of gastronomy and kitchen equipment suppliers, we provide trend-setting food and kitchen solutions. METRO is thus expanding its product range and reaching further potential customers.

Real estate

METRO has extensive real estate assets and manages a portfolio of more than 670 operating locations. The real estate sector makes a significant and long-term contribution to the corporate success of the wholesale and food specialist.

METRO PROPERTIES concentrates the real estate know-how of METRO and has established itself on the market as a reputable real estate company.

The company operates, develops and markets an international portfolio of properties. Its activities cover the entire life cycle of METRO's real estate assets: from future-oriented investments, economic property operation/maintenance to sustainable and creative development of real estate assets as well as the realisation of capital gains during disposal at the right point in time. For example, in the reporting period, METRO PROPERTIES sold the EDU retail park in Bremen after extensive project development. With its attractive mix of tenants and industries, the EDU now represents a highly frequented retail location of around 50,000 m^2. Other examples of successful development projects and sale-and-leaseback transactions are portfolios in Western Europe and Spain as well as in other Central and Eastern European countries. In addition, METRO PROPERTIES developed mixed-use concepts for Asian locations in Shanghai, India, China and Bangalore and has lined up additional projects for the coming years in Germany, Europe and Asia.

Sustainability

METRO is strongly committed to promoting the success and satisfaction of its more than 16 million customers worldwide, in a responsible manner. For more than 20 years, METRO has pursued to orientate all corporate processes towards sustainability in its own business operations as well as in the supply chain. In addition to reducing food waste and promoting conscious consumption, the company continues to pursue a clear commitment to cut its CO_2 emissions in half by 2030 when compared to 2011. In 2019, METRO was ranked for the 5th time in a row as the European industry leader in the Food & Staples Retailing group in the Dow Jones Sustainability Index. Sustainability is not only an established part of METRO's business model, but also an indispensable part of the wholesale specialist's future strategy in terms of resource availability, talent acquisition and retention as well as customer demand and regulation.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

1 OVERVIEW OF FINANCIAL YEAR 2018/19 AND OUTLOOK

As a result of the sale of the majority interest in METRO China (signed on 11 October 2019), METRO China will be reported as a discontinued operation in accordance with IFRS 5 as of 30 September 2019; previous year's income statement, cash flow statement and segment reporting figures have been adjusted accordingly.

Unless expressly stated otherwise, all presentations in the combined management report refer to continuing operations (excluding the hypermarket business and excluding METRO China).

Only the comparison of outlook with actual business developments as well as the dividend proposal refer to the outlook issued for 2018/19 which includes METRO China.

Furthermore, the results for the financial year are reported before IFRS 16 adjustments. A first indication will be published in the consolidated financial statements – notes to the group accounting principles and methods of this Annual Report 2018/19, while a complete adjustment will be made available in January 2020.

Earnings position

- Like-for-like sales increased by 2.1%; reported sales rose by 1.1% to €27.1 billion (in local currency: +2.2%)
- EBITDA excluding earnings contributions from real estate transactions was at €1,021 million (2017/18: €1,088 million); reported EBITDA reached €1,359 million (2017/18: €1,216 million)
- Profit or loss for the period (from continuing operations) amounted to €411 million (2017/18: €359 million)
- Earnings per share (continuing operations): 1.12 € (2017/18: 0.98 €)
- For continuing and discontinued operations, profit or loss for the period amounted to €−115 million (2017/18: €337 million) and earnings per share to €−0.35 (2017/18: €0.92)

Financial and asset position

- Net debt decreased to €2.9 billion in adjusted year-on-year comparison (30/9/2018: €3.1 billion)
- Investments totalled €0.5 billion (2017/18: €0.6 billion)
- Cash flow from operating activities reached €0.8 billion (2017/18: €0.8 billion)
- Total assets (continuing and discontinued operations) amounted to €14.5 billion (30/9/2018: €15.2 billion)
- Equity (continuing and discontinued operations): €2.7 billion (30/9/2018: €3.1 billion)
- Long-term rating: BBB- (Standard & Poor's)

Future development of METRO

METRO continues its long-term strategy of focusing on wholesale and, in particular, on HoReCa and Traders customers. Against this background, we will continue to put emphasis on simplifying and streamlining our portfolio in the coming year. This includes in particular the closing of the sale of a majority stake in METRO China and the sale of our Real hypermarket business. METRO expects to generate a net cash inflow of more than €1 billion upon completion of the sale of METRO China (expected in the first half of 2020, subject to regulatory approvals). The remaining minority stake in METRO China will be reported as at-equity investment in the Asia segment. For the hypermarket business, METRO expects a successful closing of the transaction shortly. Neither METRO China nor the hypermarket business is included in the outlook either before or after completion of the transactions.

As announced in November 2019, we are also planning to implement a number of efficiency measures in the coming financial year 2019/20. These measures concern in particular the simplification of administrative structures, processes and business activities. The measures will be associated with estimated one-time costs of €60 million to €80 million in 2019/20 and estimated sustainable savings in the mid-double-digit million euro range through an increase in operating performance. The associated costs from efficiency measures will be reported separately as transformation costs. The outlook is made before such transformation costs. Expected pro rata savings in 2019/20 in the low-double-digit million euro range are reflected in the outlook.

METRO's strategy further includes strengthening and expanding its core business, wholesale, in become a '360-degree supplier' – the Wholesale 360 approach. This includes further localisation of the business, expansion of our delivery business, development of new channels and customers (for example via the online marketplace METRO MARKETS) as well as an increase in customer loyalty and an associated enhanced exploitation of customer potential, for example through digital solutions. In addition, we plan to selectively expand our business activities through acquisitions. The mergers and acquisitions activities should thereby focus on companies that increase our presence in a market (densification) and thus contribute to market consolidation. The outlook does not include such potential mergers and acquisitions transactions.

We also continue to implement our sustainability goals defined on the basis of the UN Sustainable Development Goals. The focus is on reducing food waste, making our range of products and services more sustainable and promoting more conscious consumption.

The outlook is based on the current segment structure. Unlike in the previous year, METRO China has been reported as a discontinued operation since 30 September 2019, so that the composition of the Asia segment has changed in this respect. In addition, changes in key figures resulting from the first-time application of IFRS 16 (see also the respective specifications in the notes to the group accounting principles and methods ▸ page 170) are initially not taken into account in the outlook. METRO will finalise the retrospective adjustments as planned in the first quarter of 2019/20. Based on that, METRO will publish a reconciliation of the relevant key figures, which shows both the old and the new standard, prior to our next quarterly statement and update the outlook accordingly.

Outlook of METRO

The outlook is based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covers METRO's continuing operations. The main opportunities and risks that could influence our outlook are explained in the opportunity and risk report. The achievement of our sales and earnings outlook is further based on our assumptions for 2019/20 regarding macroeconomic developments.

Sales

Due to the advancing and successful focus on the HoReCa and Traders customer groups, the Management Board expects total sales and like-for-like sales to grow by 1.5% to 3% in financial year 2019/20 (2018/19: 2.2% growth to total sales and 2.1% growth of like-for-like sales). As a consequence of this focus, a further trend improvement is expected in Russia. Germany is expected to show a flat sales development, while the Western Europe (excluding Germany), Eastern Europe (excluding Russia) and Asia segments are expected to grow at the previous year's level. Across all segments, the Management Board sees the delivery business in particular and the synergetic interaction of the various channels as well as the focus on HoReCa and Traders customers as growth drivers.

Earnings

An important focus of METRO is on increasing operating performance and portfolio simplification. Against this background, the Management Board announced to adopt efficiency measures on 19 November 2019. In financial year 2019/20, the Management Board expects this to result in one-time transformation costs of €60 million to €80 million. Before transformation costs for these efficiency measures, the Management Board expects EBITDA excluding earnings contributions from real estate transactions to be roughly at the level of the past financial year (2018/19: € 1,021 million). Earnings in Russia are expected to decline by between €20 million and €30 million as a result of the ongoing repositioning. Earnings growth in Germany and Western Europe (excluding Germany) is expected to compensate for this. For the remaining segments, EBITDA is expected to remain roughly at the previous years level.

	2018/19	Outlook 2019/20[1]
Sales trend (like-for-like)	**2.1%**	1.5%−3% growth
METRO Germany	**0.3%**	Stable sales development
METRO Western Europe (excl. Germany)	**1.3%**	Previous year's level
METRO Russia	**−4.3%**	Trend improvement
METRO Eastern Europe (excl. Russia)	**6.3%**	Previous year's level
METRO Asia	**5.3%**	Previous year's level
Sales trend in local currency	**2.2%**	1.5%−3% growth
METRO Germany	**−0.6%**	Stable sales development
METRO Western Europe (excl. Germany)	**1.3%**	Previous year's level
METRO Russia	**−3.3%**	Trend improvement
METRO Eastern Europe (excl. Russia)	**6.4%**	Previous year's level
METRO Asia	**7.3%**	Previous year's level
EBITDA excluding earnings contributions from real estate transactions in € million	**1,021**	Previous year's level
METRO Germany	**95**	Earnings growth
METRO Western Europe (excl. Germany)	**499**	Earnings growth
METRO Russia	**220**	Decline between €20 million and €30 million
METRO Eastern Europe (excl. Russia)	**344**	Previous year's level
METRO Asia	**11**	Previous year's level
Others	**−148**	Previous year's level

[1] At constant exchange rates, excluding further portfolio adjustments and transformation costs.

2 PRINCIPLES OF THE GROUP

2.1 Group business model

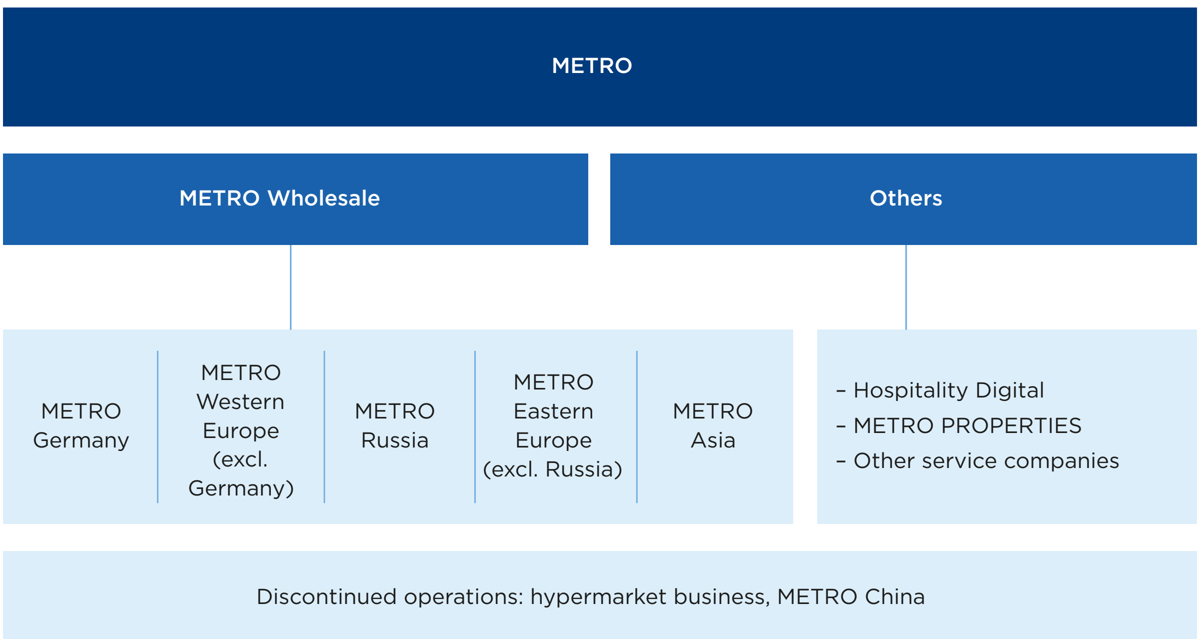
METRO is a leading international specialist in food wholesale. The group is headed by METRO AG, which acts as the central management holding company. It performs group management functions, particularly in the areas of finance, controlling, legal and compliance. Central management and administrative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

In its core wholesale business, METRO Wholesale is globally represented with 678 stores in 24 countries. In addition, METRO Wholesale is active with the delivery business (Food Service Distribution, FSD) in another 10 countries. The delivery business includes the METRO delivery service as well as the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express. So far, the retail company Real constituted the 2nd sales line of the group with 276 hypermarkets across Germany. Real forms the principal element of the discontinued business segment due to the decision of the Management Board of METRO AG to dispose of the hypermarket business.

The group's digitalisation activities are bundled under Others. These initiatives primarily refer to the activities of the Hospitality Digital business unit, which was established in 2015. The unit develops digital solutions for customers from the hospitality industry and creates interfaces for the digital products conventionally used by wholesale traders.

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 within the group.

OVERVIEW OF METRO



METRO Wholesale

As an omnichannel operator, **METRO Wholesale** 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 Wholesale Germany, METRO Western Europe (excluding Germany), METRO Russia, METRO Eastern Europe (excluding Russia) and METRO Asia, METRO is active in 34 countries. The sales line METRO Wholesale 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 Wholesale offers a portfolio of products and solutions that has been tailored to their specific requirements. In the area of **Food Service Distribution (FSD)**, METRO Wholesale 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. The company’s customers include premium customers such as 5-star hotels and upmarket restaurants 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 HoReCa customers.

Others

The **Others** segment includes the **Hospitality Digital** business unit and the **METRO PROPERTIES** service company among others. Hospitality Digital pools the group’s digitalisation activities for customers from the hospitality sector. These activities include the development of digital solutions, which are created to meet the needs of the HoReCa customers, and the promotion of innovative, progressive food solutions. With its real estate expertise, METRO PROPERTIES has established itself on the market as a reputable real estate company. It develops, operates and markets an international portfolio. METRO benefits from opportunities for adjacent businesses, such as sub-licensing of its comprehensive market expertise and the reputation of METRO PROPERTIES. The real estate segment makes a long-term and significant contribution to the overall business success of METRO.

STORE NETWORK BY COUNTRY AND SEGMENTS

as of the closing date of 30/9

	METRO[1] 2018	New store openings	Closures	METRO 2019
METRO Germany	**103**	**0**	**0**	**103**
Austria	12	0	0	**12**
Belgium	17	0	0	**17**
France	98	0	0	**98**
Italy	49	0	0	**49**
Netherlands	17	0	0	**17**
Portugal	10	0	0	**10**
Spain	37	0	0	**37**
METRO Western Europe (excl. Germany)	**240**	**0**	**0**	**240**
METRO Russia	**93**	**1**	**0**	**94**
Bulgaria	11	0	0	**11**
Croatia	9	1	0	**10**
Czech Republic	13	0	0	**13**
Hungary	13	0	0	**13**
Kazakhstan	6	0	0	**6**
Moldova	3	0	0	**3**
Poland	29	0	0	**29**
Romania	30	0	0	**30**
Serbia	9	0	0	**9**
Slovakia	6	0	0	**6**
Turkey	33	1	0	**34**
Ukraine	31	0	0	**31**
METRO Eastern Europe (excl. Russia)	**193**	**2**	**0**	**195**
India	27	0	0	**27**
Japan	10	0	0	**10**
Pakistan	9	0	0	**9**
METRO Asia	**46**	**0**	**0**	**46**
Total	**675**	**3**	**0**	**678**

[1] The locations and countries of Classic Fine Foods and those of Pro à Pro and Rungis Express are not shown in the table as they relate to distribution centres and warehouses whereas this table only covers sales locations.

2.2 Management system

METRO’s strategic focus on creating additional customer value for the wholesale business and the objective of sustainably increasing the value of our company are also reflected in our internal management system. We use the key performance indicators 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 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 revenues 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 was introduced in financial year 2017/18 and is the **EBITDA excluding earnings contributions from real estate transactions.** This key performance indicator gives transparent account of METRO’s operational performance. The development of real estate assets and the proceeds from divestments nevertheless 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 will present the business result and the situation of the group without accounting for transformation costs that will result from certain one-time expenses in connection with the efficiency measures.

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 93.**

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 87.**

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 finance 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 reported EBITDA. To determine the free cash flow conversion, the free cash flow results from the reported EBITDA less cash-effective investments (excluding finance leases and 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 also allows for an assessment of the performance of the group's individual segments.

The resulting RoCE is then 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. 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.

As of financial year 2019/20, METRO AG will apply the accounting standard IFRS 16 (Leases), which will be introduced retrospective in its entirety.

In the future, this accounting standard will affect various key performance indicators, such as 'earnings before deduction of interest, taxes, depreciation and amortisation (EBITDA)', 'net debt', 'cash flow before financing activities' and 'Return on Capital Employed (RoCE)'. A complete overview of the adaptation of the earnings in financial year 2018/19 in accordance with IFRS 16 will be provided in January 2020.

2.3 Innovation management

METRO takes pride in driving innovation. Innovations are essential for new solutions, which METRO develops for its operational business and also for its customers. With Hospitality Digital and METRO-NOM, we are pursuing the goal of developing these types of solutions and making workflows more efficient.

Hospitality Digital: supporting the digitalisation of our business customers

In October 2018, METRO launched the DISH (dish.co) platform to further accelerate the digitalisation of the hospitality industry. The platform enables restaurateurs to quickly access digital products, such as tools to create an internet presence operated by Hospitality Digital or an online reservation tool. The digital solutions offered by DISH were developed by Hospitality Digital and external providers. Membership on DISH is free and accessible to all restaurateurs, even if they are not yet METRO customers. Restaurateurs are encouraged to connect via the platform and find out about current gastronomic trends and events. DISH is already available in 14 countries with more than 170,000 restaurateurs using the solutions on the platform. Since April 2019, METRO has also been offering the DISH app, which provides users mobile access to all digital DISH tools without having to log in for each individual product. Moreover, the app features a free personnel management tool, which allows restaurateurs to easily control their entire personnel management online.

In addition, Hospitality Digital is conducting various pilot projects aimed at increasing the revenue of the participating hospitality businesses. One example is a loyalty programme that allows consumers to collect loyalty points in restaurants in Berlin. The goal is to increase both the attractiveness and the sales of the participating restaurants.

Another project is the cooperation with Google, which began in 2018 with the support of Hospitality Digital regarding the verification of 'Google My Business' accounts. In 2019, the cooperation continued by connecting the online reservation tool to 'Reserve with Google'. This link allows the consumer to reserve a table using the online reservation tool within the Google search function. This has led to a 20% increase in reservations via the online reservation tool at participating restaurants.

In addition to the already established accelerator programmes in the hospitality and retail sectors, METRO launched the 'METRO Target Retail Accelerator, Certified by Techstars' in May 2019. International start-ups have participated in the programme, which took place at the METRO Accelerator in Berlin and at Target, the American retail company based in Minneapolis.

Furthermore, Hospitality Digital invests in promising technology companies through the LeadX Capital Partners brand. It often collaborates with other external investors.

METRO-NOM: innovative solutions for the operational business

METRO is also forging ahead with the digitalisation of its operating business in order to better meet individual customer needs, deploy resources profitably and utilise data for its operations. Digital solutions also support METRO's sustainability initiatives by making processes more efficient and, for example, minimising the use of paper. In line with this initiative, METRO-NOM develops innovative approaches for the 24 national subsidiaries in which METRO Wholesale is represented with wholesale stores.

By standardising processes, synergy effects are used in the introduction of central IT solutions. At the same time, METRO-NOM accounts for the special requirements of the individual business models in the individual countries. In Romania, METRO-NOM cooperates with the IT service provider Spryker in setting up a tailor-made online shop for Trader customers. This online shop will now also be transferred to Russia, where Traders customers represent the key target group. In addition, the digital ordering process via M-Shop is currently available to – or in the process of being activated for – professional customers in 17 countries. In financial year 2018/19, around 5.3 million orders were recorded via M-Shop.

The METRO Companion app was developed to improve the shopping experience for customers. Customers can use the app to search for products, check their in-store availability and create individual shopping lists. The app also serves as a digital customer card and includes digital coupons that replace a plastic card or paper receipts.

As part of a test project, METRO-NOM is testing blockchain technology for secure archiving of irrevocably decentralised stored data. The solution enables storing and comprehensively analysing raw data, such as POS data. This analysis helps predict shopping behaviour of customers to adjust product inventories in advance.

In addition, METRO-NOM is testing in France whether using robotics to analyse stock levels in the stores generates added value. They expect the robot to detect inventory gaps faster and more accurately than conventional methods. If this pilot project proves to be successful, the concept will be implemented across the board.

NX-Food: The innovation hub for promotion of start-ups

Another important task for METRO is the promotion of young companies in the food industry. The innovation hub NX-Food was founded in March 2018 to develop innovative and sustainable food concepts in the retail and hospitality sectors. Via NX-Food, METRO offers start-ups a platform to market their innovative food products. More than 600 start-up companies have already submitted their applications to METRO Germany and METRO Austria to have their products featured in the product range for a 3-month test phase. More importantly, they hope to stay on the shelves permanently, if the test phase is successful. NX-Food also cooperates with the airline Eurowings and with Retail in Motion. From August 2018 to October 2019, products from up to 4 start-ups have been featured in Eurowings' magazine 'Wings Bistro' for one quarter.

NX-Food is also very engaged in community and partnership programmes. Amongst other things, NX-Food has hosted more than 30 events bringing together over 2,000 industry experts, start-up entrepreneurs, restaurateurs and people with a passion for innovative food.

To reinforce this commitment, NX-Food decided in 2019 to partner with Europe's leading food innovation initiative, the European Institute of Innovation & Technology (EIT) Food. NX-Food advises the start-ups of the RisingFoodStars Association and supports them with extensive market expertise.

NX-Food and METRO are also founding members of the new Association for Alternative Protein Sources (BALPro). The association brings together more than 60 representatives from trade, industry, science and research to provide transparent and traceable information on animal and plant protein sources.

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, and a non-financial group statement, pursuant to §§ 315b–c together with §§ 289c–e of the German Commercial Code, in the form of a consolidated 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 is integrated in the combined management report. It 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 the 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-2018-19/assurance

Business model

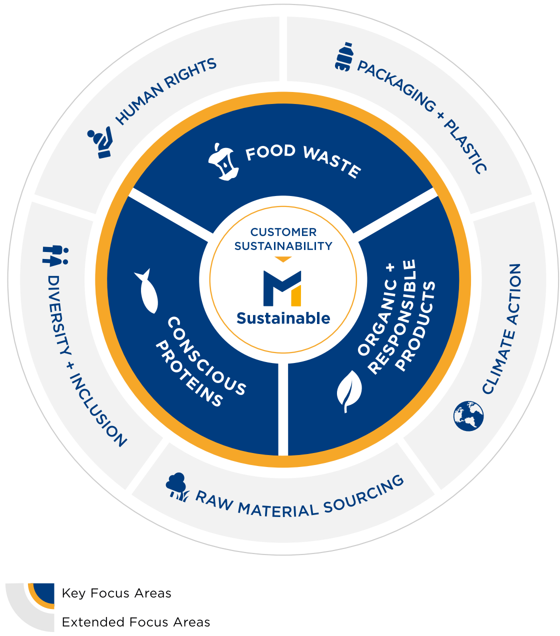
- **For more information about METRO's business model, see chapter 2 principles of the group – 2.1. group business model ▸ page 49**

METRO SUSTAINABLE

Our society is more exposed than ever to economic, environmental, social and cultural challenges. Similarly, we experience every day that sustainability is the key to transforming these challenges into opportunities.

It is our vision to make wholesale more sustainable along the value chain in our work with small and medium-sized independent suppliers and customers in contact with consumers. By reconciling our business imperative and goals with the needs of nature, people and future generations, we can act responsibly, remain successful in the long term and overcome the conventional limits of growth. Through information, inspiration, motivation and support from our employees, customers and partners, this visionary approach has the potential to reach millions of people. As a partner for independent businesses along the entire value chain, we thus do more for business-passionate people – in a responsible way. This reflects the core of our business and means that, for our sustainability approach, we not only practice METRO SUSTAINABLE in our own business, but also support our customers in making their businesses more sustainable through sustainable value creation. We strengthen local communities and call for more conscious nutrition. As an innovation driver for sustainable solutions, we contribute to a sustainability movement. For example, by using the digital solution of Too Good To Go in our stores as well as offering it to our customers, we reduce food waste on different levels in our value chain. This is how we achieve our goal of becoming part of an ecosystem analogous to nature through METRO SUSTAINABLE and making an impact for increased sustainability.

METRO SUSTAINABLE – OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



To ensure that our sustainability approach addresses the aspects and issues that most affect our business and that we can leverage through our business activities, we conducted a materiality analysis in the course of financial year 2017/18 in accordance with the requirements of the CSR Directive Implementation Act. Assessment of the facts was 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 CSR Directive Implementation Act for the reporting of non-financial content. The results of this materiality analysis were confirmed in financial year 2018/19 by our customer survey conducted in 23 countries with a focus on sustainability and in a 1-day sustainability strategy workshop with the participation of the Management Board of METRO AG, other senior management positions and other expert functions of the entire METRO group. With our focus on the food sector, we emphasise on 3 main topics:

1. We want to make our range of products and services more sustainable by positively influencing the availability, quality and wholesomeness as well as the social and environmental safety of food.
2. We promote more conscious consumption, including the use of a diverse range of proteins.
3. By pooling our partnership strengths, we are fighting against food waste.

For us, this means improving our ‘foodprint’ while minimising our ecological and social footprint by treating people and resources responsibly and creating positive effects for society as a whole. Not only 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 do we know that further material issues, such as the protection of human rights, the use of more sustainable packaging and less conventional plastic, our actions to improve climate protection and responsible procurement as well as the pursuit of diversity and inclusion naturally remain within our responsibility.

- **More information about METRO SUSTAINABLE is available online at www.metroag.de/cr-report-2018-19/approach.**

The guiding principles for us are the United Nations Sustainable Development Goals (SDGs). These goals also form the global action framework of our corporate strategy, which is shaped by the principle of sustainability. Along our areas of responsibility (Empower) People, (Secure) Planet, (Unfold) Prosperity and (Enhance) Partnerships, we support the SDGs, in particular the goals in which we are most directly involved: 2 (Zero Hunger), 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production), 13 (Climate action) and 17 (Partnerships for the goals). Through the diversity of our activities and the interdependence between these projects and the SDGs, we contribute to the 17 goals of the global agenda with our commitment to sustainability. As a member of the UN Global Compact, we also incorporate the 10 principles of the UNGC into our work, strategy and corporate culture.

By taking these international initiatives into account, we highlight our actions as a responsible, global and locally active company. We consider ourselves to be a value-creating part of society and we contribute to achieving sustainable economic, social and environmental development.

Actively managing sustainability

The sustainability management serves the purpose of systematically and organisationally anchoring the notion of sustainability in our core business operations and to consider the interdependencies between economic, environmental and social aspects in an efficient, solution-oriented manner. Via the formalised reporting and evaluation of sustainability-related opportunities and risks, which have been evaluated in the materiality analysis, it is closely linked to our overall opportunity and risk management. This enables the Management Board to systematically identify, evaluate and control deviations from the sustainability goals and the ensuing opportunities and risks. No risks subject to mandatory disclosure pursuant to § 289c Section 3 Nos. 3 and 4 of the German Commercial Code (HGB) were identified. The sustainability risk that was reported in the opportunity and risk report does not fulfil the criterion of double materiality. However, a carbon price or increased energy prices in general could negatively affect the financial situation of METRO in the short and long term. The existing, company-own climate target will further help in managing this risk. Since 2019 this target has additionally included the supply chain as the highest environmental impact accumulates here.

The Sustainability Committee sets the strategic framework, facilitates the exchange of information on sustainability issues at the highest level (also with external input) and defines group-wide objectives. To adequately respond to the specific market and customer requirements, the METRO companies manage the operational implementation of sustainability within this framework. They are responsible for working on the relevant sustainability issues, for defining specific targets and measures and for monitoring their success. They report on current developments and achieved progress to the Sustainability Committee.

The committee is chaired by 2 representatives from the top management, who are frequently regularly rotated. Other members of the committee are:

- People in charge of corporate responsibility at METRO AG
- Representatives of the core functions purchasing, own brands, communication as well as investments and technical solutions
- Representatives of the METRO Wholesale national subsidiaries

Ad hoc expert groups prepare specific issues on the operational level and then present them to the Sustainability Committee for decision. Depending on the issue, participants include experts from the METRO Wholesale national subsidiaries and the head office.

Additional interfaces between the strategic and operational levels of sustainability are periodic telephone calls of the sustainability experts and 1-to-1 responsibilities of the sustainability colleagues of METRO AG for all METRO Wholesale national subsidiaries through individual country support. Much like the ad hoc expert groups, the activities promote exchange and support to implement decisions made by the Sustainability Committee.

In addition, we integrate sustainability aspects into relevant business processes and decision making processes, among other things via guidelines such as the new policy on the procurement of sustainable soy. We also involve our employees via our quarterly employee survey, various sustainability activities such as our Sustainability Day as well as via our social network platform. We strive to enable our employees to understand the significance of sustainability with respect to both themselves and their professional environment, and to conduct themselves accordingly. For example, to support this goal we have our principles, self-commitments and positions that provide directional guidance and include compliance with laws as well as meeting additional requirements. Employee development programmes that integrate sustainability issues are an important aspect. For example our ambassador programme METRO Sustainable Leadership Programme, which enriches management development with a focus on sustainability. While METRO may be able to drive the issue in a top-down approach, each one of the more than 100,000 employees is our ambassador and can effectively contribute to our impact on sustainability.

Our stakeholders evaluate the sustainability measures implemented by us, for example, through ratings. These evaluations by independent third parties are an important motivator to us and serve as a management tool, because they demonstrate the progress and potential to improve our activities. An example of this is the linking of the remuneration of the Management Board and the global senior management to the valuation of METRO's sustainability performance in the rating of the Dow Jones Sustainability Index (DJSI).

Oekom Research (now called ISS-oekom) awarded the prime status C+ (on a scale from D- to A+) to METRO in August 2018. Having been ranked as the best in the industry for 4 consecutive years by the internationally significant Dow Jones Sustainability World index, we attained second place in financial year 2018/2019 in the Food & Staples Retailing Group. In the Dow Jones Sustainability Index Europe however, we were ranked best in the industry for the fifth consecutive year. METRO is also listed in the FTSE4Good index. METRO has been issuing public statements on climate protection and water for many years through CDP. For the 2 topics, METRO achieved a rating of A- and B- respectively (scale F to A) in 2018 and is thus well above the industry average. METRO participated in CDP Forest for the first time. The results for 2019 were not yet available on the publication date.

Environmental matters

A responsible consumption of energy and other natural resources is crucial for all of us. The use of resources has a direct effect on our operating costs and may entail undesirable environmental impact, such as the emission of climate-damaging greenhouse gases. 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 to identify potential savings in our stores and monitor our overall savings targets. At METRO Wholesale, we reduced electricity consumption in our stores by 3.4% in year-on-year comparison in the past financial year and thus clearly exceeded our target of 2.2%. Wherever possible, we are also converting our cooling systems to natural refrigerants (F-Gas Exit Programmes). This reduces our energy requirements as well as our costs. In financial year 2018/19, among other things, we invested €14.9 million in METRO Energy Saving Programme, which saves us approximately €5.3 million in energy costs each year. Examples of measures in the reporting year are:

- Commissioning of other transcritical ejector refrigeration plants, including in Germany, France, Italy, Bulgaria, Romania, Croatia and Russia
- Initiated roll-out of LED store lighting in Russia with an investment volume of €7.6 million, but also numerous diverse lighting optimisations in Germany, France, Romania, Poland, the Netherlands, Portugal, Ukraine and Moldova
- Installation of additional photovoltaic systems and expansion of the total capacity to more than 11,500 kWp in Germany, France, Pakistan and Japan.

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

- Heat recovery measures in connection with the installation of new refrigeration plants, including in Bulgaria, Croatia and Russia
- Improvement of building management system by installing a lighting control system in Spain
- Construction of charging stations for electric vehicles for METRO customers, especially in Germany, Poland and Austria At the Düsseldorf Campus, we commissioned a total of 80 electric chargers for customer, employee and company vehicles
- METRO uses an internal carbon price that was originally set at €25 and increased to €50 in 2019 due to general market expectations. We use the carbon price to approve energy-efficient projects with lower financial savings.

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

- Physical risks resulting from extreme weather events and water damage (scarcity or flooding)
- Business disruptions due to extreme weather events and declining economic power pose a risk to our customers’ businesses and thus to our sales.
- Transition risks such as rising prices for CO_2 emissions (with short-term impact on costs and product prices)
- Shortage of resources (rising prices for agricultural products over the next 5 to 10 years)
- Investments in new technologies (carbon-neutral cooling units planned worldwide until 2030) and in the generation of renewable energies (extensive installation of solar systems planned until 2030)

We consider these risks in our medium-term risk management and assess risks for revenues and costs based on rising prices and decreasing availability of resources. No risks subject to mandatory disclosure pursuant to § 289c Section 3 Nos. 3 and 4 of the German Commercial Code (HGB) were identified. The climate-change-related risk listed under sustainability risk in the opportunity and risk report does not meet the requirement of double materiality. Furthermore, we assess potential approaches to perform a comprehensive climate change scenario analysis for METRO.

Further key focal issues in relation to sustainable business operations are the prevention of waste, the reuse 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. Every food product that is rejected or discarded instead of being eaten represents wasted economic, social and environmental resources. 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. Therefore for example, the ‘Food Loss and Waste Protocol’ was successfully implemented in Turkey in financial year 2017/18, and other countries are currently being discussed. 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, 6 of these countries cooperate with Too Good To Go.

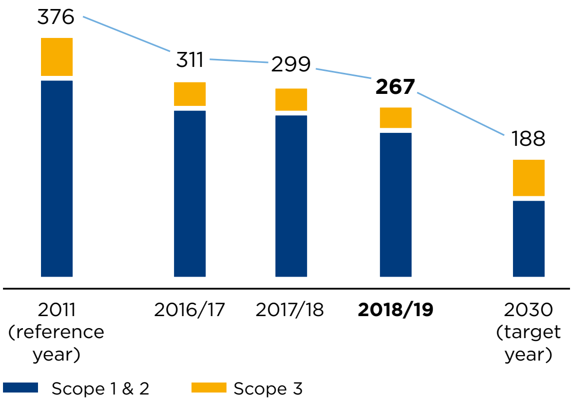
In connection with the METRO Water Initiative, the goal was set to save 5% of water by 2025 compared to the base year 2016/17. In 2019, we were able to reduce the consumption in our METRO wholesale stores by 6% calculated per square metre of net operating area compared to the previous year. Since the greatest impact for water is also in the supply chain, we use the CDP Supply Chain Programme to recognise potential opportunities and risks with our suppliers at an early stage.

Status of climate protection target

From October 2018 to September 2019, METRO generated 267 kg of CO_2-equivalents per square metre of selling and delivery space. This figure is down from 299 kg in the previous year's period. In financial year 2018/19, we retroactively switched to a different emission factor set for energy. We also report figures excluding discontinued operations. Our goal is to reduce these emissions by 50% to 188 kg by 2030 compared with 2011, and with 29% we are on the right track in the reporting period. In particular, we focus on the aforementioned programmes. In financial year 2018/19, METRO expanded the climate target to the supply chain and as the first German retailer set a recognised science-based target for itself. METRO AG undertakes to reduce its Scope 1 and Scope 2 CO_2 emissions by 60% per square metre selling and delivery area by 2030 compared to 2011. Our goal is thus in line with the reductions required to keep global warming well below 2 °C. A reduction of 26% 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.

CLIMATE PROTECTION TARGET STATUS

Greenhouse gas emissions in kg CO_2 (CO_2 equivalent) per m^2 of selling and delivery space



Employment matters

With regard to the legally required content in relation to the aspect of employee matters, we refer to the chapter employees of the combined management report.

– **Further information can be found in the combined management report – 2 principles of the group – 2.5 employees ▸ page 70.**

Social matters

Compliance with social matters within our own company, especially within the supply chain, is a complex challenge that may affect internal and external perception as well as the performance of our supply chain, and thus of our own company, both positively and negatively. With the procurement of the products that we offer our customers in terms of availability, quality and sustainability, especially with regard to social matters, we are dependent on this very efficiency of the supply chain. Simultaneously, we have influence on it through direct contact with our suppliers as producers and manufacturers. We have been committed to accepting this responsibility for many years.

- **With regard to the description of risks associated with non-compliance of standards by our suppliers, we refer to the section on 'supplier and product risks – quality risks' in chapter 5 opportunity and risk report** **page 108****. We did not identify any significant risks.**

Respect for human rights

Respect for human rights is one of the fundamental values of METRO, as formalised in our Policy for Human Rights. We pledge to respect 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 obligation applies to our own employees (see chapter 2.5 employees – human rights and employer-employee relationships page 78) and to our business partners within our value chain[2].

Since we expect our business partners to adopt and honour similar values, the METRO Code of Conduct for Business Partners is an integral part of every business relationship. This code of conduct 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 4 core labour standards, 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 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 situations that do not comply with the values and guidelines of METRO or with statutory provisions. We also expect our suppliers to establish a grievance channel and to convey the same expectation to their own suppliers. 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 to remedy impacts and not obstructing access to other legal remedies. We believe that collaborating with other initiatives and stakeholders to deal with reported incidents is more successful than working alone.

[2] 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
We aim to contribute to ensuring socially acceptable working conditions within our sourcing channels. Therefore, in addition to a contractual manifestation of our requirements, the application of social standards systems is an integral part of the listing process as well as an important tool. Social standards systems enable us to take effective action against any potential violations. Irresponsible practices within the supply chain can damage the confidence in our conduct and, consequently, also our business. We will therefore 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 and METRO Food Sourcing have imported goods manufactured. It also applies to all other producers who manufacture own brands or imports for our sales lines. For many years now, a corresponding process has been worked on for our non-food producers[3]. With effect from 1 June 2019, these requirements were established analogously for all food and near-food producers in the own-brand sector. To this end, all national subsidiaries are requested to develop country-specific development plans in the coming financial year, if possible, so that METRO can reach the goal of ensuring social compliance for all own-brand suppliers by 2030.

As of 30 September 2019, 1,077 non-food producers were audited, with 99% (1,071 producers) passing the audit. Effective 1 January 2019, non-food producers who fail the audit cannot be commissioned until 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.[4]

The verification of compliance with our requirements is performed via an internal IT-based process management database, which is synchronised with the audit results in the Amfori BSCI database. By working with our database, the responsible employees of our METRO national subsidiaries carry out the portfolio management of the affected suppliers and the associated producers and strive to integrate the procedures for compliance with social standards and human rights into their daily work routines. On the other hand, the process management is automated, for example, to warn our suppliers of expiring audits and to initiate the individual review of Amfori BSCI D or Amfori BSCI E audits or equivalent audits by METRO and to effect improvements. The database is also used as a contract compliance mechanism during initial negotiations or suspension of ongoing business, since the required documents are uploaded and reviewed before conclusion of the contract or suspension of the supplier is triggered in case of misconduct by deal-breakers specified by METRO. This includes findings in the areas of child labour, forced labour, occupational safety hazards with regard to fire safety and ethical behaviour. If there is a misconduct discovered at suppliers and their producers concerning one of these areas, they are required by METRO to develop short-term and long-term solutions. New orders or follow-up orders are suspended until the findings in the deal-breaker process have been resolved.

[3] 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.

[4] 2 METRO Wholesale companies were granted the exception until the end of the financial year to continue using individual producers with D audit results. These producers were trained by special training units in order to arrive at an acceptable audit result.

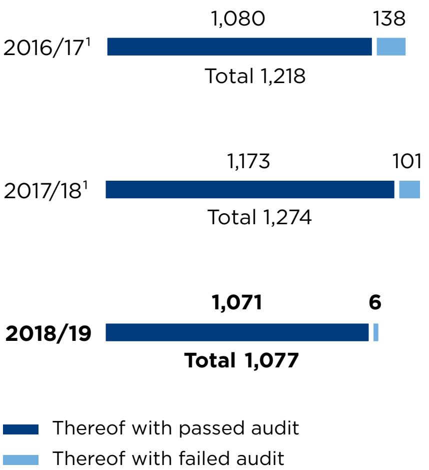
Supplier development was also identified as a material topic for the business activities of our operational business. By training small and medium-sized suppliers on aspects of food safety, hygiene, processing and implementation of fair working conditions, we enable them to meet relevant standards and thus help them merchandise their goods. This increases their revenue and simultaneously secures our product range.[5]

In order to not only ensure the social requirements of our suppliers, but also contribute to improving them and thereby further increasing the proportion of valid social audits, METRO SOURCING works with our local non-food producers and supports them through training courses designed to understand and comply with social standards. In financial year 2017/18, METRO Turkey and METRO Pakistan piloted a 1-day training course for employees in key positions, which was then completed at METRO Ukraine and METRO Bulgaria in the reporting year. The intention is to reintroduce the importance of the topic into our organisation and to empower our employees to identify, process and prevent potential and/or actual forced labour incidents in the supply chain. The development and execution of the training is carried out in collaboration with the Amfori Business Social Compliance Initiative (BSCI). By 30 September 2020, all METRO Wholesale national subsidiaries are expected to have completed this training.

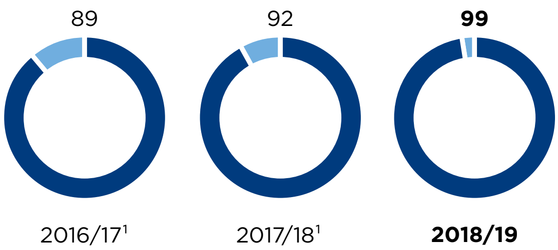
SOCIAL AUDITS RELATING TO OWN IMPORTS BY METRO SOURCING AND NON-FOOD OWN-BRAND PRODUCTS OF THE METRO SALES LINES

As of the closing date of 30/9

Producers with a valid audit (number)



Thereof with passed audit (in %)



Producers that have passed the audit can prove the successful implementation of the Amfori BSCI system of social standards or an equivalent system by providing a certificate issued by an independent third party.

[1] Figures presented here include Real and METRO China.

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 and the prevention of antitrust law violations. The aim of the CMS is to systematically and sustainably prevent, detect and sanction regulatory infringements within the company.

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

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. To set up the CMS, METRO was guided by the basic elements of such a system described in the IDW PS 980 audit standard. 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.

The Management Board of METRO AG and the General Management of the relevant METRO group companies demonstrate proper conduct and lead by example. 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 involving 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 are included in the evaluation as part of the METRO Guiding Principles.

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 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. The overall responsibility lies with the Chief Compliance Officer of METRO AG, who reports directly to the Chairman of the Management Board of METRO AG. The compliance organisation is centrally managed by Corporate Compliance. Corporate Compliance keeps the CMS conceptually 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 recognised within the GRC subsystems Internal Control Operations and Internal Control Finance 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 sanctioned systematically by the compliance management system, which relies on the compliance incident handling system operated by the compliance organisation. The respective departments are responsible for regulatory compliance measures that fall outside of the area of responsibility of the compliance organisation, with the exception of compliance incident handling.

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 2018/19, compliance training was executed in all relevant METRO group companies. The selection of relevant employee groups is risk-based with practical training content. 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 cooperate with a large number of third-party 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 and an IT tool is currently being rolled out throughout the group for auditing purposes. 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. Besides internal reviews and audits, the need for further development of the compliance management system is ascertained from the results of regular employee surveys.

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

Customers

Customer satisfaction and innovation management

METRO is a leading international food wholesaler and global market leader in the cash-and-carry format. METRO's strategy as a fully-fledged wholesale group is aimed at long-term, consistent growth of (like-for-like) sales and earnings. 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 our strategy. In order to continuously measure and consistently improve customer satisfaction at METRO Wholesale, we have implemented the Net Promoter Score across the board, in other words in all 24 METRO Wholesale countries in which METRO is represented with wholesale stores. Since its introduction, METRO has received about 2.2 million customer feedbacks. Besides the purely quantitative measurement of the current satisfaction values, suggestions from customers can be systematically recorded and evaluated. They can be used to identify further potential to improve the shopping and delivery experience, which is reflected in the design of our stores, product ranges and delivery services, etc.

Moreover, METRO aims to increase our operating efficiency in order to reduce our cost base. To this end, on the one hand, the group-wide synergy potential is to be exploited. On the other hand, cost advantages are to be realised through strategic cooperation projects with international retail and wholesale companies, for example by reducing procurement costs through international purchasing alliances.

We also value our customers and their opinions in the area of sustainability. Therefore, from February to June 2019, we conducted a customer survey in 23 countries in which METRO is active, which showed us the importance of sustainability for our customers across all customer groups. This enabled us to verify the findings of the materiality analysis conducted in 2018. Out of almost 50,000 interested customers, almost 7,500 responded and confirmed the importance of our activities to improve our impact on the environment and society. Today, our professional customers and their customers attach great importance to acting responsibly.

In order to exploit the opportunities derived from digitalisation and to realise synergies, we are bundling our digitalisation initiatives with the business units Hospitality Digital and METRO-NOM. To this end, METRO is expanding the range of professional services and digital solutions that support professional customers in the successful execution of their business activities and strengthen their competitiveness.

Hospitality Digital develops customer- and user-oriented solutions, for example for the calculation of menus, a free online reservation tool or other digital solutions specifically designed for the gastronomy sector. In addition, innovative start-up companies are supported through initiatives such as the various METRO accelerator programmes.

Since October 2018, restaurateurs have had access to relevant digital solutions such as the free online reservation tool via the new DISH online platform. The solutions were developed by Hospitality Digital as well as third-party providers. In addition, restaurateurs can find out about new gastronomic trends and events on DISH. Since April 2019, DISH has been available as an app, which includes a free personnel planning tool, making it easier for the restaurateur to manage his or her business on the move.

With our METRO-NOM business unit, we continue to digitalise our core business. METRO-NOM supports, develops and optimises all digital solutions used by our customers, such as the online shop of METRO Wholesale or the METRO Companion app, as well as by our colleagues. The internally used solutions cover the entire value chain.

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. However, this can only work efficiently if the data-processing subjects can trust that their data will be handled with care and that their personal rights will be respected.

METRO therefore always undertakes to comply with the respective data protection laws of the countries in which METRO is active. In addition, METRO has created a group-wide privacy policy that contains uniform standards for the handling of personal data and is binding for all group companies. The requirements of the internal privacy policy and national laws apply to all METRO employees.

For companies operating in Europe, the European Union has already established Europe-wide uniform regulations on the handling of personal data by passing the General Data Protection Regulation (GDPR), which has been in force since 25 May 2018, which leads to more transparency in the processing of personal data. Within the scope of 2 projects, all data protection processes of all respective METRO companies throughout the group were reviewed with regard to the new requirements of the General Data Protection Regulation (GDPR). Company solutions were adapted to the requirements of the GDPR where necessary (among other things declarations of consent, data protection regulations, IT systems, privacy default settings).

METRO has also created 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.

2.5 Employees

Sustainable human resource strategy

With focus on METRO Wholesale, METRO is targeting long-term, consistent growth of sales and earnings. In addition to expanding our core business, we intend to use our Wholesale 360 approach to further strengthen the competitiveness of our customers in order to build long-term customer retention and establish ourselves as a partner for our key customers. We are therefore aligning our human resources strategy with our corporate strategy and continuously developing our employees. As a foundation for sustainable employee development, we have been investing in our leadership culture and management development for years.

Our engagement levels, which have been rising since 2011 and are well above the industry average, are proof that our employees are doing their best every day to achieve the goals of the group. With our efforts in human resources, we are contributing to reinforce this motivation, to encourage teamwork and to promote entrepreneurial thinking, open-mindedness and taking responsibility in the company. Our focus is on the following areas:

- Development of our talent management and investments in our employer brand in order to fill positions in our company with the most talented employees.
- Evolution to an adaptive, learning organisation that responds quickly to market and customer needs and participates in shaping trends. Therefore we make significant investments to accomplish this.
- Creating an appealing, open-minded and inspiring work environment for our employees. We firmly believe: only satisfied employees who are treated in accordance with their capabilities and engagement can offer a first-class customer experience.
- Increasing efficiency through conscious use of our resources and continuous improvement of our processes.

Our underlying holistic approach to human resources with customised initiatives and programmes spans the entire career of an employee – from recruitment through various career and life stages to retirement models. Involvement of the Management Board or country boards or management of the service companies respectively often already takes place during the development phase of the personnel concepts and thus ensures proper balance between adaptation to local conditions and standardisation throughout the group. One example is METRO-NOM’s new M-Trails career model. It was developed in collaboration with members of the management team, human resources managers and the works council. It is a role-based model that emphasises self-responsibility, reduces hierarchies, focuses on employee expertise and aims to improve fairness, transparency and collaboration. M-Trails thus creates a framework for the modified organisational structures and principles of METRO-NOM. It reflects agile operating principles in order to be able to act more efficiently and flexibly and to respond to changes.

Recruiting employees

In the competition to hire the best specialists and executives, our goal is to position METRO as an attractive employer and to attract qualified, talented people to our company. By training junior employees for the wholesale sector, we are able to develop leaders from our own ranks. At the same time, METRO is constantly exploring the market for motivated specialists in order to strengthen its own workforce and to make the best possible progress in the business.

Initial training at METRO

We assign great importance to the comprehensive, sustainable training of our employees in all national METRO subsidiaries and service companies. It allows us to make an important social contribution while our customers benefit from competent contact partners throughout the company. Prioritising needs-based vocational training allows us to hire a large portion of graduates at the end of the programme. In Germany, the company management and the Group Works Council have thus agreed that apprentices who complete the initial apprenticeship programme with a positive aptitude assessment will generally be offered permanent, full-time positions. The individual METRO companies in Germany have defined their own specific requirements and possible exceptions. The organisation and implementation of the initial apprenticeship programmes and the specification of their curricula are the responsibility of the companies. They offer various projects and programmes for their junior employees. For example, on 1 August 2019, 8 apprentices started at the METRO Campus in Düsseldorf, 6 of them at METRO-NOM and 1 apprentice each at METRO ADVERTISING and METRO Campus Services. In addition to the apprenticeship programme, it is also possible to complete a dual study programme that includes practical modules.

Talent development

In order to systematically develop our future executives from our own ranks, our initiatives and programmes are focused on our junior employees. Since 2014, METRO Wholesale has been offering the METRO Potentials Programme in all countries in which the sales line operates. The programme targets the best university graduates and young professionals worldwide with 2 to 3 years of work experience. During the 2-year trainee programme, the participants have an opportunity to expand their knowledge of our core business by participating in various hands-on projects. The trainees complete various stations in their own country and abroad as well as at the company’s headquarters in Düsseldorf. They are also mentored by a member of the respective country board who supports them as contact person and coach during that time. After completion of the programme and depending on availability and qualification, they can assume a management position, for example as store manager. But the career prospects go far beyond that, up to a position on the Management Board of the respective country. 11 trainees completed the programme in financial year 2018/19.

Employer brand and human resources marketing

In financial year 2018/19, we implemented various measures to position the METRO employer brand in a targeted manner. METRO offers interested applicants various opportunities to obtain information and establish contact via trade fairs, for example by attending the ”Absolventenkongress” in Cologne, as well as via social networks and in-house events. Moreover, this was the first time METRO contributed to the World Business Dialogue, the world’s largest voluntary student business conference. Interested students had the opportunity to interact with METRO in a ‘Creation Lab’ lasting several days, while working on the development of an integrated business plan for a ‘green restaurant’.

In addition to that 7 national subsidiaries, and for the first time METRO AG and METRONOM received the ‘Top Employer’ award in the reporting period. The Top Employers Institute certifies outstanding employee environments worldwide. At METRO AG, the wide range of offers and services for all employees was particularly rated positively: It ranges from an extensive training catalogue and development programmes such as MyRevolution or Invest-In-Me to kindergartens, the METRO Activity Centre and the home office agreement.

Succession planning and remuneration models

Our systematic succession planning enables our skilled employees and managers to develop attractive careers within our company. Our remuneration models also provide incentives for employees to perform and to align their work practices with our guiding principles.

Executive development

The systematic development of executives is a core responsibility of all general management teams of the respective METRO group companies. By taking this approach, we ensure that the skills and abilities of our managers are consistently aligned with the requirements and strategic objectives of our company. At the same time, we establish specific international career paths for our executives in collaboration with the METRO country organisations, subsidiaries and METRO AG. Our career-planning processes also allow us to identify and support internal candidates for key positions in the company. This way, vacant positions can be filled from our own ranks. In financial year 2018/19, the internal succession rate for the country boards of METRO Wholesale was 70.8%.

To bolster our management capabilities and to achieve sustainable growth, we launched the Lead & Win programme at METRO in financial year 2016/17. The integrated learning concept is used to develop approximately 11,500 executives and is divided into 3 to 4 modules for different management levels. The participants learn about group-specific topics. The objective is for all executives to have completed the programme by the end of 2022. 5,003 executives started the programme in financial year 2018/19. In the coming years, the focus will increasingly be on levels 3 and 4 in the stores, namely the business, operations and department managers.

Furthermore, our young talents and top executives – employees who have highly complex tasks with special significance to the success of our company – are asked to define their own individual development plan based on a structured self-assessment of their personality focused on the management competencies relevant to the position.

For further support, we introduced the METRO competencies in financial year 2018/19 and defined 5 leadership dimensions as the basis for management training and talent programmes at METRO. The 43 METRO competencies are allocated to the following 5 dimensions of leadership:

- Lead Self
- Guide
- Develop Culture
- Build Momentum
- Deliver Results

This highlights that all employees are responsible for their own development and also business success.

In another major initiative, the METRO Sustainable Leadership Programme (MSLP) supports approximately 30 international executives each year over a period of 1.5 years to improve their self-management and proactive change management and to implement an individual sustainability project. The projects address environmental and social matters such as e-mobility, waste reduction and sustainability in the supply chain.

Individual job performance reviews

As part of our Results & Growth process, we conduct individual performance reviews for the entire group once a year. This allows us to better assess progress and skills and establish a strong feedback and development culture. We define the corresponding priorities at the beginning of each financial year, which are then examined and adjusted as necessary through mid-year reviews. The final performance review is then conducted at the end of each financial year in a feedback session, in which compliance with the group-wide guiding principles is also addressed.

Systematic succession planning

With the Leadership Talent Review, we have established a long-term process to identify and support talented employees at an early stage with the goal to fill top positions. Once a year, we use this review to discuss succession planning for key positions with the various METRO national subsidiaries. The competencies, skills and experience of each candidate are assessed and compared with the updated job specifications of the corresponding positions. These interviews form the basis for filling all top positions. In financial year 2018/19, we focused in particular on identifying young talent and we managed to find the top 500 junior managers worldwide. We now take specific measures and set up programmes to promote the development of young employees.

Performance-based remuneration for executives (with the exception of members of the Management Board)[6]

Our remuneration system ‘Perform & Reward’ 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.

[6] See chapter 6 remuneration report

Remuneration principles

The remuneration model for top executives is based on the following 4 principles:

- Fair and internally consistent remuneration
- Performance-based pay
- Market-driven and appropriate salaries
- Encouragement of role model behaviour

With the 1-year and multi-year variable remuneration, top executives participate directly in the success of their respective units.

The 1-year variable remuneration is based on sales, profit (EBITDA) and cash flow. In addition, customer satisfaction is a relevant key performance indicator.

As part of the multi-year variable remuneration (long-term incentive, LTI), a specific plan has been created for top executives of the group with focus on the increase in value of METRO. The LTI is based on the relative total shareholder return (TSR) of the METRO AG share compared to a benchmark (MDAX and a group of selected benchmark companies[7]). The economic success of each company during the performance period of the plan is another indicator. Furthermore, sustainability is measured by the rank METRO achieves in the Dow Jones Sustainability Index.

Additionally, a mid-term incentive (MTI) was set up for top executives to support the transformation at METRO over a period of 2 years. The plan allows participants to join in on METRO's success and rewards the achievement of important internal transformation goals, such as customer satisfaction and the quality of our master data.

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

Continued development of employees

Our in-house corporate academy House of Learning has been awarded the internationally renowned CLIP certification from the European Foundation for Management Development (EFMD) for the learning and development programmes offered by METRO. The foundation was particularly impressed with the consistent employee development and proximity to the business. The House of Learning division offers customised personnel development measures, learning solutions and services that target the corporate strategy of METRO as well as the special features of the wholesale business.

House of Learning focuses on learning and development programmes about customer orientation, leadership, transformation, sales, field service, supply, purchasing, finance and human resources. The focus is on employees and managers of METRO AG as well as the national subsidiaries.

[7] BidCorp; Bizim Toptan; Marr; Eurocash Group; Performance Food Group; US Foods Sysco; Sligro

TRAINING COURSES AT METRO

	E-Learning modules, webinars and online courses	Seminars, on-the-job training	Total
Number	285,518	9,913	295,431
Participants	286,964	134,278	421,242
Participant hours	171,483	862,420	1,033,903

TRAINING COURSES AT METRO AG

	E-Learning modules, webinars and online courses	Seminars, on-the-job training	Total
Number	1,774	242	2,016
Participants	1,891	886	2,777
Participant hours	1,055	11,590	12,645

In financial year 2018/19, we enhanced our learning opportunities. Moreover, we designed and launched internal master programmes for the first time in order to prepare high-potential employees in the company for the challenges of future management tasks in the wholesale business and to ensure long-term succession planning. One example of programme is the ‘Master in Store Operations’ course. It was launched in June 2019 after a balanced nomination process by the employees, the management of the respective country and a committee in the corporate headquarters with store managers from 15 different METRO countries. This intensive, multi-month study course will run until February 2020 and will be supported by numerous sponsors from the Management Board and Operating Board. Comparable academic concepts with master programmes are currently being developed in other areas as well (for example, Purchasing and HR).

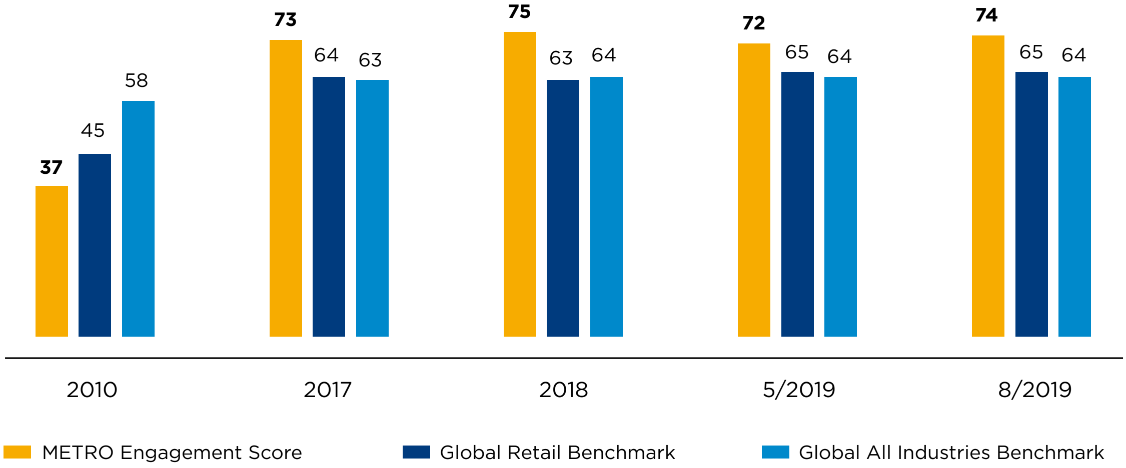
Employee engagement

Our global employee survey METRO ‘Voice it!’ is an important tool used to determine the engagement of the workforce and their loyalty to the company. We conduct it in the national subsidiaries and service companies and at METRO AG. Since 2019, the employee survey takes place quarterly and will therefore reflect the mood in the company at fairly short intervals. Another objective of the new concept is to promote constant communication within the teams and thus contribute to continuous improvement of the work environment. Under the motto ‘Our start for a continuous dialogue’, more than 80,000 employees were invited to participate in the survey in May and August 2019. 81% of employees at the surveyed business units took part in the survey in May. In August, 74% of employees took part in the survey despite the summer holiday season.

The level of engagement, which indicates the level of solidarity, loyalty to the company and willingness to perform, increased from 72% in May to 74% in August in financial year 2018/19. This is still well above the Global Retail Benchmark of the consulting firm Kincentric (65%).

DEVELOPMENT OF THE ENGAGEMENT SCORE

in %



Occupational safety and health management

The demographic evolution of society, profound changes in the work environment and increasing competition for a good workforce require sustainable and forward-looking concepts for occupational safety as well as viable health management. In order to identify areas with high accident rates or particularly vulnerable groups, to evaluate the causes of accidents and to define targeted countermeasures, METRO has implemented an appropriate reporting system that records employee accidents at 74% of METRO companies worldwide. Due to different definitions and legal requirements in the countries in which METRO is active, we are continuing to work on a central solution that meets local requirements and simultaneously facilitates uniform and comparable data collection throughout the company.

In financial year 2018/19, 94% of the employees in the German METRO companies were recorded via accident reporting. These companies have been able to reduce the number of accidents compared to the equivalent period in financial year 2017/18.

The Lost Time Injury Frequency Rate (LTIFR) for German METRO companies in financial year 2018/19 was 20 (2017/18: 27.4[8]). This system records the number of accidents that cause a downtime of at least 1 day (without the day of the accident) per 1 million working hours. Deaths and long-term incapacity or disability are included, but commuting accidents are not.

In order to increase awareness among our employees that occupational safety is also the responsibility of each individual employee, we conduct numerous programmes and events in our sales lines and service companies as well as METRO AG on topics like nutrition, sports, medical screening and mental health. Furthermore, in our national subsidiaries, the employees responsible for occupational safety and health management are increasingly collaborating in an international network to discuss and improve occupational health and safety measures and to achieve positive results for employees in a timely manner.

[8] Prior-year adjustment due to discontinued operations

Diversity management

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 approach. 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 executive positions. We have made progress towards this goal again during the past financial year. The objective is for 20% of employees on the 1st 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 2018/19, a share of 11.6% of women were employed in the first management level below the Management Board and 34.1% 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. She is succeeding Heiko Hutmacher, who is leaving the company as of 31 December 2019 at his own request. METRO AG will achieve 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 METRO Wholesale. By June 2022, 25% of managerial positions on levels 1–3 (including store managers) of METRO Wholesale locations worldwide will be filled by women. At the end of the financial year, the proportion of women in management positions in levels 1 to 3 (including store managers) at METRO Wholesale was 24.2%. We will incorporate these goals in our succession planning and recruitment activities.

In 2017, METRO established a Diversity and Inclusion Committee, which created a long-term strategy and is pursuing to promote diversity within the organisation and harness it to benefit the business. As part of this strategy, the committee agreed on individual goals for the group companies with the Management Board of METRO AG, which are monitored using specific key performance indicators. Another task of the aforementioned committee is to support the METRO companies in achieving their goals with best practice sharing and newly developed initiatives. In 2019, METRO AG held its first Diversity & Inclusion Days at the Düsseldorf Campus in order to make diversity and inclusion in the corporate environment more tangible for employees. With a total number of 350 participants events on 5 dimensions (sexual orientation, disability, gender, ethnicity, age), the event was very successful and will be repeated in 2020 at the METRO Campus in Düsseldorf.

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. In 2018, METRO launched the Women Leadership Programme (WLP). Following the successful completion of a pilot programme in June 2018, the Women Leadership Programme was rolled out at METRO AG, METRO Wholesale and the service companies in 2019.

Life phase-oriented programmes

We offer various opportunities for part-time employment and support our employees in caring for relatives. In addition, the head office in Düsseldorf operates 3 kindergartens with spaces for children from the age of 4 months. The staff speak German and English to the children.

Human rights and employer-employee relationships

Our guiding 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, our guiding 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 of fair working conditions by auditing 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. Since financial year 2016/17, extensive audits on compliance with the METRO principles were performed 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 audits were followed by comprehensive training on the METRO principles on fair working conditions. Additional audits of the METRO Wholesale companies are planned for financial year 2019/20 with the objective of auditing all METRO companies and continuously working on improvement measures.

In cooperation with the Amfori Business Social Compliance Initiative (Amfori BSCI), a special course on forced labour was piloted at the national subsidiaries in Turkey and Pakistan in financial year 2017/18 and continued in Ukraine and Bulgaria in financial year 2018/19. The objective is to train METRO employees to recognise forced labour within the supply chain and to support the appropriate ability to act. The training will be introduced in all METRO countries by 2020.

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 resulted in several collective employment agreements at the level of business units, countries or individual stores – depending on local laws and customary practices. Based on a survey at METRO Wholesale as well as a few service companies in the previous 2 financial years, 73% of METRO employees were globally represented by works councils, employee representatives and trade unions or covered by collective agreements.

Development of employee numbers

During the reporting period, METRO employed an average workforce of 93,133 full-time equivalents (2017/18: 96,344). This is a decrease of 3.3% from the same period of the previous year. The majority of our employees work outside of our home market Germany. Internationally, we had 75,943 full-time equivalents, 3.7% fewer than during the same period of the previous year. In Germany, the workforce by full-time equivalents decreased slightly to 17,190 (2017/18: 17,508). During the reporting period, METRO Wholesale employed an average of 85,261 full-time equivalents. This represents a decrease of 3.6% over the same period of the previous year. The workforce by full-time equivalents at METRO AG declined by 2.7% to 855 while the number of full-time equivalents in the Others segment decreased by 0.4% to 7,017.

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENTS

By headcount[1] as of closing date of 30/9

	2018	**2019**
METRO	**92,603**	**89,574**
METRO Germany	13,711	**13,606**
METRO Western Europe (excl. Germany)	27,207	**27,227**
METRO Russia	13,960	**12,357**
METRO Eastern Europe (excl. Russia)	29,060	**28,375**
METRO Asia	8,665	**8,009**
Others	**7,008**	**7,152**
METRO AG	**909**	**880**
Total	**100,520**	**97,606**

[1] Excluding METRO China.

DEVELOPMENT OF EMPLOYEE NUMBERS BY SEGMENTS

Full-time equivalents[1] as of the closing date of 30/9

	2018	**2019**
METRO	**86,239**	**82,979**
METRO Germany	11,816	**11,760**
METRO Western Europe (excl. Germany)	24,073	**24,044**
METRO Russia	13,884	**12,288**
METRO Eastern Europe (excl. Russia)	28,264	**27,589**
METRO Asia	8,202	**7,298**
Others	**6,916**	**7,067**
METRO AG	**863**	**837**
Total	**94,018**	**90,883**

[1] Excluding METRO China.

2.6 Characteristics of the accounting-related internal control and risk management system and explanatory report of the Management Board

METRO's accounting-related internal control and risk management system employs coordinated instruments and measures for the prevention, early detection, assessment and management of risks. The Corporate Accounting department of METRO AG is responsible for the group-wide implementation of these instruments and measures.

Overarching responsibility for all processes related to the preparation of the consolidated and individual annual financial statements as well as the combined management report of METRO AG rests with the Board department headed by the Chief Financial Officer of METRO AG, Mr Christian Baier. The actual preparation of the financial statements as well as the combined management report, however, is the legal responsibility of the Management Board of METRO AG. The consolidated and individual annual financial statements as well as the combined management report are audited and approved by the auditor during and after their preparation. They are then discussed and reviewed by the Supervisory Board of METRO AG. The auditor attends this Supervisory Board meeting. The auditor reports on the key findings of his audit and is available for additional questions. Provided that the Supervisory Board has no objections, it approves the annual financial statements and the combined management report. The annual financial statements of METRO AG are adopted once the Supervisory Board has issued its approval.

Group-wide framework

Building on the 'Internal Control – Integrated Framework' concept of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the Group Governance department within the Corporate Accounting department of METRO AG has defined group-wide minimum requirements regarding the design of the accounting-related internal control system of METRO AG, the sales lines and the major service companies. With these requirements, the company particularly wants to ensure adherence to the relevant accounting standards and the respective internal guidelines (for example the IFRS accounting guideline).

Among others, these requirements cover the design and implementation of controls, monitoring the effectiveness of controls and reporting on effectiveness analyses.

- **Design of controls:** Taking a top-down approach, the company has identified the risk of material errors relating to the financial reporting for significant financial and accounting-related processes. In addition, the Corporate Accounting department has stipulated binding group-wide control objectives which the group companies must meet by employing company-specific control activities.
- **Implementation of controls:** The group companies must keep records of the implementation of these controls.
- **Effectiveness of controls:** The major group companies are obligated to evaluate the effectiveness of controls at the end of each financial year (self-evaluation). In the process, they must apply the uniform, group-wide method stipulated by the Corporate Accounting department. In addition, the effectiveness of controls is reviewed as part of the risk-oriented, independent audits conducted by the Group Internal Audit department.

- **Reporting:** The results of the self-evaluations must be reported to the Corporate Accounting department using a standardised reporting format. The companies' individual reports are validated by the Corporate Accounting department and compiled in an overall report on METRO's accounting-related internal control system. This is reported to the Governance, Risk and Compliance Committee (GRCC) as well as the Management Board of METRO AG.

The key requirements (for example the IFRS accounting guideline), accounting processes, individual controls and independent review by the Group Internal Audit department and the auditor are described in detail below.

IFRS accounting guideline

The interim consolidated financial statements and the consolidated financial statements of METRO AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. 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 in accordance with IFRS. To monitor compliance with the IFRS accounting guideline, the management of each major group company is obligated to confirm compliance by means of a letter of representation. The IFRS accounting guideline covers all IFRS relevant to METRO AG. Amendments to IFRS are continually updated in the IFRS accounting guideline and communicated to all companies included in the consolidated financial statements.

Accounting processes of companies included in the consolidated financial statements

The preparation of the individual financial statements of consolidated companies according to IFRS for consolidation purposes is principally carried out in SAP-based accounting systems (SAP FI). The organisational separation of central and subledger accounting, such as fixed asset, receivables and payables accounting, provides for clear assignments of individual tasks related to the preparation of the financial statements. It also provides for a functional separation that ensures the efficacy of control processes, such as the 4-eye principle. Many group companies prepare their individual financial statements in these accounting systems on the basis of a centrally managed table of accounts using uniform accounting rules.

Aside from failure to comply with accounting rules, risks can also arise from failure to observe formal deadlines. An online planning tool was introduced to help avoid these risks and document the obligatory processes required as part of the preparation of individual and consolidated financial statements under IFRS, their chronological order and the responsible persons. The online planning tool can be used to monitor the workflows for preparing individual and consolidated financial statements in accordance with IFRS in terms of content and time. The planning tool divides the process of preparing the individual financial statements into key milestones, which in turn are divided into individual activities. In terms of content, these milestones and activities are geared towards METRO's IFRS accounting guideline and thus reflect its implemented state. The scheduling and monitoring of the milestones and activities required to achieve these group milestones in the preparation of individual financial statements are part of the responsibilities of the respective company's management.

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, the financial data 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 individual financial statements before the data are transmitted to the consolidation facility.

An additional control instrument is the report comparing the most significant balance sheet and income statement positions against the previous period's figures. This report must be submitted to METRO AG by all major group companies at the time of preparing their individual financial statements and must also provide comments on any considerable deviations.

To warrant the security of the group's information technology systems (IT), access to the accounting-related IT systems (SAP FI) is regulated. 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 Group Internal Audit department of METRO AG. This ensures that users only have access to the information and systems needed to fulfil their specific tasks.

Accounting processes for consolidation purposes

The processes and controls in connection with preparation of the consolidated financial statements comprise all activities related to the preparation of the consolidated financial statements. This includes the completeness check of the consolidation group, verification of punctual, complete and correct data submission, avoidance of undesirable data changes, a complete and error-free execution of typical consolidation steps such as the elimination of interim results, the elimination of sales, expenses, income and liabilities, as well as capital consolidation.

The group also relies on external service providers to handle support activities related to the preparation of the consolidated financial statements. These services essentially relate to the valuation of real estate assets, pension obligations and share-based remuneration.

The consolidation measures required for the preparation of the consolidated financial statements are subject to various systematic and manual controls. The automated plausibility reviews (validations) used in separate financial statements data also apply to the consolidation measures. A 2-signature principle supported by the consolidation system was implemented for manual postings. In the end, reviews are carried out to ensure that the information in the annual report is complete and error-free.

The control measures are documented in a central documentation system.

Using the central consolidation system, compliance with deadlines and milestones that are centrally provided for the purpose of structuring and coordinating the preparation of the consolidated financial statements is monitored by METRO AG's Corporate Accounting department. Additional monitoring mechanisms at group level include target-performance comparisons as well as analyses dealing with the composition and movements of individual items in the balance sheet and the income statement. An annual self-assessment is used to verify whether internal controls for the preparation and booking process are adhered to during the preparation of the consolidated financial statements.

Access regulations for the consolidation system are implemented to ensure adherence to IT security regulations (write/read authorisations). Access authorisations to use the consolidation system are centrally managed and are subject to customary approval mechanisms. They are reviewed annually by Corporate Accounting to ensure that users only have access to the data they need to perform their tasks.

Independent audit/validation

The Group Internal Audit department of METRO AG provides independent and objective auditing and consulting services within METRO and supports the Management Board of METRO AG and the management of the group companies in reaching their goals by subjecting the key management and business processes to a potential-oriented evaluation. In coordination with the Management Board and the group companies, Group Internal Audit develops a risk-oriented audit and project plan every 3 years, which is updated annually as needed.

Based on the described principles, the Group Internal Audit department carries out independent audits of the controls monitoring the process of preparing the consolidated financial statements, the implementation of the IFRS accounting guideline and group accounting processes within METRO. For this purpose, focal topics are defined as part of risk-oriented planning for the annual audit.

3 ECONOMIC REPORT

3.1 Macroeconomic and sector-specific parameters

Global economy

The growth of the global economy was clearly positive in financial year 2018/19, even if it was noticeably lower than in the same period of the previous year. While the Eastern European and Asian regions continued to show stable growth, albeit below the previous year’s level, the Western European countries in particular recorded lower growth rates. In the economic sectors, the service sector contributed to stabilising growth. Barriers to economic development continued to result from the uncertainties in international trade, which, among other things, can be attributed to trade policy conflicts and protectionism, primarily triggered by the USA.

Germany

In financial year 2018/19, the German economy grew across all industries, albeit at a significantly slower pace than in the previous year. This development particularly affected the 2019 calendar year. The economic development was supported by domestic demand and the continued positive consumer behaviour. The latter was boosted by a low unemployment rate and higher wages. The service sector also contributed to economic growth, which somewhat cushioned the decline in the industrial sector. Inflation remained at a low level. Direct trade conflicts with the USA and the dispute between the USA and China remain risk factors – as does Brexit.

Western Europe

In Western Europe, the economic trend deteriorated increasingly compared to the previous year as well as over the course of financial year 2018/19. However, the weaker development in private spending of the export sector was partially offset by stable growth in the service sector.

Despite lower growth compared to the previous year, domestic demand was boosted by private consumption and by the continued good situation of the labour market. Price inflation was low in most countries during the reporting period, particularly in Italy and Portugal. The impact of Brexit has not yet been directly felt in the rest of Western Europe.

Russia

The Russian economy grew in financial year 2018/19, albeit at a much slower pace than in the previous year. Exports in particular collapsed and the rouble remained weak despite a slight appreciation against the euro, partly as a result of US trade restrictions. In addition, inflation rose considerably. Domestic demand and private consumption grew more slowly than in the same period of the previous year. The labour market, on the other hand, continued to develop positively. Other negative influencing factors included the increase in value added tax and pension cuts.

Eastern Europe

In the other Eastern European countries, growth was noticeably stronger than in Western Europe, albeit slightly lower than in the same period of the previous year. The downturn was particularly affected by Turkey, which was in the middle of a recession. Growth in the region was also reflected in private consumption, which, with the exception of Turkey, was supported by very good labour market development, for example in Poland, Hungary and Romania.

The inflation rate and the exchange rate against the euro developed differently in the countries, but overall at a stable, moderate level. Turkey, however, was excluded from this development.

Asia

Economic growth in Asia remained at a high level, albeit slightly below previous year's level. China in particular remained on a steady growth course despite the trade conflict with the USA. India and Malaysia also exhibited strong development. Growth in private consumption was quite stable and the labour market situation remained positive.

DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN IMPORTANT WORLD REGIONS AND GERMANY

Year-on-year change in %

	2018[1]	**2019[2]**
World	3.6	**2.9**
Germany	1.5	**0.6**
Western Europe (excl. Germany)	1.9	**1.3**
Russia	2.3	**1.1**
Eastern Europe (excl. Russia)	4.1	**3.6**
Asia	5.6	**4.9**

Real GDP growth corrected for purchasing power. Source: Oxford Economics

[1] The previous year's figures may slightly deviate from the Annual Report 2017/18, since retrospective corrections are being made by the data provider.

[2] Outlook.

Wholesale sector development

On a global scale, self-service wholesale trade sales were at a similar level to the previous year; however, the development varied across the countries in which METRO operates. The sectors of our core customer groups HoReCa and Traders developed positively again compared to the same period of the previous year. Strong growth in out of home consumption across all METRO regions played a major role in this trend.

In Germany, self-service wholesale trade growth stagnated in financial year 2018/19. By contrast, the delivery sales business continued to grow strongly. Compared to financial year 2017/18, sales growth in the HoReCa and Traders sectors increased to a good level. This was driven by a particularly strong increase in out of home consumption and an increase in overnight accommodation services.

In Western Europe, self-service wholesale trade recorded stable growth slightly below previous year's level, with Austria and Spain growing particularly strongly. Self-service wholesale trade also continued to develop steadily in France, albeit below previous year's level. Growth in the HoReCa and Traders sectors accelerated as a result of the increased trend of out of home consumption.

After a downturn in the previous year, self-service wholesale trade in Russia recorded growth again in financial year 2018/19. The sales of our customer groups HoReCa and Traders also developed positively.

Across Eastern Europe, self-service wholesale trade as well as the HoReCa and Traders sectors the development varied. Turkish self-service wholesale trade stagnated despite high inflation, while the HoReCa and Traders sectors continued to grow. Romania and the Ukraine experienced high growth in all areas. In Poland, the cash & carry market grew, with both the HoReCa and Traders sectors showing growth.

The Asian markets in which METRO operates outperformed financial year 2017/18. Growth in cash & carry and the HoReCa and Traders sectors in India accelerated particularly strongly. In Pakistan, the HoReCa and Traders sectors also grew significantly faster than in the previous year. In Japan, the HoReCa and Traders sectors recovered compared to the previous year and showed slight growth.

3.2 Asset, financial and earnings position

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

In financial year 2018/19, the growth of the global economy was noticeably slower than in the same period of the previous year, but was still clearly positive overall. From a regional perspective, Western European countries in particular recorded lower growth rates, while the Eastern European and Asian regions continued to show steady growth despite falling short of the previous year's level.

However, the Management Board can look back on a successful financial year in which great progress was made in implementing the transformation strategy and sales growth was accelerated. In the outlook view, in particular Eastern Europe (excluding Russia), Western Europe (excluding Germany) and Asia contributed to the good development. Growth was also shaped by expansion of the core business, wholesale. The consistent focus on the 2 core customer groups HoReCa (hotels, restaurants and catering companies) and Traders (independent retailer) also made a noticeable contribution to the good sales trend.

EBITDA developed in line with expectations. Accordingly, the Management Board is satisfied with the development of the business as a whole, especially with the good earnings performance in Western Europe and Asia. Earnings per share for continuing operations including METRO China increased from €1.22 to €1.44. Accordingly, an attractive dividend will also be proposed to shareholders for financial year 2018/19.

In October 2019, METRO signed an agreement to sell a majority stake in METRO China to Wumei. As a result of the sale, METRO China is reported as a discontinued operation as of 30 September 2019 in accordance with IFRS 5.

Unless expressly stated otherwise, all presentations in the combined management report refer to continuing operations (excluding the hypermarket business and excluding METRO China).

Only the comparison of the outlook with actual business developments as well as the dividend proposal refer to the outlook issued for 2018/19 which includes METRO China.

Financial and asset position

Financial management

Principles and objectives of financial activities

The financial management ensures the long-term liquidity of METRO reduces financial risks where economically feasible and grants loans to group companies. METRO AG centrally performs and controls these activities for all group companies. The objective is to ensure that group companies can cover their funding requirements in a cost-efficient manner and, where possible, via the international capital markets. This objective will be pursued with regard to operating business as well as investment activities. The selection of financial products is based in principle on the maturities and terms of the underlying transactions.

Intra-group cash pooling allows the surplus liquidity of individual group companies to be used for providing internal finance to other group companies. This reduces the group's amount of debt and thus its interest expenses. The financial activities are based on a financial budget for the group, which covers all relevant companies.

METRO's current long-term investment grade rating of BBB- and short-term rating of A-3 by Standard & Poor's both ensure access to international financial and capital markets. We are utilising this access within the scope of our Commercial Paper Programme as well as our ongoing capital market programme as required. Frequent dialogue with credit investors and analysts always takes place.

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

- External presentation of METRO as a single financial unit
- Protection of our financial scope of action by limiting the volume of transactions with individual banks
- Centralised financial risk management
- Centralised risk monitoring
- Approval process for collaboration with contractual partners in the field of financial instruments
- Implemented functional separation

- **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 274****.**

Rating

METRO AG has instructed Standard & Poor's to assess and monitor its credit rating. Standard & Poor's current assessment of METRO's credit rating is as follows:

Category	2019
Long-term	BBB–
Short-term	A-3
Outlook	stable[1]

[1] The outlook was temporarily lowered by Standard & Poor to 'CreditWatch negative', particularly in light of the EP Global Commerce takeover bid. On 25 October 2019, the outlook was confirmed as stable again.

Financing measures

The company’s medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €5 billion. On 1 March 2019, a due bond of €500 million was repaid with a coupon of 3.375%. As of 30 September 2019, the utilised bond issuance programme amounted to a total of €1,901 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 €785 million during the reporting period. As of 30 September 2019, the utilisation amounted to €387 million (30/9/2018: €497 million).

Bilateral credit facilities totalling €359 million were used as of 30 September 2019. As a cash reserve, 2 syndicated credit facilities worth €1,750 million and additional multi-year bilateral credit facilities worth €250 million were concluded. At no point during the reporting period were the syndicated credit facilities used.

– **For more information about financing programmes and credit facilities, see the notes to the consolidated financial statements – in no. 36 – financial liabilities ▸ page 249.**

UNDRAWN CREDIT FACILITIES BY METRO

	30/9/2018			**30/9/2019**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	633	318	315	**609**	**279**	**330**
Utilisation	−383	−318	−65	**−359**	**−279**	**−80**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**0**	**1,750**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**0**	**1,750**
Total credit facilities	**2,383**	**318**	**2,065**	**2,359**	**279**	**2,080**
Total utilisation	−383	−318	−65	**−359**	**−279**	**−80**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**

Investments / Divestments

In financial year 2018/19, METRO invested €499 million, considerably less than the investment amount in the previous year. The decline in investments is mainly due to a more selective expansion activity. With 3 new store openings in financial year 2018/19, it declined compared to the previous year (2017/18: 9 new store openings), which is attributable in particular to the development in Russia. 1 new METRO store was opened in the current financial year, compared to 4 stores in the previous year. The 2 additional new openings are a smaller and more cost-effective store format in Turkey and Croatia. There were no closures in financial year 2018/19.

In addition, the decrease in investments resulted, among other things, from special projects in financial year 2017/18, such as the expansion of the logistics network as well as project developments in Germany. These special projects were not offset by projects of a comparable magnitude in the reporting period. Further progress was also made in improving capital efficiency in the areas of concept conversions and delivery sales.

The investment focus in financial year 2018/19 included IT and digitalisation. Investments in these areas increased compared to the previous year. In addition to investments in the newly established online marketplace METRO MARKETS, above all digital services for wholesale customers and IT solutions for the delivery sales were further expanded.

Furthermore, an increase in lease extensions and investments in maintenance was recorded for the reporting year.

Proceeds of €505 million (2017/18: €271 million) were received from divestments (including disposals of subsidiaries, but excluding cash investments), resulting mainly from the disposal of properties.

– **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 in no. 41 – notes to the cash flow statement ▸page 263.**

METRO INVESTMENTS

			Change	
€ million	2017/18	**2018/19**	absolute	%
Germany	65	**69**	4	5.7
Western Europe (excl. Germany)	127	**128**	1	0.9
Russia	83	**35**	−48	−57.8
Eastern Europe (excl. Russia)	69	**63**	−6	−8.4
Asia	28	**26**	−2	−7.1
Others	195	**180**	−15	−7.5
Consolidation	−2	**−2**	0	−29.4
METRO	**565**	**499**	**−66**	**−11.7**

Liquidity (cash flow statement)

Cash inflow from operating activities from continuing operations amounted to €796 million in financial year 2018/19 (2017/18: cash inflow of €766 million). Investing activities led to cash inflow of €46 million (2017/18: cash outflow of €292 million). Compared with the previous year's period, this represents an increase in cash flow before financing activities of €368 million to €842 million. Cash outflow from financing activities exhibited a cash outflow of €1,122 million (2017/18: cash outflow of €587 million). Total cash flow from investing activities of discontinued operations amounts to €−88 million (2017/18: €−24 million).

- **For more information, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements in** **no. 41 – notes to the cash flow statement page 263****.**

CASH FLOW STATEMENT[1]

€ million	2017/18	**2018/19**
Cash flow from operating activities of continuing operations	766	**796**
Cash flow from operating activities of discontinued operations	139	**157**
Cash flow from operating activities	**905**	**953**
Cash flow from investing activities of continuing operations	−292	**46**
Cash flow from investing activities of discontinued operations	−89	**−136**
Cash flow from investing activities	**−381**	**−90**
Cash flow before financing activities of continuing operations	474	**842**
Cash flow before financing activities of discontinued operations	50	**21**
Cash flow before financing activities	**524**	**863**
Cash flow from financing activities of continuing operations	−587	**−1,122**
Cash flow from financing activities of discontinued operations	−74	**−109**
Cash flow from financing activities	**−661**	**−1,231**
Total cash flows	**−137**	**−368**
Currency effects on cash and cash equivalents	−30	**17**
Total change in cash and cash equivalents	**−167**	**−351**

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

Capital structure

As of 30 September 2019, the METRO group balance sheet reports equity attributable to continuing and discontinued operations in the amount of €2.7 billion (30/9/2018: €3.1 billion). The profit or loss for the period from continuing operations leads to an increase in reserves retained from earnings. The profit or loss for the period from discontinued operations as well as dividend payments for financial year 2017/18 have an opposite effect. The equity ratio stands at 18.9% (30/9/2018: 20.2%).

Negative reserves retained from earnings are not due to a history of loss but to a 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.

€ million	Note no.	30/9/2018	30/9/2019
Equity	31	**3,074**	**2,735**
Share capital		363	**363**
Capital reserve		6,118	**6,118**
Reserves retained from earnings[1]		−3,449	**−3,778**
Non-controlling interests		41	**32**

[1] Adjustment of previous year according to explanation in notes.

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

Net debt related to continuing operations decreased by €0.2 billion in the adjusted year-on-year comparison, amounting to €2.9 billion as of 30 September 2019 (30/9/2018: €3.1 billion after adjustment). Cash and cash equivalents decreased by €0.4 billion as of 30 September 2019 to €0.5 billion (30/9/2018: €0.9 billion after adjustment). By contrast, financial liabilities decreased by €0.6 billion to €3.4 billion (30/9/2018: €4.0 billion after adjustment).

€ million	30/9/2018	30/9/2018 adjusted[1]	30/9/2019
Cash and cash equivalents	1,298	906	**500**
Short-term financial investments[2]	2	2	**11**
Financial liabilities (incl. finance leases)	4,010	4,010	**3,369**
Net debt	**2,710**	**3,102**	**2,858**

[1] Adjusted for effects of the discontinued business segment.
[2] Shown in the balance sheet under other financial assets (current).

As of 30 September 2019, non-current liabilities of the continuing operations amounted to €3.4 billion (30/9/2018: € 3.4 billion). While pension provisions increased by €76 million in year-on-year comparison, mainly due to the decrease in the applicable interest rate, financial liabilities decreased by €92 million.

As of 30 September 2019, METRO's current liabilities amounted to €8.2 billion (30/9/2018: €8.3 billion). The decrease of €0.4 billion compared to the adjusted previous year's figure is mainly due to the repayment of a bond in the amount of €0.5 billion. The other balance sheet items showed a stable development; only trade payables increased by €69 million, mainly due to currency effects.

Compared to 30 September 2018, the debt ratio increased from 79.8% by 11.3 percentage points to 81.1%. It should be noted here that current liabilities of €2.6 billion (30/9/2018: €2.4 billion) include liabilities related to assets held for sale.

— **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 249.**

€ million	Note no.	30/9/2018[1]	30/9/2018 adjusted[2]	30/9/2019
Non-current liabilities		**3,427**	**3,426**	**3,419**
Provisions for post-employment benefits plans and similar obligations	32	468	468	**543**
Other provisions	33	126	126	**132**
Financial liabilities	34, 36	2,590	2,590	**2,498**
Other financial and other non-financial liabilities	34, 37	123	123	**127**
Deferred tax liabilities	25	120	119	**119**
Current liabilities		**8,705**	**8,706**	**8,343**
Trade liabilities	34, 35	3,993	3,503	**3,572**
Provisions	33	274	203	**168**
Financial liabilities	34, 36	1,420	1,420	**871**
Other financial and other non-financial liabilities	34, 37	1,136	954	**962**
Income tax liabilities	34	191	188	**169**
Liabilities related to assets held for sale	43	1,691	2,438	**2,601**

[1] Adjustment of previous year according to explanation in notes.
[2] Adjusted for effects of the discontinued business segment.

— **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 281** **and no. 46 – other financial commitments** **page 281****.**

Asset position

In financial year 2018/19, total assets of continuing and discontinued operations decreased by €709 million to €14.5 billion (30/9/2018: €15.2 billion).

In financial year 2018/19, non-current assets from continuing operations decreased by €141 million to €6.7 billion (30/9/2018: €6.9 billion), primarily relating to property, plant and equipment. In addition to cost-efficient investment activities, this was mainly due to individual property sales, while currency effects increased the carrying amount.

€ million	Note no.	30/9/2018[1]	30/9/2018 adjusted[2]	30/9/2019
Non-current assets		**7,503**	**6,877**	**6,736**
Goodwill	19	797	778	**785**
Other intangible assets	20	499	496	**562**
Property, plant and equipment	21	5,314	4,892	**4,760**
Investment properties	22	97	97	**82**
Financial assets	23	88	88	**97**
Investments accounted for using the equity method	23	178	178	**179**
Other financial and other non-financial assets	24	202	86	**80**
Deferred tax assets	25	329	262	**191**

[1] Adjustment of previous year according to explanation in notes.
[2] Adjusted for effects of the discontinued business segment.

— **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.**

Current assets of continuing operations decreased by €569 million compared to the previous year's figures to €7.8 billion (30/9/2018: €8.3 billion). Cash and cash equivalents in particular contributed to this development with a decrease of €407 million to €0.5 billion (30/9/2018: €0.9 billion).

€ million	Note no.	30/9/2018	30/9/2018 adjusted[1]	**30/9/2019**
Current assets		**7,703**	**8,329**	**7,761**
Inventories	26	2,108	1,905	**1,946**
Trade receivables	27	571	496	**482**
Financial assets		1	1	**4**
Other financial and other non-financial assets	24	913	796	**881**
Entitlements to income tax refunds		206	202	**190**
Cash and cash equivalents	29	1,298	906	**500**
Assets held for sale	30, 43	2,605	4,024	**3,758**

[1] Adjusted for effects of the discontinued business segment.

— **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

The assets held for sale amount to €3.8 billion (30/9/2018: €2.6 billion as reported). The liabilities recognised in this connection amount to €2.6 billion (30/9/2018: €1.7 billion as reported).

Of the resulting net assets, €0.5 billion (30/9/2018: €0.9 billion) relate to the hypermarket business. In particular, write-downs on the carrying amounts of the disposal group led to a reduction in the net assets carried in the balance sheet.

METRO China was reported as a disposal group for the first time as of 30 September 2019 which accounts for €0.7 billion in net assets.

— **For more information, see the notes to the consolidated financial statements in no. 43 discontinued business sectors ▸ page 266.**

Earnings position

Overview of group business development

In financial year 2018/19, METRO's like-for-like sales rose by 2.1%. The growth was particularly pronounced in Eastern Europe (excluding Russia), Western Europe (excluding Germany) and Asia. Sales in local currency grew by 2.2%. Due to adverse exchange rate developments in Eastern Europe, Russia and Asia, reported sales increased by only 1.1% to €27.1 billion.

The earnings before depreciation and amortisation (EBITDA) excluding earnings contributions from real estate transactions of METRO totalled €1,021 million in financial year 2018/19 (2017/18: €1,088 million). The exchange rate developments of primarily the Turkish and Russian currencies had a negative impact on earnings. Adjusted for currency effects, the decrease was €−49 million less than in the previous year. As expected, the ongoing repositioning of the Russian business and increased costs for digitalisation/IT had a negative impact on earnings. The positive earnings development in Western Europe (excluding Germany), Germany and Asia had a compensating effect. Earnings contributions from real estate transactions totalled €338 million (2017/18: €128 million). EBITDA reached €1,359 million (2017/18: €1,216 million).

€ million	2017/18[1]	**2018/19**	Change
Sales	26,792	**27,082**	1.1%
EBITDA excluding earnings contributions from real estate transactions	1,088	**1,021**	−6.1%
Earnings contributions from real estate transactions	128	**338**	–
EBITDA	1,216	**1,359**	11.8%
EBIT	713	**828**	16.1%
Investments	565	**499**	−11.7%
Stores	675	**678**	0.4%
Selling space (1,000 m²)	4,665	**4,728**	1.3%

[1] Adjusted for effects of the discontinued operations.

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

	Continuing operations		
€ million	2017/18	**2018/19**	Change
Total sales	**26,792**	**27,082**	**1.1%**
Total sales in local currency[1]	26,504	**27,082**	2.2%
Sales of stores that were not part of the like-for-like panel in 2018/19[2]	197	**224**	-
Like-for-like sales in local currency	**26,307**	**26,858**	**2.1%**

[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 2018/19 relates to the continuing operations of METRO including METRO China. The contract for the sale of the majority share in METRO China was signed on 11 October 2019.

The outlook was based on the assumption of stable exchange rates without adjustments to the portfolio. Our reporting also assumed a continuously complex geopolitical situation.

Despite the persistently challenging economic environment particularly in Russia, METRO expected to see an increase in overall sales in the range of 1% to 3% for financial year 2018/19, to which Eastern Europe (excluding Russia) and Asia in particular were supposed to contribute. With total revenue growth of 2.5% in local currency, METRO met this target. The expected measurable trend improvement in Russia was also achieved.

METRO equally expected an increase in like-for-like sales in the range of 1% to 3% in financial year 2018/19, which was also supposed to be driven by Eastern Europe (excluding Russia) and Asia. With like-for-like sales growth of 2.4%, this target was met as well. The expected measurable trend improvement in Russia could be realised as well. For both sales figures, the segment outlook was also achieved in each case except for the sales trend in the Germany segment, which remained slightly below expectations.

The Management Board of METRO AG expected a slight decline in EBITDA (adjusted for currency effects and excluding earnings contributions from real estate transactions) of around 2% to 6% compared to financial year 2017/18 (€1,242 million). In particular, a decline in the double-digit percentage range was expected in the Others segment (2017/18: €−129 million) and a decline in the mid to high single-digit percentage range in the Russia segment. For all other segments, an EBITDA around previous year's level was expected. This outlook for the Russia segment was adjusted in the third quarter and a decrease of approximately 15% was expected. The slightly weaker result in Russia should be positively compensated by slightly better results in Western Europe (excluding Germany) and Asia.

Adjusted for negative currency effects of €17 million, METRO's EBITDA excluding earnings contributions from real estate transactions was €−52 million or −4.2% below the previous year's figures. With this decrease METRO is in the expected range of the outlook of 2% to 6%. This also applies to the outlook at segment level except for the EBITDA development of the Eastern Europe segment (excluding Russia), which remained slightly below expectations. The Russia segment developed in line with the adjusted expectations.

METRO has thus achieved its sales and earnings targets outlook in the previous year for financial year 2018/19.

	2017/18	Outlook 2018/19[1]	2018/19
Sales trend (like-for-like)	1.3%	1%–3% growth	**2.4%**
METRO Germany	0.9%		**0.3%**
METRO Western Europe (excl. Germany)	−0.4%		**1.3%**
METRO Russia	−7.0%	Noticeable trend improvement	**−4.3%**
METRO Eastern Europe (excl. Russia)	6.1%	Special article	**6.3%**
METRO Asia	4.0%	Special article	**5.1%**
Sales trend in local currency	1.5%	1%–3% growth	**2.5%**
METRO Germany	0.3%		**−0.6%**
METRO Western Europe (excl. Germany)	1.7%		**1.3%**
METRO Russia	−8.0%	Noticeable trend improvement	**−3.3%**
METRO Eastern Europe (excl. Russia)	5.6%	Special article	**6.4%**
METRO Asia	4.4%	Special article	**6.3%**
EBITDA excluding earnings contributions from real estate transactions in € million[1]	1,242	2%–6% decline	**−4.2%**
METRO Germany	91	Previous year's level	**4.1%**
METRO Western Europe (excl. Germany)	491	Previous year's level	**1.6%**
METRO Russia	266	Decline in mid to high single-digit percentage range[2]	**−15.5%**
METRO Eastern Europe (excl. Russia)	363	Previous year's level	**−3.0%**
METRO Asia	162	Previous year's level	**8.8%**
Others	−129	Decline in double-digit percentage range	**−22.6%**

[1] At constant exchange rates, without further portfolio adjustments and excluding transformation costs.

[2] The outlook for the METRO Russia segment was adjusted in the 3rd quarter and a decline of approximately 15 % was expected. The slightly weaker result in Russia should be positively compensated by slightly better results in Western Europe (excl. Germany) and Asia.

Sales and earnings development of the segments

Like-for-like **sales** of METRO increased by 2.1% in financial year 2018/19. The growth was particularly pronounced in Eastern Europe (excluding Russia), Western Europe (excluding Germany) and Asia. Sales in local currency grew by 2.2%. Due to adverse exchange rate developments in Eastern Europe (excluding Russia), Russia and Asia, reported sales increased by only 1.1% to €27.1 billion.

In **Germany**, like-for-like sales in financial year 2018/19 rose by 0.3%, while reported declined sales by −0.5%, significantly impacted by the first-time application of IFRS 15.

Like-for-like sales in **Western Europe (excluding Germany)** rose by 1.3% in financial year 2018/19 after a negative development in the previous year. Reported sales increased by 1.3% to €10.8 billion. France, delivery company Pro à Pro, Spain and Portugal particularly contributed to this.

In **Russia,** the trend improved compared to the previous year, but the market environment remains challenging. Like-for-like sales in financial year 2018/19 declined by −4.3%. In local currency, revenues decreased by −3.3%. As a result of negative currency effects, the reported sales decreased by −5.4%.

In **Eastern Europe (excluding Russia)**, like-for-like sales in financial year 2018/19 were clearly positive with an increase of 6.3%. This is predominantly attributable to the performance in Turkey, Romania and Ukraine. In local currency, sales grew by 6.4%. Due to negative currency effects, especially in Turkey, reported sales increased by 3.4% only.

Like-for-like sales in **Asia** increased by 5.3% in financial year 2018/19. All countries in this segment (India, Japan, Pakistan) and Classic Fine Foods contributed to this result. Sales in local currency grew by 7.3%. Due to negative currency effects, reported sales increased by only 5.2%.

METRO's **delivery sales** developed very dynamically. In financial year 2018/19, sales rose by 9.2% to €4.6 billion (2017/18: €4.2 billion). As a result, delivery business now accounts for 17% (2017/18: 16%) ofsales.

As of 30 September 2019, the **store network** spans 678 individual stores (30/9/2018: 675 stores). In financial year 2018/19, 3 stores were opened (1 store each in Croatia, Russia and Turkey). In addition, METRO strengthened its reach by further expanding the supply infrastructure.

METRO KEY SALES FIGURES 2018/19

In year-on-year comparison

	Sales (€ million)		Change in % compared with the previous year's period			
	2017/18	**2018/19**	in group currency (€)	Currency effects in percentage points	in local currency	Like-for-like (local currency)
METRO	**26,792**	**27,082**	**1.1%**	**−1.1%**	**2.2%**	**2.1%**
Germany	4,761	**4,735**	−0.5%	0.0%	−0.6%	0.3%
Western Europe (excl. Germany)	10,609	**10,752**	1.3%	0.0%	1.3%	1.3%
Russia	2,815	**2,662**	−5.4%	−2.1%	−3.3%	−4.3%
Eastern Europe (excl. Russia)	6,952	**7,191**	3.4%	−3.0%	6.4%	6.3%
Asia	1,612	**1,696**	5.2%	−2.1%	7.3%	5.3%
Others	43	**46**	7.4%	0.0%	7.4%	–

The **EBITDA excluding earnings contributions from real estate transactions** reached a total of €1,021 million in financial year 2018/19 (2017/18: €1,088 million). The exchange rate developments of primarily the Turkish and Russian currencies had a negative impact on earnings. Adjusted for currency effects, the decrease was €−49 million less than in the previous year. As expected, the ongoing repositioning of the Russian business and increased costs for digitalisation/IT had a negative impact on earnings. The positive earnings development in Germany, Western Europe (excluding Germany), and Asia, had a compensating effect.

Earnings contributions from real estate transactions totalled €338 million (2017/18: €128 million). The increase of €210 million is essentially attributable to the postponement of a transaction in India from financial year 2017/18 to financial year 2018/19 as well as the earlier-than-expected conclusion of a transaction in China. The property in China is not part of the disposal group, so the income remains in continuing operations. Overall, EBITDA rose to €1,359 million (2017/18: €1,216 million).

In **Germany**, EBITDA excluding earnings contributions from real estate transactions reached €95 million in financial year 2018/19 (2017/18: €91 million).

In **Western Europe (excluding Germany)** EBITDA excluding earnings contributions from real estate transactions reached a total of €499 million in financial year 2018/19 (2017/18: €491 million). Earnings contributions from real estate transactions totalled €29 million (2017/18: €39 million), resulting especially from a real estate transaction in Spain.

The EBITDA excluding earnings contributions from real estate transactions in **Russia** amounted to €220 million in financial year 2018/19 (2017/18: €266 million). Adjusted for currency effects, the decline amounts to €−40 million and is mainly sales and margin related.

In **Eastern Europe (excluding Russia)** EBITDA excluding earnings contributions from real estate transactions reached a total of €344 million in financial year 2018/19 (2017/18: €363 million). Among other things, this decline is due, to the negative currency development in Turkey. Adjusted for currency effects, EBITDA excluding earnings contributions from real estate transactions in Eastern Europe (excluding Russia) fell by €−11 million. The decline in earnings in the Czech Republic was partially offset by the good development in Turkey, Poland and Ukraine. Earnings contributions from real estate transactions in Poland, the Czech Republic and Hungary amounted to €181 million (2017/18: €12 million).

EBITDA excluding earnings contributions from real estate transactions in **Asia** reached a total of €11 million in financial year 2018/19 (2017/18: €9 million). Earnings contributions from real estate transactions in China and India amounted to €107 million (2017/18: €8 million).

EBITDA excluding earnings contributions from real estate transactions in the **Others segment (including consolidation)** amounted to €−148 million in financial year 2018/19 (2017/18: €−132 million). While the cost of digitalisation/IT rose as expected, this profit or loss also includes revenues from damages in the low double-digit millions, which were focused in the Others segment. This was offset by consulting costs of around €20 million in connection with the voluntary takeover bid by EPGC. Earnings contributions from real estate transactions amounted to €21 million (2017/18: €69 million) essentially from the sale of a speciality centre in Germany.

METRO KEY PERFORMANCE INDICATORS FOR 2018/19

€ million	EBITDA excluding earnings contributions from real estate transactions 2017/18	EBITDA excluding earnings contributions from real estate transactions 2018/19	EBITDA excluding earnings contributions from real estate transactions Change (€)	Earnings contributions from real estate transactions 2017/18	Earnings contributions from real estate transactions 2018/19	EBITDA 2017/18	EBITDA 2018/19	EBIT 2017/18	EBIT 2018/19	Investments 2017/18	Investments 2018/19
METRO	**1,088**	**1,021**	**−67**	**128**	**338**	**1,216**	**1,359**	**713**	**828**	**565**	**499**
Germany	91	**95**	4	0	**0**	91	**95**	15	**14**	65	**69**
Western Europe (excl. Germany)	491	**499**	8	39	**29**	530	**529**	388	**390**	127	**128**
Russia	266	**220**	−46	0	**0**	266	**220**	214	**164**	83	**35**
Eastern Europe (excl. Russia)	363	**344**	−19	12	**181**	375	**524**	278	**426**	69	**63**
Asia	9	**11**	3	8	**107**	17	**119**	−5	**94**	28	**26**
Others/consolidation	−132	**−148**	−16	69	**21**	−63	**−127**	−177	**−260**	193	**178**

Discontinued operations

Like-for-like **sales** of discontinued operations increased by 1.0% in financial year 2018/19. Like-for-like sales in China rose by 5.0%, while the hypermarket business developed negatively (−0.6%). In local currency, total sales of the discontinued operations rose by 0.4%. Reported sales grew by 0.5% to €9.8 billion.

The online business through Real.de continued to develop dynamically. GMV (gross merchandise value) grew by 51% to €579 million in financial year 2018/19 compared to financial year 2017/18.

The **EBITDA excluding earnings contributions from real estate transactions of discontinued operations reached a total of** €−2 million in financial year 2018/19 (2017/18: €308 million). While METRO China recorded earnings at the previous year's level, Real developed negatively. The decrease is mainly attributable to the negative effect on earnings resulting from the termination of the future collective agreement, expenses for future store closures as well as store-related risks and the sales and margin development.

Earnings contributions from real estate transactions amounted to €50 million (2017/18: €1 million) from a real estate transaction in China.

As a result of disclosure as discontinued operations and according to IFRS 5, depreciation for the hypermarket business and amortisation on fixed assets of €180 million have been suspended in financial year 2018/19. In financial year 2018/19, an impairment of the hypermarket business in the amount of €401 million was recognised through profit or loss.

As of 30 September 2019, the store network comprised 97 locations in China (2017/18: 94 locations) and 276 locations for Real (2017/18: 279 locations).

METRO KEY SALES FIGURES – DISCONTINUED OPERATIONS 2018/19

In year-on-year comparison

	Sales (€ million)		Change in % compared with the previous year's period			
	2017/18	**2018/19**	in group currency (€)	Currency effects in percentage points	in local currency	Like-for-like (local currency)
METRO	**9,742**	**9,788**	**0.5%**	**0.1%**	**0.4%**	**1.0%**
thereof METRO China	2,684	**2,846**	6.0%	0.3%	5.7%	5.0%
thereof hypermarkets	7,058	**6,942**	−1.6%	0.0%	−1.6%	−0.6%

METRO KEY PERFORMANCE INDICATORS – DISCONTINUED OPERATIONS 2018/19

	EBITDA excluding earnings contributions from real estate transactions			Earnings contributions from real estate transactions		EBITDA		EBIT		Investitionen	
€ million	2017/18	**2018/19**	Change (€)	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**
METRO	**308**	**−2**	**−310**	**1**	**50**	**309**	**49**	**27**	**−398**	**246**	**215**
thereof METRO China	154	**152**	−2	0	**50**	154	**202**	110	**157**	35	**26**
thereof hypermarkets	154	**−154**	−308	1	**0**	155	**−154**	−83	**−555**	210	**189**

Net financial result and taxes

€ million	2017/18[1]	**2018/19**
Earnings before interest and taxes EBIT	**713**	**828**
Earnings share of non-operating companies recognised at equity	0	**0**
Other investment result	0	**−1**
Interest income/expenses (interest result)	−136	**−119**
Other financial result	−2	**1**
Net financial result	**−137**	**−119**
Earnings before taxes EBT	**576**	**709**
Income taxes	−216	**−298**
Profit or loss for the period from continuing operations	**359**	**411**
Profit or loss for the period from discontinued operations after taxes	−22	**−526**
Profit or loss for the period	**337**	**−115**

[1] Adjustment of previous year according to explanation in notes.

Net financial result

The net financial result from continuing operations primarily comprises the interest result of €−119 million (2017/18: €−136 million) and the other financial result of €1 million (2017/18: €−2 million). Net interest result improved significantly as a result of more favourable refinancing terms.

— **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 202, no. 8 – other investment result ▸ page 203, no. 9 – net interest income/interest expenses ▸ page 203 and no. 10 – other financial result ▸ page 204.**

Taxes

At €298 million (2017/18: €216 million), recognised income tax expenses are €81 million higher than the previous year's figures.

During the reporting period, the group tax rate for the continuing segment is 42.0% (2017/18: 37.6%). The group tax rate represents the relationship between recognised income tax expenses and earnings before taxes. The increase in the ratio in the current financial year is mainly attributable to impairments on deferred taxes on loss carry-forwards in Germany. The comparatively low ratio in the previous year includes positive one-off tax effects such as tax rate changes abroad and the reduction for risk provisions.

— **For more information about income taxes, see the notes to the consolidated financial statements in no. 12 – income taxes ▸ page 206.**

€ million	2017/18[1]	**2018/19**
Actual taxes	173	**215**
thereof Germany	(14)	**(9)**
thereof international	(159)	**(206)**
thereof tax expenses/income for the current period	(194)	**(221)**
thereof tax expenses/income of previous periods	(−21)	**(−6)**
Deferred taxes	43	**83**
thereof Germany	(39)	**(104)**
thereof international	(4)	**(−21)**
	216	**298**

[1] Adjustment of previous year according to explanation in notes.

Profit or loss for the period and earnings per share

The profit or loss for the period from continuing operations in financial year 2018/19 was € 411 million, €52 million higher than the profit or loss for the period of the previous year (2017/18: €359 million).

The profit or loss for the period from continuing and discontinued METRO operations was €−115 million in financial year 2018/19, and was thus €−453million below the net result for the period for the previous year's period (2017/18: €337 million). This decrease was mainly due to an impairment of €401 million in the hypermarket business.

Net of earning shares of non-controlling interests, profit for the period attributable to the shareholders of METRO AG from continuing and discontinued operations amounts to €−126 million (2017/18: €333 million). This represents a decrease of €459 million. An improvement of €49 million resulted from continuing operations.

On this basis, METRO achieved a result of €−0.35 per share from its continuing and discontinued operations in financial year 2018/19 (2017/18: €0.92), of which €1.12 came from continuing operations (2017/18: €0.98). 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 2018/19 or in the previous year.

The profit or loss for the period from an outlook perspective (continuing operations including METRO China) reached €523 million in financial year 2018/19 and was thus €80 million above the net income for the period of the previous year (2017/18: €443 million). For a tax expense of €341 million, this corresponds to a tax rate of 39.0%. In financial year 2018/19, METRO recorded earnings per share from continuing operations including METRO China of €1.44 (2017/18: €1.22).

This result forms the basis for the dividend recommendation.

				Change	
		2017/18	**2018/19**	absolute	%
Profit or loss for the period from continuing operations	€ million	359	**411**	52	14.4
Profit or loss for the period from discontinued operations after taxes	€ million	−22	**−526**	−504	–
thereof impairment of the hypermarket business	€ million	(0)	**(−401)**	(−401)	–
Profit or loss for the period	€ million	337	**−115**	−453	–
Profit or loss for the period attributable to non-controlling interests	€ million	4	**11**	7	–
thereof from continuing operations	€ million	(3)	**(6)**	(3)	94.4
thereof from discontinued operations	€ million	(1)	**(5)**	(4)	–
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	333	**−126**	−459	–
thereof from continuing operations	€ million	(357)	**(405)**	(49)	13.7
thereof from discontinued operations	€ million	(−23)	**(−532)**	(−508)	–
Earnings per share (basic = diluted)	€	0.92	**−0.35**	−1.27	–
thereof from continuing operations	€	(0.98)	**(1.12)**	(0.13)	13.7
thereof from discontinued operations	€	(−0.06)	**(−1.46)**	(−1.40)	–

4 REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

REPORT ON EVENTS AFTER THE CLOSING DATE

Events after the closing date

METRO AG sells majority share in METRO China to Wumei Technology Group

On 11 October 2019, METRO AG ('METRO') entered into an agreement with Wumei Technology Group, Inc. ('Wumei'), a leading Chinese retailer, to form a strategic partnership for the Chinese operations of METRO ('METRO China'). This partnership includes the sale of METRO's entire indirect investment in METRO China (excluding a real estate company sold separately in September 2019) to a subsidiary of Wumei (the buyer) for a company value (enterprise value, 100%) of approximately €1.9 billion. The consideration includes an estimated net cash inflow of more than €1.0 billion as well as a 20% investment of METRO in METRO China.

The closing of this transaction is subject to the approval of the regulatory authorities.

EP Global Commerce GmbH increases its share of voting rights in METRO AG

EP Global Commerce GmbH increased its voting rights in METRO AG from 17.52% to 29.99% as of 6 November 2019 based on the notifications of voting rights submitted to the company. They and possibly other affiliated companies and related parties will thus become related companies and parties of METRO AG as of this date. Franz Haniel & Cie. GmbH and its subsidiaries are no longer related parties due to the reduction of their voting rights.

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 outlook. Oxford Economics is the main source of the data used to forecast anticipated business conditions. The following conclusions reflect a mid-range scenario of expectations.

Macroeconomic parameters

Global economy

For financial year 2019/20, we expect global economic growth to develop at a similar level as in reporting year 2018/19. Consumption remains a positive growth driver, while industrial production in Europe remains at a similar level as in financial year 2018/19. The development of trade conflicts will potentially have a major impact on the global economy. The US trade dispute with China and the EU, as well as Brexit, must be mentioned explicitly in this context. Overall, we expect inflation-adjusted global economic growth of approximately 3.1% for 2020.

Germany
With real economic growth of +0.7%, the outlook for the development of the German economy in financial year 2019/20 is similar to that of the reporting year. Only slight growth is expected for exports and industrial production. According to the outlook, private consumption will grow just above the continued low inflation rate and thus acts as a growth driver. The situation in the labour market is expected to remain positive despite possible short-time work measures in some industrial companies. However, the development will depend on the outcome of the negotiations regarding Britain's withdrawal from the EU, which is currently expected to take place at the beginning of 2020.

Western Europe
For financial year 2019/20, growth is expected to be similar (1.2%) to that of the past financial year. Overall, a virtually unchanged low development is forecast. In Italy, the economy is stagnating and the fiscal deficit is also expected to expand under the new government. In France and Spain, economic development remains relatively stable at a low level. The monetary policy of the European Central Bank (ECB) is expected to be similar to that of the previous year, that is, interest rates are expected to rise only very slightly or even be negative in the short term. The effects of Brexit on individual countries and an escalating trade conflict with the USA remain unclear. Both developments pose great risks for exports, which are a growth driver for Europe.

Russia
For Russia, economic growth is expected to improve slightly compared to financial year 2018/19, but still to be low overall, at approximately 1.49%. This is accompanied by a slight decline in private consumption, which will also be affected by a VAT increase and pension reforms. By contrast, inflation is expected to be below the previous year's rate at a total of 3.3%. A stabilised level for the currency is forecast. Nevertheless, sanctions continue to contribute to the drain on the economy.

Eastern Europe
For the economy in Eastern Europe, we again expect growth to be slightly lower than in the previous year, but still clearly positive. This trend can be seen in almost all countries in this region. The economic situation in Turkey is slowly recovering and growth is therefore expected to be stronger than in the previous year. Private consumption in many countries is growing less strongly than in the previous year, but remains at a positive level overall and continues to drive economic growth. The outlook for inflation vary from country to country. In Poland, the rate is rising more strongly than in the previous year; in Turkey and the Ukraine the rates are falling, but remain at a high level overall. In the Eastern European countries, the labour market situation remains very good or is developing positively, for example in Serbia and Turkey. The currencies remain relatively stable against the euro.

Asia
The Asian economy continues to grow steadily at a similar level as in financial year 2018/19. The labour market and private consumption continue to develop very positively, even as the inflation rate continues to rise slightly. For China, economic growth is forecast to turn out below the level of the previous year, carrying the risk that the trade conflict with the USA will intensify again. The Indian economy continues to grow strongly according to forcasts, driven by private consumption, rising exports and low unemployment.

METRO Wholesale: development in the self-service wholesale trade sector

The global development of the self-service wholesale trade sector in financial year 2019/20 will remain positive, contrary to the general economic trend. Again, the contribution of the individual regions will vary. This also applies to the regions in which METRO operates. Growth will be stronger in Europe than in Asia.

In comparison to the reporting period, we expect financial year 2019/20 to exhibit stronger growth in sales for cash and carry companies operating in Germany. Further sales growth is forecast for the hospitality industry sector, which represents an important customer group for METRO.

The self-service wholesale trade sector in Western Europe will increase in nominal terms in the forecast year after only slight growth in financial year 2018/19, especially in the METRO countries France, Austria and Portugal. The hospitality industry sector is also likely to develop positively, especially in Portugal and Spain.

In Russia, we expect strong decline in the self-service wholesale trade sector. However, we expect sales growth for our core customer groups HoReCa and Traders.

In Central and Eastern European countries, the self-service wholesale trade sector will likely grow again in financial year 2019/20, especially in countries such as Turkey and Hungary. Despite the difficult economic environment, we believe that the HoReCa industry sector will grow in Turkey, supported by the fact that tourism is picking up again. We expect the HoReCa and Traders sectors to continue their strong growth momentum, particularly in Romania and Poland.

The cash & carry markets in Asia, particularly in Japan and India, are forecast to deliver stable economic growth in financial year 2019/20.

Earnings position outlook: outlook for METRO

METRO continues its long-term strategy of focusing on wholesale and, in particular, on HoReCa and Traders customers. Against this background, we will continue to put emphasis on simplifying and streamlining our portfolio in the coming year. This includes in particular the closing of the sale of a majority stake in METRO China and the sale of our Real hypermarket business. METRO expects to generate a net cash inflow of more than €1 billion upon completion of the sale of METRO China (expected in the first half of 2020, subject to regulatory approvals). The remaining minority stake in METRO China will be reported as at-equity investment in the Asia segment. For the hypermarket business, METRO expects a successful closing of the transaction shortly. Neither METRO China nor the hypermarket business is included in the outlook either before or after completion of the transactions.

As announced in November 2019, we are also planning to implement a number of efficiency measures in the coming financial year 2019/20. These measures concern in particular the simplification of administrative structures, processes and business activities. The measures will be associated with estimated one-time costs of €60 million to €80 million in 2019/20 and estimated sustainable savings in the mid-double-digit million euro range through an increase in operating performance. The associated costs from efficiency measures will be reported separately as transformation costs. The outlook is made before such transformation costs. Expected pro rata savings in 2019/20 in the low-double-digit million euro range are reflected in the outlook.

METRO's strategy further includes strengthening and expanding its core business, wholesale, in become a '360-degree supplier' – the Wholesale 360 approach. This includes further localisation of the business, expansion of our delivery business, development of new channels and customers (for example via the online marketplace METRO MARKETS) as well as an increase in customer loyalty and an associated enhanced exploitation of customer potential, for example through digital solutions. In addition, we plan to selectively expand our business activities through acquisitions. The mergers and acquisitions activities should thereby focus on companies that increase our presence in a market (densification) and thus contribute to market consolidation. The outlook does not include such potential mergers and acquisitions transactions.

We also continue to implement our sustainability goals defined on the basis of the UN Sustainable Development Goals. The focus is on reducing food waste, making our range of products and services more sustainable and promoting more conscious consumption.

The outlook is based on the current segment structure. Unlike in the previous year, METRO China has been reported as a discontinued operation since 30 September 2019, so that the composition of the Asia segment has changed in this respect. In addition, changes in key figures resulting from the first-time application of IFRS 16 (see also the respective specifications in the notes to the group accounting principles and methods page 170) are initially not taken into account in the outlook. METRO will finalise the retrospective adjustments as planned in the first quarter of 2019/20. Based on that, METRO will publish a reconciliation of the relevant key figures, which shows both the old and the new standard, prior to our next quarterly statement and update the outlook accordingly.

Outlook of METRO

The outlook is based on the assumption of stable exchange rates and no further adjustments to the portfolio and only covers METRO's continuing operations. The main opportunities and risks that could influence our outlook are explained in the opportunity and risk report. The achievement of our sales and earnings outlook is further based on our assumptions for 2019/20 regarding macroeconomic developments.

Sales

Due to the advancing and successful focus on the HoReCa and Traders customer groups, the Management Board expects total sales and like-for-like sales to grow by 1.5% to 3% in financial year 2019/20 (2018/19: 2.2% growth of total sales and 2.1% growth of like-for-like sales). As a consequence of this focus, a further trend improvement is expected in Russia. Germany is expected to show a flat sales development, while the Western Europe (excluding Germany), Eastern Europe (excluding Russia) and Asia segments are expected to grow at the previous year's level. Across all segments, the Management Board sees the delivery business in particular and the synergetic interaction of the various channels as well as the focus on HoReCa and Traders customers as growth drivers.

Earnings

An important focus of METRO is on increasing operating performance and portfolio simplification. Against this background, the Management Board announced to adopt various measures on 19 November 2019. In financial year 2019/20, the Management Board expects this to result in one-time transformation costs of €60 million to €80 million. Before transformation costs for these efficiency measures, the Management Board expects EBITDA excluding earnings contributions from real estate transactions to be roughly at the level of the past financial year (2018/19: €1.021 million). Earnings in Russia are expected to decline by between €20 million and €30 million as a result of the ongoing repositioning. Earnings growth in Germany and Western Europe (excluding Germany) is expected to compensate for this. For the remaining segments, EBITDA is expected to remain roughly at the previous year's level.

	2018/19	Outlook 2019/20[1]
Sales trend (like-for-like)	**2.1%**	1.5%–3% growth
METRO Germany	**0.3%**	Stable sales development
METRO Western Europe (excl. Germany)	**1.3%**	Previous year's level
METRO Russia	**−4.3%**	Trend improvement
METRO Eastern Europe (excl. Russia)	**6.3%**	Previous year's level
METRO Asia	**5.3%**	Previous year's level
Sales trend in local currency	**2.2%**	1.5%–3% growth
METRO Germany	**−0.6%**	Stable sales development
METRO Western Europe (excl. Germany)	**1.3%**	Previous year's level
METRO Russia	**−3.3%**	Trend improvement
METRO Eastern Europe (excl. Russia)	**6.4%**	Previous year's level
METRO Asia	**7.3%**	Previous year's level
EBITDA excluding earnings contributions from real estate transactions in € million	**1,021**	Previous year's level
METRO Germany	**95**	Earnings growth
METRO Western Europe (excl. Germany)	**499**	Earnings growth
METRO Russia	**220**	Decline between €20 million and €30 million
METRO Eastern Europe (excl. Russia)	**344**	Previous year's level
METRO Asia	**11**	Previous year's level
Others	**−148**	Previous year's level

[1] At constant exchange rates, excluding further portfolio adjustments and transformation costs.

5 OPPORTUNITIES AND RISK REPORT

Opportunity and risk management system

In a dynamic market environment, the early identification and systematic exploitation of opportunities is our entrepreneurial task. This is an essential prerequisite for our company's long-term success. We define opportunities as possible achievements that extend beyond the defined objectives and can thus facilitate and drive our business development. However, our company is also exposed to risks that can impede the realisation of our short-term and medium-term objectives as well as the implementation of long-term strategies. We define risks as any potential future negative deviations from corporate objectives that may result from internal or external events. We consider opportunities and risks as inextricably linked. Risks can arise from missed or underutilised opportunities. In some cases, we must also consciously take manageable risks to be able to exploit opportunities in a targeted manner. Conversely, exploiting opportunities in dynamic growth markets or in new business areas always entails risks.

In this sense, we see our opportunity and risk management as an instrument for achieving our corporate goals. A systematic process that encompasses the entire group helps the company's management to identify, classify and control opportunities and risks early on. Opportunity and risk management thus form a single unit. Our risk management identifies developments and events that could potentially prevent us from reaching our business targets at an early stage and makes it possible to analyse their implications. This allows us to put the necessary countermeasures into place in a timely manner. At the same time, this forecasting process enables us to assess and seize opportunities.

Centralised management and efficient organisation

Group-wide opportunity and risk management 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 operating business and the service companies that support the operating 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 as well as internal auditing 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. Structures and processes are made transparent and the subsystems are harmonised in terms of their organisational processes. On this basis, we 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 new developments of the GRC subsystems. The committee also conducts regular reviews of the current opportunity and risk situation. Permanent members include representatives of Corporate Accounting (including Risk Management, Internal Control Finance and Internal Control Operations), Corporate Controlling & Finance, Corporate Treasury, Corporate Legal Affairs & Compliance, Corporate Public Policy, Group Strategy, METRO Insurance Broker and Group Internal Audit. In addition, representatives of the Investor Relations and Corporate Communications divisions participate in selected meetings. Experts are included as needed.

Opportunity management

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

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 company, we pursue market- and customer-driven business approaches in this process and continually review our strategy to ensure long-term sustainable growth.

Risk management

The Management Board of METRO AG assumes overall responsibility for the effectiveness of the risk management system as part of the GRC system. The group companies are responsible for identifying, assessing and managing risks. Our Corporate Risk Management unit is responsible for managing and developing our risk management system. This unit is part of the Group Governance department of METRO AG. It determines the company’s risk management approaches, methods and standards in consultation with the GRCC. The Corporate Risk Management unit coordinates the underlying process, ensures information is shared within the company and supports the further development of risk management across all group companies and central business units. In this context, the GRCC keeps the Management Board of METRO AG continuously updated on the essential developments concerning risk management.

The risk management system is organised as a closed-loop system to ensure the design’s effectiveness with respect to the defined risk management rules. This also allows us to guarantee effective implementation and continuous improvement of the system based on results and experiences. The internal control system supports the group companies in fulfilling their responsibility to manage process risks.

– **For more information, see chapter 2 principles of the group – 2.6 characteristics of the accounting-related internal control and risk management system and explanatory report of the Management Board ▸ page 80.**

Key elements of internal monitoring include effectiveness checks in the form of internal audits as well as self-assessments by the management teams.
The Supervisory Board of METRO AG also oversees the effectiveness of the group's risk management. In compliance with the provisions of the German Corporate Sector Supervision and Transparency Act (KonTraG), the external auditor subjects the company's early warning system as part of the risk management system to a periodic audit. The results of this audit are presented to the Management Board and Supervisory Board.

Reporting

The objective of opportunity and risk communication is to deal with opportunities and risks in a structured and continuous manner in accordance with legal and regulatory requirements.

Once a year we perform an IT-supported risk inventory, by systematically mapping, describing and assessing all significant group-wide risks based on quantitative and qualitative indicators and uniform criteria relating to the loss potential and the probability of occurrence. The results of the risk inventory and the risk portfolio derived from it are updated on a regular basis.

In financial year 2018/19, the risk inventory was carried out by means of a uniform risk catalogue. It significantly improved the comparability and thus the validation of risks.

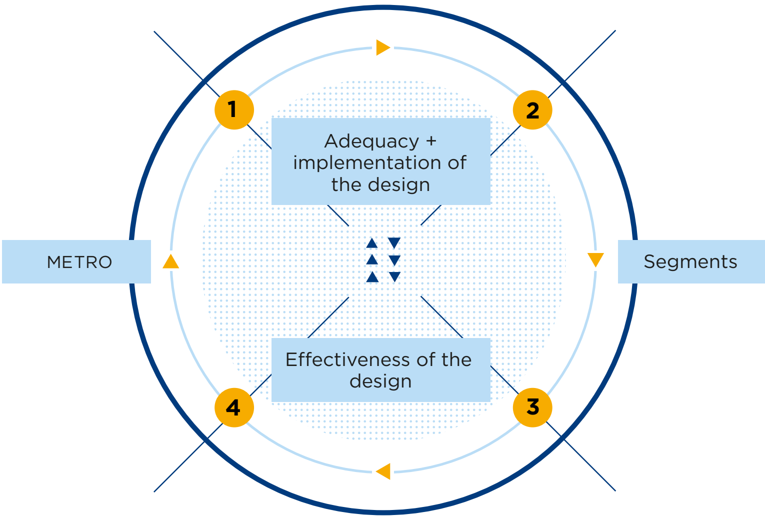
The risk coordinators functionally responsible for particular operational areas, for example Procurement, Supply Chain Management, Quality Assurance (QA) or administrative functions, validate the results reported by the group companies and central business units at group level and summarise them in a functional risk profile. The bottom-up view of the companies is supplemented by the top-down view of the departments. Information such as medium-term planning by the Corporate Controlling department or analyses of the strengths, weaknesses, opportunities and threats (SWOT analysis) of the Global Strategy department are included. Key issues are subsequently validated by the GRC Committee to derive specific action measures.

We also consider the results of the internal control system, the compliance management system, the Internal Audit unit as well as the issues management system. The Corporate Public Policy department's Issues Management system continuously monitors and identifies topics of special interest and media issues of relevance to the group. This enables us to address the public debate with swift, clear and uniform statements. The group's issues management and risk management systems are closely interconnected.
The opportunity and risk portfolio for METRO, which is ultimately derived from all findings, enables us to take an overall look at the opportunity and risk situation of our Company. 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
- Recommendations on risk management 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 direction of our opportunity and risk management as well as the current opportunity and risk situation.

RISK MANAGEMENT AS A CLOSED-LOOP SYSTEM



1 Defining rules
- Definition of principles and strategic approach
- Derivation of risk areas from target and control system
- Definition of processes and organisation
- Provision of training materials
- Group reporting

2 Introduction and implementation
- Introduction of a risk management system
- Implementation of processes
- Preparation of risk reports by the units and functions
- Organisation of training measures and knowledge transfer

3 Monitoring/audit (decentralised)
- Self-assessment of risk management effectiveness
- Internal risk management controls
- Confirmation by management

4 Monitoring/audit (centralised)
- Validation of the risk inventory
- Effectiveness assessment by the Internal Audit unit
- Internal risk management system controls

We use an emergency notification system in the case of unexpected serious risks arising for our asset, financial and earnings position. The Management Board of METRO AG will in this case be provided with the necessary information directly and without delay.

Strict principles for dealing with risks

METRO will only assume commercial risks if they are considered to be manageable and if the associated opportunities promise a reasonable increase in our value.

We bear the risks incurred in conjunction with the core wholesaling and retailing processes 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 from support processes are mitigated within the group or, to the extent expedient, transferred to third parties. We generally do not assume risks that are not related to core processes or support processes. Risks that are likely to materialise are included in our business plans.

Risk management details clearly defined

The coordinated use of measures within risk management is ensured by the fact that all relevant specifications for the structural and procedural organisation are compiled in sets of rules. These include the Articles of Association and Code of Procedure of group companies, internal group guidelines and our group-wide risk management guideline, which defines

- the risk management framework (terms, basic structure, strategy, principles),
- the risk management organisation (roles and responsibilities, risk units),
- processes (risk identification, assessment and management),
- risk reporting as well as
- monitoring and control of the effectiveness of risk management.

Based on the internationally recognised COSO II standard, the risk management framework addresses the 3 levels of risk management: corporate objectives, processes and organisation. The update to the COSO II standard published in 2018 is taken into account.

The first level of risk management relates to the clustering of corporate objectives. METRO has defined the following clusters:

- Strategic objectives related to safeguarding the company's future economic viability (strategy cluster)
- Operational objectives related to the attainment of set key performance metrics (operations cluster)
- Corporate management objectives related to compliance with laws, regulations, internal guidelines and specified procedures (governance cluster)
- Objectives related to appropriate preparations to mitigate event risks such as breakdowns, business interruptions and other crisis events (events cluster)

At the 2nd level of risk management, the process level, we use a catalogue of standard risks that must be assessed by the risk units in a binding manner. This ensures that all typical operational risks that apply to our business operations are validated. Additionally, companies supplement their company-specific risks.

On the 3rd risk management level, clusters are delineated in terms of functional categories based on the group's organisational structures, such as procurement, sales, human resources or real estate as well as an assignment to group companies.

Risk classification

All identified risks are classified based on uniform standards and quantitative and qualitative indicators with regard to loss potential (detrimental effects on our corporate objectives, the key performance indicator is EBIT) and probability of occurrence. We break risks down into the following 4 risk categories:

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

All risks are assessed on the basis of their potential impact at the time of the risk analysis and before potential risk-minimising measures (presentation of gross risks). We generally assess risks over a prospective 1-year period; strategic risks cover at least the medium-term planning horizon of 3 years. METRO monitors and assesses longer-term opportunities and risks, for example related to climate change or political risks, using its issues management system.

Risk units

On the organisational level, we determine the corporate units responsible for setting objectives in a clearly defined area as well as for identifying, classifying and controlling risks. METRO's risk management defines these areas in line with the corporate organisation using independent risk units – generally companies – as well as in terms of function using categories that are responsible for a certain operational function or administrative task. The risk units cover all essential companies of the consolidation group included in the consolidated financial statements.

Description of the opportunity and risk situation

METRO has numerous opportunities to ensure 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 2018/19	Loss potential	Probability of occurrence
Risks related to the business environment		#1	Macroeconomic and political risks	Moderate	Possible
		#2	Interruption of business activities	Significant	Low
Environmental risks		#3	Sustainability risks (new)	Minor	Likely
Sector-specific risks	Risks related to the retail business	#4	Challenges in the business model	Material	Possible
	Real estate risks	#5	Real estate risks (renamed, previous year: inadequate construction processes)	Moderate	Possible
Risks related to business performance	Supplier and product risks	#6	Quality risks	Significant	Low
Financial risks		#7	Planning reliability	Significant	Possible
Other risks	Transaction risks	#8	Risks from completed transactions (renamed, previous year: risks in connection with company split)	Significant	Unlikely
		#9	Risks in connection with the disposal of Real (new)	Material	Likely
	Legal and tax risks	#10	Trade regulations	Moderate	Likely
		#11	More stringent regulation pertaining to deferred remuneration	Moderate	Possible
		#12	Tax risks	Moderate	Possible

The risk ‘Employee development and attractiveness as an employer’ reported in the previous year has decreased from METRO's point of view and was no longer listed for reasons of materiality. Risk no. 3 ‘sustainability risks’ was newly included. Risk no. 9 ‘risks in connection with the disposal of Real’ was reported together with risk no. 8 in the previous year and will be listed individually this year.

Opportunities and risks related to the business environment

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 this development. Opportunities could arise from a sustained positive geopolitical and macroeconomic development, among others in Southern Europe and Turkey – for example, in the form of a recovery of foreign exchange rates.

Macroeconomic and political risks (#1)
As a company with global operations, METRO depends on the political and economic situations in the countries in which it 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. In contrast to the previous year, the political situation in individual markets has stabilised. For this reason, the assessment of the potential extent of damage was adjusted from 'significant' in the previous year to 'moderate'. 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 US, Europe and China, as can be clearly seen in the expansion of the imposed punitive tariffs, as well as the planned withdrawal of the United Kingdom from the European Union (Brexit). We see both issues as a risk. In this case, we consider the materialisation of risks in connection with tense trade relationships to be more probable than in the previous year and assess the probability of occurrence as 'possible' rather than 'low'. 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 balance the economic, legal and political risks as well as fluctuations in demand between the countries.

– **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 103.**

Interruption of business activities (#2)
Our business operations could, for example, be 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.

Modern technologies such as remote server management and cloud computing allow us to use our hardware efficiently. In addition, our centralised IT systems can be quickly restored in the event of one or several servers failing. We operate several central IT centres, which enables us to compensate for major business interruptions or limit 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 also prepare ourselves 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 revenues or profits resultant from business interruptions wherever it is possible and reasonable.

Environmental opportunities and risks

Opportunities from competitive advantage

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. In financial year 2018/19, METRO dropped to second place in the Food & Staples Retailing group in the internationally important Dow Jones Sustainability Index World after 4 consecutive years as the best in the industry. In the Dow Jones Sustainability Index Europe, we were ranked best in the industry for the 5th consecutive year.

Sustainability risks (#3, NEW)

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. This risk was included for the first time in comparison with the previous year, as the risks from increased energy prices following a possible CO_2 pricing are assessed as probable for the first time. 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 combined non-financial statement of METRO AG ▸ page 56.**

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 potentials 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 digitalisation 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. By establishing the Hospitality Digital business unit, we have prepared ourselves to take advantage of significant opportunities that may arise when the digitalisation of the HoReCa and Traders sectors and other business areas advance faster than expected. With our METRO-NOM business unit, we continue to digitalise our core business. METRO-NOM supports, develops and optimises all digital solutions used by our customers. Our METRO Accelerator powered by Techstars programme is a cooperation project with the US-based company Techstars and allows us to monitor global consumer trends and to promote digital solutions for the hospitality and retail segments offered by innovative start-up companies.

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 all 24 national subsidiaries 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 fortifying 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 impairment of assets and 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.

Challenges in the business model (#4)
Particularly, the retail and wholesale trade in the markets in which we operate is characterised by rapid changes and fierce competition. A fundamental 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 address these risks by developing country-specific customer-focused value creation plans. The operating partners and international working groups (federations) monitor and support the implementation and achievement of objectives.

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 (#5)
Loss of rental income caused by insolvencies of third-party tenants and the risk of vacant and unused selling space entail the risk of a deficient rental cover or an impairment of the underlying asset. We counter these risks with our strategic and operational real estate management and anticipatory investment planning. Delayed repair and maintenance work could lead to infringements and quality losses as well as reputational damage. The safety and health of customers, suppliers and employees could be endangered by deficiencies in the properties. We take decisive actions to prevent potential accidents and damage to health, thus ensuring a safe and healthy environment. Accordingly, we establish clear rules and procedures to identify, minimise and ultimately prevent risks. We support implementation through frequent training sessions and internal inspections.

Opportunities and risks relating 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 56.**

Quality risks (#6)

As a retail 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 own-brand 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 GLOBALG.A.P. certification for agricultural products. They contribute to the safety of foods on all cultivation, production and sales levels. Own-brand suppliers without a recognised and valid audit certificate may qualify for preliminary inclusion in METRO's supplier base by undergoing and passing a special assessment (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 of placing non-safe products on the market which are unsuitable for human consumption or use or even health-hazardous represents a very high reputation risk and comprises 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 evaluate potential improvements to our quality assurance systems.

Financial opportunities and risks

Planning reliability (#7)

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 that are directed at improving our income position. We support the operational units in their pro-active implementation of the strategy by providing them with value creation plans. We also mitigate risks by conducting effective internal controls, a closer interlocking of strategic planning and the budgeting process as well as greater 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. The outlook report offers insights into our expectations for the development of our business in the coming financial year.

- **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 274****.**

Other opportunities and risks

Opportunities from portfolio simplification and efficiency improvements

The focus on the wholesale business made further progress in financial year 2018/19 with the decision to sell the hypermarket business and to sell 80% of the majority interest in METRO China. In doing so, METRO is focusing its attention on investments aimed at strengthening its wholesale businesses in order to secure increased market shares in the rapidly growing HoReCa environment. The focus on wholesale could be translated faster than expected into improved workflows along the value chain and could have a positive effect on our business development through an increase in operating efficiency.

In addition to focusing on the wholesale business, joint ventures such as the one between METRO and Wumei in China as well as expansion of additional cooperations can lead to further innovations or operational cost savings.

Opportunities from company acquisitions

Great potential for increases in value may arise from the acquisition of selected companies, particularly in business segments of strategic importance. We see opportunities in the further development of our delivery business and 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. Weaker market players in countries where the macroeconomic situation has deteriorated are retreating from the market. Our goal there is to gain market share and, where appropriate, to take over individual locations and thus further advance market consolidation.

Risks from completed transactions (#8)

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:

- Prospectus liability, for example claims by shareholders from share trading due to inadequate information
- Continuing liability for all liabilities of CECONOMY AG existing as of 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 preparing for any potential complaints by way of legal defence strategies. Potential claims resulting from prospectus liability are covered by a prospectus insurance policy. We are continuously monitoring the financial position of CECONOMY AG.

In order to increase transparency, we now present this risk and risk no. 9 ‘risks in connection with the disposal of Real’ separately.

Risks associated with the disposal of Real (#9, NEW)
In connection with the sale of the hypermarket business, the risks mainly relate to remnant costs which will continue to be incurred after the sale of Real but which will not be fully reflected in the operating performance of the continuing operations. An example of residual costs is the temporary underutilisation of METRO LOGISTICS. Furthermore, there is the risk of potentially lower-than-expected sales proceeds, which would necessitate further write-downs on the hypermarket business. In the consolidated financial statements as of 30 September 2019, impairment losses of €401 million on the hypermarket business disposal group were already recognised; this was taken into account accordingly in the risk assessment. To limit risks, METRO uses professional support from investment banks and external consultants in the marketing process.

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 the data basis. To seize these opportunities, METRO is developing an end-to-end master data management system to ensure data reliability. This system is supposed to be established in the sales channels in the future.

Legal and tax risks

Trade regulations (#10)
The European Union and national governments are increasingly adopting or amending regulations that regulate trade and unfair trading practices that could affect our business. The EU directive on unfair trading practices went into force 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. Compared to the previous year, the risks from this are assessed as ‘probable’ instead of ‘possible’. Among other things, the European Parliament is discussing the proposal to ban procurement partnerships. 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.

More stringent regulation pertaining to deferred compensation (#11)
In addition to purchase price agreements, we enter into agreements on so-called subsequent compensation with the suppliers. These agreements are concerned with purchasing terms and conditions, such as product-specific deferred rebates, reimbursement of expenses or remuneration for services, such as advertising or other marketing-related services.

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 the Eastern European countries, but has also been observed in other METRO countries, for example in the European Union. Russia, in particular, is affected by a decline in subsequent compensation. Some restrictions sometimes prohibit individual conditions. At the same time, antitrust law is used to regulate conditions to the detriment of retailers, 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 permanently adjusting our contractual relationships with suppliers in the concerned jurisdictions and/or in relation to certain product categories. 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. We analyse the historical structures of supplier terms and conditions in the context of a transformation programme spanning over a number of years and modernise the terms as required. Without active management, there would be a risk that added value in the form of subsequent compensation in selected product groups and/or countries could no longer or only partially be collected as a result of changes to the regulatory framework. This would have a corresponding 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. 47 – remaining legal issues ▸ page 281.**

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 addition, possible impairments on deferred tax assets in METRO AG may have a negative impact on the group tax rate.

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. The resultant risk mitigation measures are then coordinated between all persons involved. Moreover, an internal control system for the sales tax process was established and already implemented for German companies, which is supposed to be expanded to other national companies.

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 are at least manageable. The identified individual and cumulative risks do not present risks that could possibly compromise the continuity of the company due to illiquidity or excessive indebtedness within a period of at least one year. 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 and the recommendations of the German Corporate Governance Code and 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 according to GAS and IFRS as applied to capital market-oriented companies.

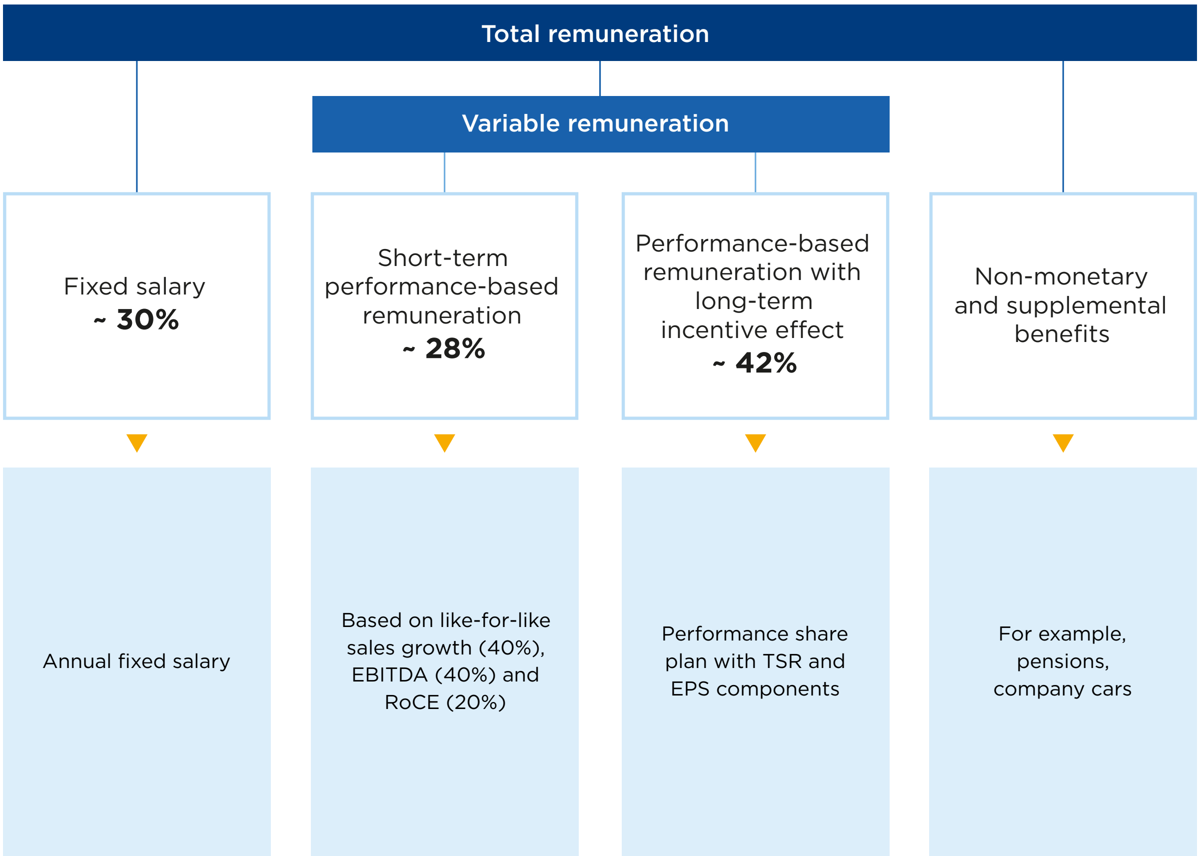
The Supervisory Board of METRO AG decides on the remuneration system for the Management Board and reviews it on a regular basis. The Presidential Committee, chaired by the Chairman of the Supervisory Board, prepares the proposed resolutions for the full Supervisory Board. The remuneration system based on financial year 2018/19 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 performance-based compensation,
- a performance-based remuneration with long-term incentive effect,
- a post-employment benefits plan as well as
- other non-monetary and supplemental benefits.

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 and 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 the aggregate (total disbursement cap). The upper threshold of remuneration for the financial year amounts to €8,034,800 for Mr Koch, €4,048,600 for Mr Baier, €6,043,600 for Mr Hutmacher and €4,228,600 for Mr Palazzi.

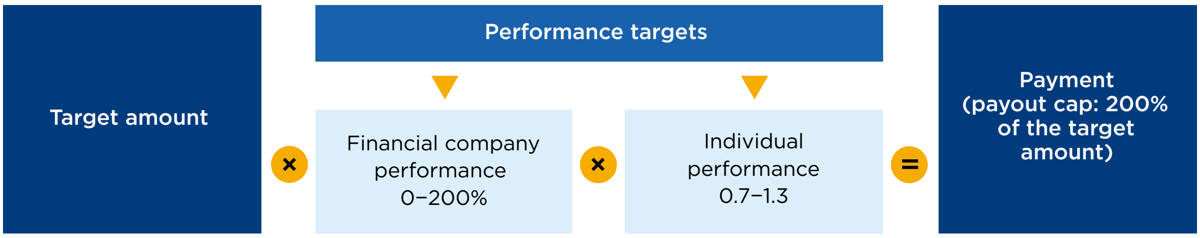
Insofar as a member of the Management Board negligently or intentionally violates his duties and the company incurs damage as a result of it, the Supervisory Board has the right to withhold payment of the remuneration of this member of the Management Board in full or in part. A so-called clawback clause (repayment agreement), which in the event of a negative development provides for the recovery of payments made in the past from variable remuneration components, was not agreed with the members of the Management Board, since payments from the short-term performance-based remuneration and the performance-based remuneration with a long-term incentive effect only take place after fulfilment of the performance targets and termination of the performance period. 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 performance-based 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 in euros 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 2018/19 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) at 40%,
- exchange rate-adjusted Return on Capital Employed (RoCE) at 20%,

in each case based on the target amount.

— **Further information on the key performance indicators can be found in chapter 2 group basics – 2.2 management system ▸ page 51.**

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.

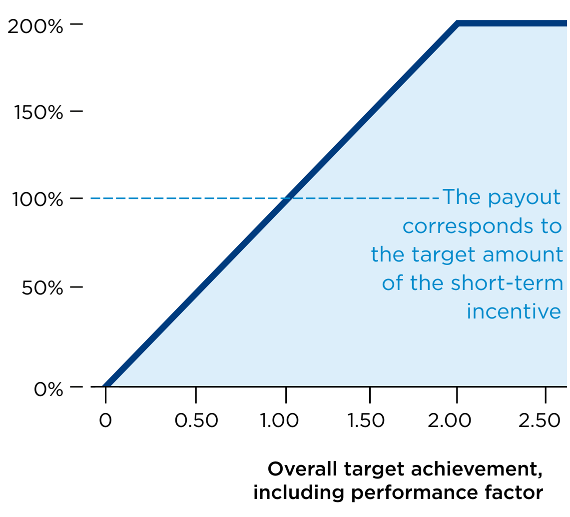
To ensure the individual performance orientation of Management Board remuneration, the Supervisory Board reserves the general right to reduce or increase the weight of the individual short-term incentive by up to 30%. The basis for this are targets that were agreed individually with the respective members 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).

In addition, the Supervisory Board may grant special bonuses to members of the Management Board for exceptional performance. In the reporting year, no special bonuses were granted to the members of the Management Board.

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 incentivised financial year.

SHORT-TERM INCENTIVE – DISBURSEMENT CALCULATION



Performance-based remuneration with long-term incentive effect (long-term incentive, LTI)

The performance-based remuneration with long-term incentive effect 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)

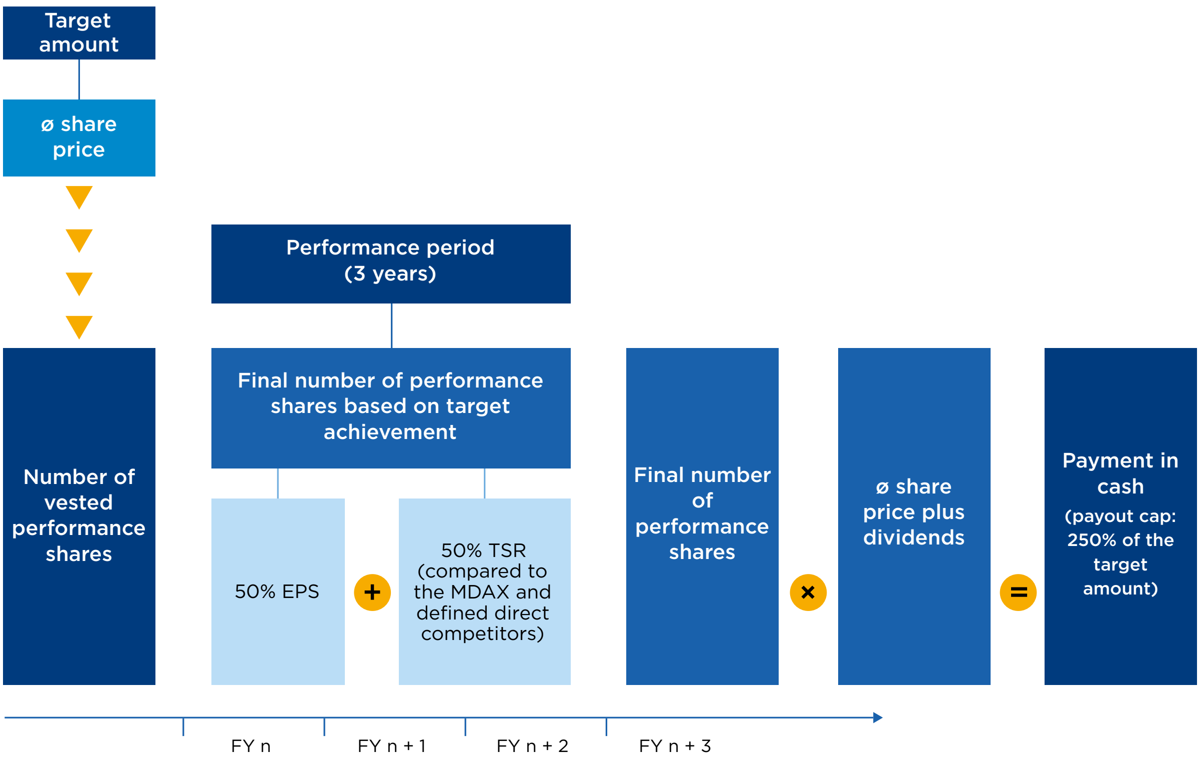
The annual tranches of the so-called performance share plan and their associated performance targets are generally based on a multi-year assessment. The performance period is usually 3 years. The payout amount is limited to a maximum of 250% of the individually determined target value (payout cap). In 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, the amount of which 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. An exception to this is the granted 2016/17 tranche of the performance share plan, which is based on the average closing prices of 40 consecutive stock exchange trading days beginning on 13 July 2017, the initial listing date of the share.

The performance period ends after the 40th stock exchange trading day following the ordinary 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:

- reported earnings per share (EPS),
- total shareholder return (TSR).

LONG-TERM INCENTIVE

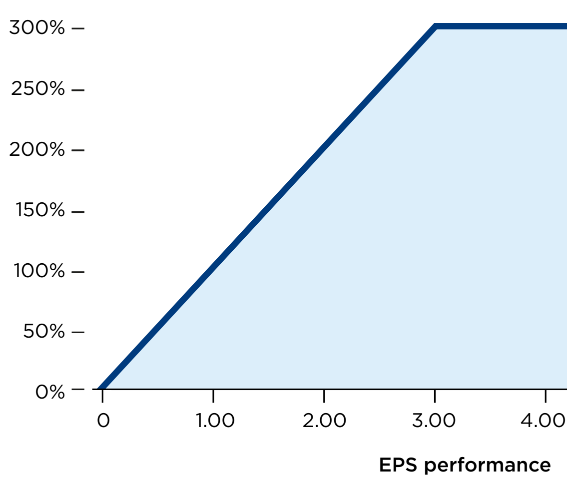


Schematic diagram.

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 allocated on a lower threshold/entry hurdle for target achievement and an EPS target value for 100% target performance for the 3rd financial year of the performance period. A factor is allocated to the specific degree of target achievement:

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

DETERMINING THE TARGET ACHIEVEMENT OF THE EPS COMPONENT



The target achievement factor of the TSR component is measured by the development of the total shareholder return of the company's ordinary share in the performance period relative to a defined benchmark index and to a defined comparison group at half the rate compared to the development of the MDAX TSR and the development of the average TSR of a defined comparison group of direct competitors over the same period as the TSR of the company. The TSR value of the comparison group of the direct competitors is determined individually for the members of the comparison group and then the arithmetic mean is established. The peer group of direct 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 comparison group, then the METRO TSR will be exclusively compared with the MDAX TSR – and the comparison with the group of direct competitors will not apply.

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

To determine the target achievement, the Xetra closing prices of the company's ordinary share are determined over a period of 40 consecutive stock exchange trading days immediately after the Annual General Meeting of the company in the year of the allocation 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 ending 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.

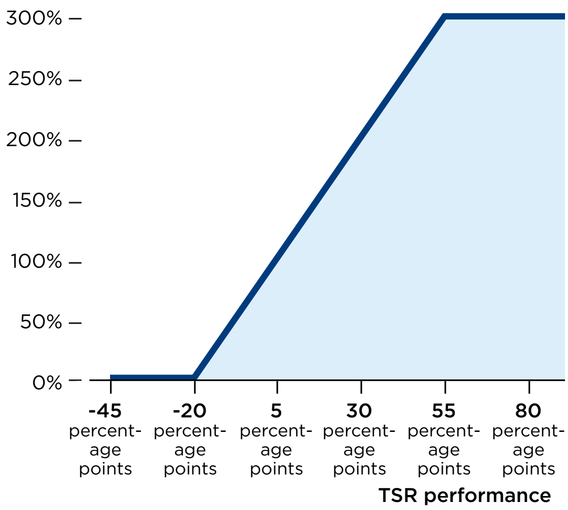
The resulting TSR of the company is compared to the equally determined TSR of the 2 comparison groups in the performance period. A factor is allocated to the specific degree of target achievement:

- If the degree of target achievement at the end of the performance period is 100%, the factor is 1.0. This requires an outperformance of 5 percentage points versus the comparison group.
- 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 in euros 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 payment 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.

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 acquisition 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.

Long-term incentive with performance target EPS

In financial year 2016/17, a one-time additional long-term incentive was granted in connection with the spin-off of METRO AG from CECONOMY AG. This performance period ended with the end of the 40th trading day after the company’s Annual General Meeting in 2019. Achieving this long-term incentive target was linked to the earnings per share (EPS) parameter for financial year 2017/18. No payout resulted from this long-term incentive.

Post-employment benefits plans

As members of the Management Board, Mr Koch, Mr Baier and Mr Hutmacher receive post-employment benefits plans in the form of direct commitments. 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 retirement age, the contributions retain the level they have reached. This component of post-employment benefits plans is congruently reinsured 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 credit 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 reinsured and will be provided directly by the company when the benefit case occurs.

Mr Palazzi receives the corporate contribution in the form of an earmarked one-off payment at the end of a financial year for setting up a pension plan at his discretion, without the need for a personal contribution.

Furthermore, members of the Management Board have been offered the option of converting future compensation 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 compensation 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, the members of the Management Board 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).

The contractual provisions assume a change of control 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 employment 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 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 was 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 competitionand is paid in monthly instalments. These payments will be credited with remuneration earned by the other use of the employment. The company has the option of waiving the post-restraint on competition prior to or upon termination of the employment contract, while observing 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.

Remuneration of the Management Board in financial year 2018/19

The remuneration of the members of the Management Board in financial year 2018/19 according to the German Commercial Code as well as the tables provided by the German Corporate Governance Code is as follows:

REMUNERATION OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2018/19[1]

					Performance-based remuneration with long-term incentive effect			
€1,000	Financial year	Fixed salary	Supple-mental benefits	Short-term performance-based remuneration	Value of the granted tranches[4]	(Payout from tranches granted in the past)	Total[5]	(Effective salary[6])
Olaf Koch	2017/18	1,200	20	177	1,214	(884)	2,611	(2,281)
	2018/19	**1,200**	**16**	**757**	**1,453**	**(0)**	**3,426**	**(1,973)**
Christian Baier	2017/18	700	18	88	585	(91)	1,391	(897)
	2018/19	**700**	**13**	**372**	**701**	**(0)**	**1,786**	**(1,085)**
Heiko Hutmacher	2017/18	900	17	134	910	(663)	1,961	(1,714)
	2018/19	**900**	**17**	**546**	**1,090**	**(0)**	**2,553**	**(1,463)**
Philippe Palazzi[2]	2017/18	280	126	34	–	–	440	(440)
	2018/19	**700**	**270**	**372**	**701**	**(0)**	**2,043**	**(1,342)**
Gesamt[3]	2017/18	**3,080**	**181**	**433**	**2,709**	**(1,638)**	**6,403**	**(5,332)**
	2018/19	**3,500**	**316**	**2,047**	**3,945**	**(0)**	**9,808**	**(5,863)**

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 Service contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit.

3 Reported figures for financial year 2017/18 relate to active members of the Management Board in financial year 2018/19.

4 Shown here is the fair value at the time of granting the tranche of the performance share plan.

5 Total of the columns fixed salary, supplemental benefits, short-term performance-based remuneration and value of the granted tranche of the long-term incentive.

6 Total of the columns fixed salary, supplemental benefits, short-term performance-based remuneration and payout from tranches granted in the past of the long-term incentive.

BENEFITS GRANTED

	Olaf Koch				Christian Baier			
	Chairman of the Management Board Member of the Management Board since 2/3/2017				Chief Financial Officer Member of the Management Board since 11/11/2016			
€1,000	2017/18	**2018/19**	**2018/19 Minimum value**	**2018/19 Maximum value**	2017/18	**2018/19**	**2018/19 Minimum value**	**2018/19 Maximum value**
Fixed salary	1,200	**1,200**	**1,200**	**1,200**	700	**700**	**700**	**700**
Supplemental benefits	20	**16**	**16**	**70**	18	**13**	**13**	**70**
Total	**1,220**	**1,216**	**1,216**	**1,270**	**718**	**713**	**713**	**770**
1-year variable remuneration	1,120	**1,120**	**0**	**2,240**	540	**540**	**0**	**1,080**
Multi-year variable remuneration								
Performance share plan tranche 2017/18[2]	1,214	**–**	**–**	**–**	585	**–**	**–**	**–**
Performance share plan tranche 2018/19[3]	–	**1,453**	**0**	**4,200**	–	**701**	**0**	**2,025**
Total	**3,554**	**3,789**	**1,216**	**7,710**	**1,843**	**1,954**	**713**	**3,875**
Pension expenditure	325	**325**	**325**	**325**	174	**174**	**174**	**174**
Total remuneration	**3,879**	**4,114**	**1,541**	**8,035**	**2,017**	**2,128**	**887**	**4,049**

[1] Service contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit and included in the maximum value.

[2] Shown here is the fair value at the time of granting the tranche. (Allocation 18/4/2018, end of performance period after the fortieth trading day following the Annual General Meeting 3 years after the issuance of the tranche)

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

	Heiko Hutmacher				Philippe Palazzi[1]			
	Chief Human Resources Officer/ Labour Director Member of the Management Board since 2/3/2017				Chief Operating Officer Member of the Management Board since 7/5/2018			
€1,000	2017/18	**2018/19**	**2018/19 Minimum value**	**2018/19 Maximum value**	2017/18	**2018/19**	**2018/19 Minimum value**	**2018/19 Maximum value**
Fixed salary	900	**900**	**900**	**900**	280	**700**	**700**	**700**
Supplemental benefits	17	**17**	**17**	**70**	126	**270**	**270**	**424**
Total	**917**	**917**	**917**	**970**	**406**	**970**	**970**	**1,124**
1-year variable remuneration	840	**840**	**0**	**1,680**	216	**540**	**0**	**1,080**
Multi-year variable remuneration								
Performance share plan tranche 2017/18[2]	910	**–**	**–**	**–**	–	**–**	**–**	**–**
Performance share plan tranche 2018/19[3]	–	**1,090**	**0**	**3,150**	–	**701**	**0**	**2,025**
Total	**2,667**	**2,847**	**917**	**5,800**	**622**	**2,211**	**970**	**4,229**
Pension expenditure	244	**244**	**244**	**244**	–	**–**	**–**	**–**
Total remuneration	**2,911**	**3,091**	**1,161**	**6,044**	**622**	**2,211**	**970**	**4,229**

[1] Service contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit and included in the maximum value.

[2] Shown here is the fair value at the time of granting the tranche. (Allocation 18/4/2018, end of performance period after the fortieth trading day following the Annual General Meeting 3 years after the issuance of the tranche)

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

ACCRUALS

	Olaf Koch		Christian Baier		Heiko Hutmacher		Philippe Palazzi[1]	
	Chairman of the Management Board Member of the Management Board since 2/3/2017		Chief Financial Officer Member of the Management Board since 11/11/2016		Chief Human Resources Officer/ Labour Director Member of the Management Board since 2/3/2017		Chief Operating Officer Member of the Management Board since 7/5/2018	
€1,000	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
Fixed salary	**1,200**	1,200	**700**	700	**900**	900	**700**	280
Supplemental benefits	**16**	20	**13**	18	**17**	17	**270**	126
Total	**1,216**	**1,220**	**713**	**718**	**917**	**917**	**970**	**406**
1-year variable remuneration	**757**	177	**372**	88	**546**	134	**372**	34
Multi-year variable remuneration	**0**	884	**0**	91	**0**	663	**0**	0
Other	**0**	0	**0**	0	**0**	0	**0**	0
Total	**1,973**	**2,281**	**1,085**	**897**	**1,463**	**1,714**	**1,342**	**440**
Pension expenditure	**325**	325	**174**	174	**244**	244	**–**	–
Total remuneration	**2,298**	**2,606**	**1,259**	**1,071**	**1,707**	**1,958**	**1,342**	**440**

[1] Service contract with the company since 7 May 2018. The annual earmarked one-off payment for setting up a pension plan does not constitute a pension expenditure as per IAS 19 and is therefore recognised as a supplemental benefit.

Long-term incentive (performance share plan) in financial year 2018/19

For the tranche of the performance share plan granted in financial year 2018/19, the target amount for Mr Koch is €1.68 million, for Mr Baier and Mr Palazzi each €0.81 million and for Mr Hutmacher €1.26 million.

The number of at first contingently allocated performance shares amounts to 114,755 for Mr Koch, 55,328 for Mr Baier and Mr Palazzi each and 86,066 for Mr Hutmacher.

The value of the tranche distributed in financial year 2018/19 as part of the performance share plan was calculated at the time of granting 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 Management Board as of 30/9/2019
2016/17	after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche	€17.14	€3,610,000
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**	**€4,560,000**

In addition to the tranche of the performance share plan issued in the reporting period, Mr Koch, Mr Baier and Mr Hutmacher also received payout from tranches of the performance share plan granted in the past, namely tranches 2016/17 and 2017/18.

In financial year 2018/19, value adjustments resulted from the current tranches of performance-based payment programmes with a long-term incentive effect. The company's expenses amounted to €0.781 million for Mr Koch, €0.502 million for Mr Baier, €1.226 million for Mr Hutmacher and €0.087 million for Mr Palazzi.

As of 30 September 2019, the provisions for the members of the Management Board totalled €3.464 million.

Services after the end of employment in financial year 2018/19 (including provisions for post-employment benefits plans)

In financial year 2018/19, a total of €0.74 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 (2017/18: €0.91 million determined according to IFRS and €0.80 million determined according to the German Commercial Code (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 and approximately €0.24 million for Mr Hutmacher.

Provisions according to IFRS and the German Commercial Code (HGB) amount to approximately €0.001 million for Mr Baier. There is no need to establish provisions for Mr Koch and Mr Hutmacher.

The cash value of the commitment volume according to IFRS and the German Commercial Code (HGB) amount to approximately €3.9 million for Mr Koch, approximately €1.1 million for Mr Baier and approximately €3.0 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 Palazzi.

Termination benefits in financial year 2018/19

An agreement was reached with Mr Hutmacher in the reporting year 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 is due in financial year 2019/20, was fully accrued in financial year 2018/19. The tranches of the long-term incentive already granted to Mr Hutmacher will be settled in accordance with the terms of the plan.

Outlook

In financial year 2019/20, Ms Andrea Euenheim is joining the Management Board of METRO AG as Chief Human Resources Officer and Labour Director. She started on 1 November 2019 and replaced Mr Hutmacher.

Furthermore, in financial year 2019/20, the Supervisory Board of METRO AG will continue to revise the existing remuneration system for the members of the Management Board of METRO AG in order to adapt it to new legal and regulatory requirements.

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 2018/19, 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 2018/19 are as follows:

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2018/19 PURSUANT TO §13 OF THE ARTICLES OF ASSOCIATION[1]

€	Financial year	Multiplier	Fixed remuneration
Jürgen Steinemann, Chairman	2017/18	● ● ●	240,000
	2018/19	● ● ●	**240,000**
Werner Klockhaus, Vice Chairman	2017/18	● ●	160,000
	2018/19	● ●	**160,000**
Stefanie Blaser	2017/18	●	53,333
	2018/19	●	**80,000**
Herbert Bolliger	2017/18	●	53,333
	2018/19	●	**80,000**
Gwyn Burr	2017/18	● ◖	120,000
	2018/19	● ◖	**120,000**
Thomas Dommel	2017/18	● / ● ◖	106,666
	2018/19	● ◖	**120,000**
Prof. Dr Edgar Ernst	2017/18	● ●	160,000
	2018/19	● ●	**160,000**
Dr Florian Funck	2017/18	● ◖	120,000
	2018/19	● ◖	**120,000**
Michael Heider	2017/18	●	80,000
	2018/19	●	**80,000**
Peter Küpfer	2017/18	●	80,000
	2018/19	●	**80,000**
Susanne Meister	2017/18	●	80,000
	2018/19	●	**80,000**
Dr Angela Pilkmann	2017/18	●	80,000
	2018/19	●	**80,000**
Dr Fredy Raas	2017/18	● ◖	120,000
	2018/19	● ◖	**120,000**
Xaver Schiller	2017/18	● ◖	120,000
	2018/19	● ◖	**120,000**
Eva-Lotta Sjöstedt	2017/18	●	80,000
	2018/19	●	**80,000**
Dr Liliana Solomon	2017/18	● ◖	120,000
	2018/19	● ◖	**120,000**
Alexandra Soto	2017/18	●	80,000
	2018/19	● / ● ◖	**120,000**
Angelika Will	2017/18	●	80,000
	2018/19	●	**80,000**
Manfred Wirsch	2017/18	●	80,000
	2018/19	●	**80,000**
Silke Zimmer	2017/18	●	80,000
	2018/19	●	**80,000**
Total[2]	2017/18		**2,093,332**
	2018/19		**2,200,000**

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

[2] Reported figures for financial year 2017/18 relate to active members of the Supervisory Board in financial year 2018/19.

In financial year 2018/19, 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 2018/19[1]

€	Financial year	
Werner Klockhaus	2017/18	6,200
	2018/19	**10,075**
Thomas Dommel	2017/18	5,250
	2018/19	**4,500**
Michael Heider	2017/18	6,000
	2018/19	**6,000**
Xavier Schiller	2017/18	9,000
	2018/19	**9,000**
Manfred Wirsch	2017/18	6,000
	2018/19	**6,000**
Total	2017/18	**32,450**
	2018/19	**35,575**

[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 2019 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 2019, 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 2018/19, 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, Düsseldorf (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. Jointly they hold approximately 20.63% of ordinary shares in accordance with the voting rights notification dated 31 July 2019. 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-à-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.

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 § 71b of the German Stock Corporation Act.

Shares held in capital

As of 30 September 2019, 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
Haniel Finance Deutschland GmbH, Duisburg, Germany	Direct
Franz Haniel & Cie. GmbH, Duisburg, Germany	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany	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 a.s., Prague, Czech Republic	Indirect
Daniel Křetínský	Indirect
Patrik Tkáč[1]	Indirect

[1] Attribution of voting rights due to concerted behaviour within the meaning of § 34 (2) WpHG.

On 24 August 2018, EP Global Commerce GmbH, based in Grünwald, acquired a call option on 15.2% of the voting rights from Haniel Finance Deutschland GmbH, a 100% subsidiary of Franz Haniel & Cie. GmbH, and extended and adjusted this from time to time. On 31 October 2019, EP Global Commerce GmbH announced that it had partially exercised the call option. On 6 November 2019, approximately 12.49% of the voting rights were transferred from Haniel Finance Deutschland GmbH to EP Global Commerce GmbH on this basis.

Therefore, Daniel Křetínský and Patrik Tkáč indirectly hold 29.99% of the voting rights in METRO AG via the acquisition company EP Global Commerce GmbH at the time these consolidated financial statements were prepared and also hold financial instruments for the transfer of a further 2.71% of the voting rights.

The information above is in particular based on notifications issued under § 33 er 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 Media – 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). The first requirements of such a change of control are, first, that the shareholders who controlled METRO AG at the time at which each contract was signed lose control over METRO AG. The second condition is the assumption of control over METRO AG by one or a number of parties. 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. None of these loans was drawn in financial year 2018/19.

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, the members of the Management Board 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. They may also terminate their management contract with effect on the same date (extraordinary termination right).

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 2018/19 and outlook of METRO AG

As the management holding company of the METRO group, METRO AG 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 and dividend distributions of its investments. The METRO AG Annual Financial Statements prepared under German commercial law serve as the basis for dividend distribution. The income statement and balance sheet of METRO AG prepared in accordance with the regulations stipulated by the German Commercial Code (HGB) are outlined below.

Earnings position of METRO AG and profit appropriation

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2018 TO 30 SEPTEMBER 2019 IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE

€ million	2017/18	**2018/19**
Sales revenues	434	**393**
Other operating income	315	**387**
Cost of services purchased	−53	**−51**
Personnel expenses	−126	**−139**
Depreciation/amortisation/impairment losses on intangible and tangible assets	−55	**−66**
Other operating expenses	−427	**−571**
Investment result	202	**293**
Net financial result	−51	**−5**
Income taxes	−6	**−2**
Earnings after taxes	**233**	**239**
Other taxes	3	**−2**
Net profit or loss	**236**	**237**
Retained earnings from the previous year	47	**29**
Income from capital reduction	0	**0**
Balance sheet profit	**283**	**266**

Under the transfer pricing system, METRO AG essentially serves as a licensor and service provider for the operational METRO wholesale national subsidiaries.

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 subsidiaries with respect to its METRO and MAKRO brands as well as its own-brand products.

Services are billed at arm's-length prices. Under the transfer pricing model, the national and international companies of METRO Wholesale were billed approximately €550 million in licensing and service fees in financial year 2018/19.

€393 million in settlement amounts received by METRO AG were recognised as sales in the reporting period. They are broken down into €299 million concerning settlement amounts received in the form of licensing fees for the METRO and MAKRO brands as well as €94 million relating to IT and business services rendered to the wholesale subsidiaries. The reason for the decline in sales revenues of approx. €40 million is the earnings development in Russia as well as Eastern Europe, since the licensing fees for the use of the METRO and MAKRO brands are based on earnings. These effects could not be fully offset by the positive earnings development in Western Europe.

The item other operating income consists mainly of settlement amounts from subsidiaries that are not classified as sales revenues.

This item also includes exchange rate gains of €60 million. The offsetting expenses resulting from exchange rate losses incurred as part of natural hedging at group level were incurred by one subsidiary and are thus included in the profit transfers at METRO AG. 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 2018/19, METRO AG employed 855 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 performance-based remuneration components.

Depreciation expenses in the amount of €40 million resulted predominantly from scheduled depreciation on the usufructuary rights to the METRO and MAKRO brands.

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.

For financial year 2018/19, METRO AG posted an investment income of €293 million. Profit and loss transfer agreements with other group companies accounted for revenues in the amount of €1,160 million. It includes the release of reserves received from an indirectly held subsidiary. Losses were absorbed in the amount of €472 million. These losses predominantly result from the segment Real. The income from investments without profit and loss transfer agreements amounted to €89 million in financial year 2018/19 and was predominantly attributable to the group's real estate companies and the foreign wholesale subsidiaries.

In the reporting period impairment losses of €484 million were made on investments in affiliated companies.

The net financial result amounted to €−5 million.

The net profit or loss for the year comes in at €237 million. Including retained earnings from the previous year in the amount of €29 million, the company's balance sheet profit amounted to €266 million.

Regarding the appropriation of the balance sheet profit for 2018/19, the Management Board of METRO AG will propose to the Annual General Meeting to distribute from the reported balance sheet profit of €266 million a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – and to carry forward the remaining amount to the new account.

Financial position of METRO AG

Cash flows

As of the closing date, cash on hand amounted to €44 million. This item essentially includes bank deposits through cash pool income from the sales lines towards the end of the reporting period.

Capital structure

EQUITY AND LIABILITIES

€ million	30/9/2018	**30/9/2019**
Equity		
Share capital	363	**363**
Capital reserve	6,118	**6,118**
Balance sheet profit	283	**266**
	6,764	**6,747**
Provisions	**371**	**451**
Liabilities		
Bonds	2,898	**2,288**
Liabilities to banks	259	**262**
Liabilities to affiliated companies	7,007	**8,380**
Miscellaneous liabilities	71	**81**
	10,235	**11,011**
Deferred income	**19**	**12**
	17,389	**18,221**

Liabilities consist of equity in the amount of €6,747 million and provisions, liabilities and deferred income in the amount of €11,474 million. The equity ratio as of the closing date was 37.0%. Provisions as of the closing date totalled €451 million. Liabilities consist of €2,288 million in bonds and €262 million in liabilities to banks. The balance sheet also reports liabilities to affiliated companies in the amount of €8,380 million. In addition to short-term financial investments made by METRO companies, they predominantly concerned liabilities from structuring measures under corporate law.

Asset position of METRO AG

ASSETS

€ million	30/9/2018	**30/9/2019**
Non-current assets		
Intangible assets	1,001	**939**
Tangible assets	2	**3**
Financial assets	9.157	**9,005**
	10.160	**9,947**
Current assets		
Receivables and other assets	6,882	**8,218**
Cash on hand, bank deposits and cheques	335	**44**
	7,217	**8,262**
Deferred income	**12**	**12**
	17,389	**18,221**

As of the closing date, METRO had total assets of €18,221 million, which are predominantly comprised of financial assets in the amount of €9,005 million, receivables from affiliated companies at €8,214 million and the usufructuary rights to the METRO and MAKRO brands which were recognised as an intangible asset (€883 million). Cash on hand, bank deposits and cheques amounted to €44 million. The financial assets predominantly consist of shares held in affiliated companies in the amount of €8,964 million which are essentially comprised of shares in the holding for wholesale companies (€6,693 million), in real estate companies (€1,278 million), in service providers (€470 million) and in other companies (€523 million). The financial assets account for 49.4% of the total assets. Receivables from affiliated companies amount to €8,214 million. This corresponds to 45.1% of the total assets. This position contains €6,117 million in receivables from a group-internal transfer of shares in affiliated companies at their carrying values and predominantly reflects the short-term financing requirements of the group companies as of the closing date.

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. We assume that possible one-off charges from the announced efficiency program can be offset by ongoing cost savings as well as changes in investment results. Accordingly, we expect that net profit or loss for the coming financial year 2019/20 will return to a level comparable to that of 2018/19 (€237 million).

Planned investments of METRO AG

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

Declaration on corporate management

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

CONSOLIDATED FINANCIAL REPORTS AND NOTES

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

for the financial year from 1 October 2018 to 30 September 2019

€ million	Note no.	2017/18[1, 2]	2018/19
Sales revenues	1	**26,792**	**27,082**
Cost of sales		−22,278	**−22,476**
Gross profit on sales		**4,514**	**4,606**
Other operating income	2	1,271	**1,405**
Selling expenses	3	−4,021	**−4,092**
General administrative expenses	4	−773	**−822**
Other operating expenses	5	−293	**−279**
Earnings from impairment of financial assets	6	0	**−14**
Earnings share of operating companies recognised at equity	7	14	**24**
Earnings before interest and taxes EBIT		**713**	**828**
Earnings share of non-operating companies recognised at equity	7	0	**0**
Other investment result	8	0	**−1**
Interest income	9	27	**29**
Interest expenses	9	−163	**−148**
Other financial result	10	−2	**1**
Net financial result		**−137**	**−119**
Earnings before taxes EBT		**576**	**709**
Income taxes	12	−216	**−298**
Profit or loss for the period from continuing operations		**359**	**411**
Profit or loss for the period from discontinued operations after taxes	43	−22	**−526**
Profit or loss for the period		**337**	**−115**
Profit or loss for the period attributable to non-controlling interests	13	4	**11**
from continuing operations		(3)	**(6)**
from discontinued operations		(1)	**(5)**
Profit or loss for the period attributable to the shareholders of METRO AG		333	**−126**
from continuing operations		(357)	**(405)**
from discontinued operations		(−23)	**(−532)**
Earnings per share in € (basic = diluted)	14	**0.92**	**−0.35**
from continuing operations		(0.98)	**(1.12)**
from discontinued operations		(−0.06)	**(−1.46)**

[1] Adjustment of previous year due to discontinued operations

[2] Adjustment of previous year according to explanation in notes.

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

for the financial year from 1 October 2018 to 30 September 2019

€ million	Note no.	2017/18[1]	2018/19
Profit or loss for the period		**337**	**−115**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	31	**11**	**−75**
Remeasurement of defined benefit pension plans		17	**−94**
Effects from the fair value measurements of equity instruments		0	**−3**
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		−6	**22**
Items of other comprehensive income that may be reclassified subsequently to profit or loss	31	**−175**	**135**
Currency translation differences from translating the financial statements of foreign operations		−190	**138**
Effective portion of gains/losses from cash flow hedges		2	**2**
Gains/losses on remeasuring financial instruments in the category ‘available for sale’		9	**0**
Effects from the fair value measurements of debt instruments		0	**0**
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		4	**−5**
Other comprehensive income	31	**−164**	**59**
Total comprehensive income	31	**174**	**−56**
Total comprehensive income attributable to non-controlling interests	31	4	**12**
Total comprehensive income attributable to the shareholders of METRO AG	31	170	**−68**

[1] Adjustment of previous year according to explanation in notes.

BALANCE SHEET

as of 30 September 2019

ASSETS

€ million	Note no.	30/9/2018[1]	30/9/2019
Non-current assets		**7,503**	**6,736**
Goodwill	19	797	**785**
Other intangible assets	20	499	**562**
Property, plant and equipment	21	5,314	**4,760**
Investment properties	22	97	**82**
Financial assets	23	88	**97**
Investments accounted for using the equity method	23	178	**179**
Other financial assets	24	39	**37**
Other non-financial assets	24	163	**43**
Deferred tax assets	25	329	**191**
Current assets		**7,703**	**7,761**
Inventories	26	2,108	**1,946**
Trade receivables	27	571	**482**
Financial assets		1	**4**
Other financial assets	24	561	**603**
Other non-financial assets	24	353	**279**
Entitlements to income tax refunds		206	**190**
Cash and cash equivalents	29	1,298	**500**
Assets held for sale	30, 43	2,605	**3,758**
		15,206	**14,497**

[1] Adjustment of previous year according to explanation in notes.

EQUITY AND LIABILITIES

€ million	Note no.	30/9/2018[1]	30/9/2019
Equity	31	**3,074**	**2,735**
Share capital		363	**363**
Capital reserve		6,118	**6,118**
Reserves retained from earnings		−3,449	**−3,778**
Non-controlling interests		41	**32**
Non-current liabilities		**3,427**	**3,419**
Provisions for post-employment benefits plans and similar obligations	32	468	**543**
Other provisions	33	126	**132**
Financial liabilities	34, 36	2,590	**2,498**
Other financial liabilities	34, 37	56	**56**
Other non-financial liabilities	34, 37	67	**71**
Deferred tax liabilities	25	120	**119**
Current liabilities		**8,705**	**8,343**
Trade liabilities	34, 35	3,993	**3,572**
Provisions	33	274	**168**
Financial liabilities	34, 36	1,420	**871**
Other financial liabilities	34, 37	744	**728**
Other non-financial liabilities	34, 37	392	**233**
Income tax liabilities	34	191	**169**
Liabilities related to assets held for sale	30, 43	1,691	**2,601**
		15,206	**14,497**

[1] Adjustment of previous year according to explanation in notes.

STATEMENT OF CHANGES IN EQUITY

for the financial year from 1 October 2018 to 30 September 2019

€ million	Note no.	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Equity and debt instruments[1]	Currency translation differences from translating the financial statements of foreign operations
1/10/2017	31	**363**	**6,118**	**−2**	**0**	**−549**
Earnings after taxes		0	0	0	0	0
Other comprehensive income		0	0	2	9	−189
Total comprehensive income		**0**	**0**	**2**	**9**	**−189**
Capital increases		0	0	0	0	0
Dividends		0	0	0	0	0
Capital transactions with a change in the participation rate		0	0	0	0	0
Other changes		0	0	0	0	0
30/9/2018	31	**363**	**6,118**	**0**	**9**	**−738**
1/10/2018		**363**	**6,118**	**0**	**9**	**−738**
Balance sheet changes due to IFRS 9 and IFRS 15		0	0	0	−9	0
1/10/2018 adjusted		**363**	**6,118**	**0**	**0**	**−738**
Earnings after taxes		0	0	0	0	0
Other comprehensive income		0	0	2	−3	136
Total comprehensive income		**0**	**0**	**2**	**−3**	**136**
Capital increases		0	0	0	0	0
Dividends		0	0	0	0	0
Capital transactions with a change in the participation rate		0	0	0	0	0
Other changes		0	0	0	0	0
30/9/2019	31	**363**	**6,118**	**2**	**−3**	**−602**

[1] Previous year: Gains/losses on remeasuring financial instruments in the category 'available for sale'.
[2] Adjustment of previous year according to explanation in notes.

Remeasurement of defined benefit pension plans	Income tax on components of other comprehensive income	Other reserves retained from earnings[2]	Total reserves retained from earnings[2]	Total equity before non-controlling interests[2]	Non-controlling interests	**Total equity[2]**
−427	**92**	**−2,481**	**−3,366**	**3,115**	**46**	**3,161**
0	0	333	333	333	4	**337**
17	−2	0	−163	−163	−1	**−164**
17	**−2**	**333**	**170**	**170**	**4**	**174**
0	0	0	0	0	1	**1**
0	0	−254	−254	−254	−9	**−263**
0	0	1	1	1	−1	**0**
0	0	0	0	0	1	**1**
−410	**91**	**−2,401**	**−3,449**	**3,032**	**41**	**3,074**
−410	**91**	**−2,401**	**−3,449**	**3,032**	**41**	**3,074**
0	0	2	−7	−7	0	**−7**
−410	**91**	**−2,399**	**−3,456**	**3,025**	**41**	**3,066**
0	0	−126	−126	−126	11	**−115**
−94	17	0	58	58	1	**59**
−94	**17**	**−126**	**−68**	**−68**	**12**	**−56**
0	0	0	0	0	0	**0**
0	0	−254	−254	−254	−21	**−275**
0	0	−1	−1	−1	0	**−1**
3	−1	−2	0	0	−1	**−1**
−500	**106**	**−2,782**	**−3,778**	**2,703**	**32**	**2,735**

CASH FLOW STATEMENT[1]

for the financial year from 1 October 2018 to 30 September 2019

€ million	Note no.[2]	2017/18[3]	2018/19
EBIT		713	**828**
Depreciation/amortisation/impairment losses/reversal of impairment losses of fixed assets excl. financial investments	15	503	**532**
Change in provisions for pensions and other provisions	32, 33	−202	**−47**
Change in net working capital	26, 27, 35	141	**27**
Income taxes paid	12	−193	**−215**
Reclassification of gains (−) / losses (+) from the disposal of fixed assets		−137	**−356**
Other		−59	**28**
Cash flow from operating activities of continuing operations		**766**	**796**
Cash flow from operating activities of discontinued operations	43	139	**157**
Cash flow from operating activities		**905**	**953**
Acquisition of subsidiaries		0	**−1**
Investments in property, plant and equipment and in investment property (excl. finance leases)	21, 22	−408	**−258**
Other investments		−165	**−198**
Investments in monetary assets		−1	**−9**
Disposals of subsidiaries		−3	**0**
Divestments	20, 21, 22, 23	285	**505**
Disposal of financial investments		0	**7**
Cash flow from investing activities of continuing operations		**−292**	**46**
Cash flow from investing activities of discontinued operations	43	−89	**−136**
Cash flow from investing activities		**−381**	**−90**
Dividends paid	31		
to METRO AG shareholders		−254	**−254**
to other shareholders		−9	**−7**
Redemption of liabilities from put options of non-controlling shareholders		0	**−2**
Proceeds from long-term borrowings	36	2,772	**6,122**
Redemption of borrowings	36	−2,983	**−6,844**
Interest paid		−141	**−161**
Interest received		20	**28**
Other financing activities		8	**−4**
Cash flow from financing activities of continuing operations		**−587**	**−1,122**
Cash flow from financing activities of discontinued operations	43	−74	**−109**
Cash flow from financing activities		**−661**	**−1,231**
Total cash flows		**−137**	**−368**
Currency effects on cash and cash equivalents		−30	**17**

Total change in cash and cash equivalents		**−167**	**−351**
Cash and cash equivalents as of 1 October		1,562	**1,395**
Less cash and cash equivalents reported in assets in accordance with IFRS 5		3	**97**
Cash and cash equivalents as of 1 October		**1,559**	**1,298**
Cash and cash equivalents as of 30 September		1,395	**1,044**
Less cash and cash equivalents reported in assets in accordance with IFRS 5	31	97	**544**
Cash and cash equivalents as of 30 September	30	**1,298**	**500**

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

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

[3] Adjustment of previous year due to discontinued operations

NOTES

SEGMENT REPORTING[1, 2]

€ million	METRO Germany 2017/18	METRO Germany 2018/19	METRO Western Europe (excl. Germany) 2017/18	METRO Western Europe (excl. Germany) 2018/19	METRO Russia 2017/18	METRO Russia 2018/19	METRO Eastern Europe (excl. Russia) 2017/18	METRO Eastern Europe (excl. Russia) 2018/19
External sales (net)	4,761	**4,735**	10,609	**10,752**	2,815	**2,662**	6,952	**7,191**
Internal sales (net)	11	**16**	2	**2**	36	**38**	0	**0**
Sales (net)	4,773	**4,751**	10,611	**10,753**	2,850	**2,700**	6,952	**7,191**
EBITDAR	119	**121**	648	**653**	276	**233**	391	**549**
EBITDA excluding earnings contributions from real estate transactions	91	**95**	491	**499**	266	**220**	363	**344**
Earnings contributions from real estate transactions	0	**0**	39	**29**	0	**0**	12	**181**
EBITDA	91	**95**	530	**529**	266	**220**	375	**524**
Depreciation/ amortisation/ impairment losses	76	**81**	143	**143**	52	**56**	97	**99**
Reversals of impairment losses	0	**0**	1	**4**	0	**0**	0	**0**
EBIT	15	**14**	388	**390**	214	**164**	278	**426**
Investments	65	**69**	127	**128**	83	**35**	69	**63**
Non-current segment assets	875	**859**	1,892	**1,820**	958	**1,006**	1,424	**1,354**
Selling space (1,000 m^2)	915	**915**	1,525	**1,531**	636	**688**	1,384	**1,391**
Locations (number)	103	**103**	240	**240**	93	**94**	193	**195**

[1] Segment reporting is explained in the notes to the consolidated financial statements in no. 42 segment reporting.

[2] Adjustment of previous year due to discontinued operations

	METRO Asia		Others		Consolidation		METRO Continuing operations		Discontinued operations incl. IFRS 5 assessment	
	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**
	1,612	**1,696**	43	**46**	0	**0**	26,792	**27,082**	9,742	**9,788**
	0	**0**	520	**667**	−570	**−723**	0	**0**	0	**0**
	1,612	**1,696**	563	**713**	−570	**−723**	26,792	**27,082**	9,742	**9,788**
	42	**145**	−80	**−135**	−3	**1**	1,394	**1,566**	478	**218**
	9	**11**	−129	**−148**	−3	**0**	1,088	**1,021**	308	**−2**
	8	**107**	69	**21**	0	**0**	128	**338**	1	**50**
	17	**119**	−60	**−126**	−3	**0**	1,216	**1,359**	309	**49**
	22	**25**	117	**133**	0	**1**	507	**536**	283	**446**
	0	**0**	3	**0**	0	**0**	4	**5**	2	**0**
	−5	**94**	−174	**−259**	−3	**−1**	713	**828**	27	**−398**
	28	**26**	195	**180**	−2	**−2**	565	**499**	246	**215**
	411	**441**	808	**779**	−20	**9**	6,348	**6,268**	1,848	**1,613**
	204	**202**	0	**0**	0	**0**	4,665	**4,728**	2,488	**2,476**
	46	**46**	0	**0**	0	**0**	675	**678**	373	**373**

NOTES TO THE GROUP ACCOUNTING PRINCIPLES AND METHODS

Accounting principles

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

These consolidated financial statements of METRO AG as of 30 September 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS).

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

The date at which the Management Board of METRO AG signed the consolidated financial statements (3 December 2019) also represents the date at which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

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

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

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

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

Application of new accounting methods

Accounting standards applied for the first time in financial year 2018/19

The following IFRS, issued or revised by the International Accounting Standards Board (IASB), that were binding for METRO AG in financial year 2018/19 were applied for the first time in these consolidated financial statements:

IFRS 9 (Financial Instruments)

As of financial year 2018/19, the new IFRS 9 (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement) covering the classification and measurement of financial instruments. In particular, IFRS 9 introduces new regulations as follows:

- The classification and measurement of financial assets
- The determination and reporting of impairments of specific financial assets,
- The balance sheet reporting of hedging relationships.

Changeover effects

METRO has made use of the option pertaining to a modified retrospective application and recognised the effect of the first-time application of IFRS 9 as an adjustment to the opening balance of the reserves retained from earnings with effect on 1 October 2018. The first-time application of the new subsequent measurement regulations and the amended impairment rules for financial assets leads to an equity-reducing adjustment, which was reported to the sum of €4 million. The 2 adjustments were made taking into account offsetting deferred income tax effects in the amount of €1 million, resulting in an overall reduction of reserves retained from earnings in the amount of €3 million. As METRO exercises the option to continue the hedge accounting in accordance with IAS 39, the first-time application of IFRS 9 does not require any adjustments in this respect.

METRO has implemented the consequential amendment applied to IAS 1 (Presentation of Financial Statements) due to the passing of IFRS 9, which stipulates that impairments of financial assets must be reported as a separate item in the income statement. For reporting periods after the start of financial year 2018/19, the separate item earnings from impairment of financial assets will be included in the EBIT (Earnings Before Interest and Taxes).

€ million	Categories as per IAS 39	Categories as per IFRS 9	Carrying amount as per IAS 39 30/9/2018	Carrying amount as per IFRS 9 1/10/2018	Change	Reason for change
Loans	Loans and receivables	Amortised cost	29	29	0	–
Loans	Loans and receivables	At fair value through profit or loss	4	4	0	–
Receivables due from suppliers	Loans and receivables	Amortised cost	328	329	1	Measurement attribute
Trade receivables	Loans and receivables	Amortised cost	571	568	−3	Measurement attribute
Miscellaneous financial assets	Loans and receivables	Amortised cost	238	238	0	–
Derivative financial instruments not in a hedging relationship	Held for trading	At fair value through profit or loss	7	7	0	–
Investments	Available for sale	At fair value through profit or loss	48	47[1]	−2[1]	Reclassification
Securities	Available for sale	At fair value through other comprehensive income	1	0	−1	Reclassification
Securities	Available for sale	At fair value through profit or loss	0	2	2	Reclassification
Derivative financial instruments in a hedging relationship	No category	Not classified	4	4	0	–
Cash and cash equivalents	No category	Amortised cost	1,298	1,298	0	–

[1] Contains investments to the sum of €1 million (rounded) which are recognised at fair value through other comprehensive income.

Classification and measurement of financial assets

Under IFRS 9, the classification and (subsequent) measurement of financial assets depends on the business model within which a financial asset is held and the characteristic of the individual cash flows of a financial asset.

On this basis, the individual financial asset is assigned to one of the following classes at initial recognition:

- Measured at amortised cost (AC),
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through profit or loss (FVPL)

As these classifications differ from the previously applicable rules of IAS 39, there are corresponding differences in the classification and measurement of financial assets. The majority of debt instruments, loans, trade receivables and other financial assets (with the exception of equity instruments) held by METRO meet the criteria for reporting at amortised cost (AC) as per IFRS 9. Under the new standard, selected financial assets must be measured at fair value through profit or loss (FVPL). This applies in particular to certain loans as well as derivative financial instruments that are not designated as part of a hedging transaction. METRO has classified its financial assets as laid out in the preceding table, based on the underlying business models and the contractually determined cash flow characteristics. In total, this has not resulted in any changes to carrying amounts due to reclassification.

The implementation of IFRS 9 does not cause any major changes to the classification and subsequent measurement regulations for financial liabilities.

According to the new accounting and measurement methods pursuant to IFRS 9, METRO classifies the majority of equity instruments held by it as measured at fair value through profit or loss since 1 October 2018. Since 1 October 2018, METRO has been deciding for each new equity instrument whether the instrument is measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income without subsequent reclassification to profit or loss (FVOCInR).

Impairments of financial assets

In accordance with the new accounting and measurement methods, METRO will apply the general impairment requirements stipulated in IFRS 9 to financial assets in the AC (with the exception of trade receivables) and FVOIC categories. The credit risk is in these cases evaluated on the basis of the counterparty’s credit quality – which METRO assesses using external ratings, previous experience with the respective customer and credit risk rating grades. METRO minimises credit risk by predominantly investing in first-class debt capital instruments from issuers with a good to very good rating (investment grade). For these kinds of assets, the credit worthiness of the issuers is also monitored continuously. This enables METRO to identify any probable significant increase in the credit risk early on, allowing it to swiftly respond to any potential changes. METRO uses borrower-specific information to monitor loans and other financial assets. The introduction of the impairment models could in subsequent years lead to a higher fluctuation in the consolidated result, since the level of risk provisions also depends on economic conditions.

As of the start of financial year 2018/19, METRO recognises expected credit losses for trade receivables over the entire term of these financial instruments. METRO elected to apply the simplified procedure available under IFRS 9 and ascertain the expected losses on the basis of provision matrices. The outstanding receivables are continuously monitored by the individual METRO companies.

IFRS 15 (Revenue from Contracts with Customers)
The new IFRS 15 has replaced IAS 18 (Revenue) and IAS 11 (Construction Contracts) and related interpretations. It stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a 5-step model to determine the amount of revenue and the date of recognition. Revenues are recognised when a performance obligation is satisfied. The performance obligation is satisfied when customer obtains the control of the good or the service. The performance obligation can be satisfied at a point in time or over a period of time. If the performance obligation is satisfied over a period of time, the net sales are recognised over the period in such a way that, on the basis of the selected method, the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

As of 1 October 2018 (beginning of financial year 2018/19), METRO applied IFRS 15 by employing the modified retrospective transition method, under which no adjustments were made to previous year's figures. With respect to the transition, METRO elected to make use of the practical expedient according to which IFRS 15 is only applied retrospectively to contracts that have not been fully performed at the date of the first-time application. As per the modified retrospective transition method, the effects of the first-time application were cumulatively reported in equity outside of profit or loss as at the day of the first-time application on 1 October 2018.

The first-time application of IFRS 15 has led to changes in the following significant topics in the METRO group, which have recorded an increase of contract assets (€1 million) and contract liabilities (€6 million) in the opening statement dated 1 October 2018. This caused a reduction of reserves retained from earnings to the sum of €5 million before deferred taxes (€4 million after deferred taxes).

Essential rights from customer loyalty programmes
As part of discount campaigns or customer loyalty programmes, the customer is regularly granted the option of acquiring additional goods or services at a discounted price in the future. The part of the transaction price corresponding to the relative stand-alone selling price of the right must be allocated to the resulting essential right. Revenue recognition for the essential right occurs at the time the right is redeemed or expired, leading to a later recognition of revenue.

Multi-component contracts in relation to franchise agreements

Some of METRO's franchise models make use of multi-component contracts that provide customers purchasing a package of franchise products and services from METRO at the time of entering into the contract, with selected contractual components being subsidised by METRO. In such cases, the total consideration of the contract must be divided into the identifiable performance obligations in accordance with the relative individual selling prices. Thus in comparison to the previous accounting under IAS 18, a potentially larger part of the total compensation is attributable to the previously subsidised component, so that in the future net sales for those products will be reported earlier.

Compared to the previous regulation, net sales from these topics have not changed significantly in financial year 2018/19.

The following transitional topics led to a revised disclosure in the reporting period:

Constellation as principal or agent

The acknowledgement of whether METRO acts as principal or agent had to be reassessed based on the indicator changes in IFRS 15. With regard to certain transactions, METRO acts as an agent (net sales and cost of sales) instead of a principal (gross sales and additional cost of sales), taking into account the changed indicators. In financial year 2018/19, this led to a reduction in sales of €33 million and cost of sales of €33 million.

Contract liabilities

Contract liabilities relate to deferred revenue from sales to customers; they mainly comprise advance payments on orders and deferred revenue from the company's own customer loyalty programmes. Instead of primarily being reported under deferred income, the above items are now reported as contract liabilities of €35 million as of 30 September 2019 (1/10/2018: €31 million).

Right of return

Sales in some METRO Wholesale business models regularly result in redemption or conversion rights. These may be legally binding or arise from active business practice. Refunds represent a form of variable consideration in the determination of the transaction price. Instead of being presented as a provision, the return or exchange rights granted to customers are recognised as a refund liability under other non-financial liabilities as of 30 September 2019 in the amount of €1 million. For the right to recover products from a customer on settling reimbursement refund-liability, assets in the amount of €1 million are reported in other non-financial assets as of 30 September 2019.

Additional IFRS amendments

Other accounting rules to be applied for the first time in financial year 2018/19 without material effects on METRO are:

- IAS 40 – Investment Property (clarification: transfers of Investment Property.)
- IFRS 2 – Share-based Payment (Classification and Measurement of Share-based Payment Transactions)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) and IAS 28 (Investments in Associates and Joint Ventures) in accordance with the Annual Improvements to IFRS Standards −2014-2016 Cycle

Accounting standards that were published but not yet applied in financial year 2018/19

A number of other standards and interpretations revised or newly adopted by the IASB were not yet applied by METRO in financial year 2018/19 because they were either not yet mandatory or have not yet been endorsed by the European Commission.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at METRO AG from[2]	Endorsed by EU[3]
Amendments to IFRS 3	Business combinations (definition of a business)[4]	1/1/2020	1/10/2020	No
Amendments to IFRS 3/ IFRS 11	Changes resulting from the annual improvements cycle 2015–2017 (Additional guidance for applying the acquisition method to particular types of business combinations)	1/1/2019	1/10/2019	Yes
Amendments to IFRS 9	Financial Instruments (Prepayment Features with Negative Compensation)	1/1/2019	1/10/2019	Yes
Amendments to IFRS 9/ IFRS 7/IAS 39	Financial instruments (adjustments due to the reform of Interest Rate Renchmark Reform)[4]	1/1/2020	1/10/2020	No
Amendments to IFRS 10/ IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)[4]	Unknown[5]	Unknown[5]	No
IFRS 16	Leases	1/1/2019	1/10/2019	Yes
IFRS 17	Insurance Contracts[4]	1/1/2021	1/10/2021	No
Amendments to IAS 1/ IAS 8	Changes to the definition of 'Material'[4]	1/1/2020	1/10/2020	No
Amendments to IAS 12	Changes resulting from the annual improvements cycle 2015–2017 (Income Tax Consequences of Payments on Instruments Classified as Equity)	1/1/2019	1/10/2019	Yes
Amendments to IAS 19	Employee Benefits (Plan Amendment Curtailment or Settlement)[4]	1/1/2019	1/10/2019	Yes
Amendments to IAS 23	Changes due to the annual improvements cycle 2015–2017 (– determination of the borrowing cost rate for funds not specifically borrowed for a qualified asset)	1/1/2019	1/10/2019	Yes
Amendments to IAS 28	Investments in Associates and Joint Ventures (Long-term Interests in Associates and Joint Ventures)	1/1/2019	1/10/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	1/10/2019	Yes
Changes to the Conceptual Framework	Conceptual Framework for Financial Reporting (Amendments to References to the Conceptual Framework in IFRS Standards)[4]	1/1/2020	1/10/2020	No

[1] Without earlier application.

[2] Application as of 1 October due to deviation of financial year from calendar year, if the approval for use (endorsement) has been granted by the EU.

[3] As of: End of November 2019.

[4] Indefinite deferral of effective date by IASB.

[5] Start of application postponed indefinitely by the IASB.

IFRS 16 (Leases)

The new leasing standard IFRS 16 will replace the currently applicable standard IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease). IFRS 16 generally applies to contracts that convey the right to use an asset, rental contracts and leases, subleases and sale-and-leaseback transactions. With respect to the lease of certain intangible assets, a lessee can elect to apply IFRS 16 to leases of certain intangible assets, whereas agreements on service concessions or leasing of natural resources are outside the scope of IFRS 16.

The key change of IFRS 16 compared to IAS 17 concerns the lessee accounting model. IFRS 16 introduces a uniform accounting model for lessees after the recognition of a right-of-use asset for each asset transferred for use. It also references a corresponding liability in the amount of the present value of the future lease payments. The lease payments include all fixed payments less any lease incentives for the conclusion of the contract. This includes all index-based variable lease payments. In addition, the lease payments must include any variable lease payments that classify as in-substance fixed payments as well as amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase option and additional liabilities stemming from lease extension options must be included in the lease liability if the lessee is reasonably certain to exercise such options. In addition, the lease liability must include any penalties to be paid for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Over the term of the lease, the lease liability is accounted for under the effective interest method in consideration of lease payments made.

The simultaneously recognised right-of-use asset is capitalised at the amount of the liability. Lease payments already made and directly attributable costs must also be included. Any payments received from the lessor that are related to the lease are deducted. Measurement of the right-of-use asset also considers any reinstatement obligations from leases. The right-of-use asset is subject to scheduled amortisation.

Exercising of options

Lessees can elect to make use of several policy options. For accounting and measurement, they have the option to build a portfolio of leases with similar characteristics of which METRO is not availing itself. METRO will exercise the option of not applying the right-of-use approach to low-value assets (mainly business and office equipment) and short-term leases (maximum terms of 12 months). Rental expenses for these assets must therefore be recognised directly in the income statement.

The option to separate lease and non-lease components (service) is not exercised and the non-lease components are included in the right-of-use assets to be recognised.

In the future, comprehensive qualitative and quantitative information must be provided in the notes to the consolidated financial statements.

The revised definition of leases also applies to the lessor and can lead to assessments deviating from IAS 17. However, the lessor continues to classify a lease as either an operating lease or a finance lease.

IFRS 16 is applicable for reporting periods beginning on or after 1 January 2019.

METRO will apply these regulations for the first time on 1 October 2019.

Transitional arrangements
METRO will apply IFRS 16 for the first time with full retrospective effect. The figures from the previous year will be adapted in consideration of the applicable transitional rules.

The implementation project of the new standard for leases is in the final phase and the initial effects on the consolidated financial result and the financial position of the company are being examined internally.

The process for data collection of the lease agreements by the group companies has been completed. A leasing accounting tool was implemented to determine the carrying amounts to be recognised at the beginning of financial year 2019/20 as of 1 October 2018 and 1 October 2019 respectively as well as the expenses and income to be recognised for financial year 2018/19. The tool is also used for ongoing accounting and reporting of leases.

For continuing operations, the estimated effects of IFRS 16 on the opening balance sheet as of 1 October 2018 (beginning of financial year 2018/19) will lead to an increase in non-current assets of approximately €2.3 billion and an increase in total liabilities of approximately €2.6 billion.

At the end of financial year 2018/19, total liabilities remain the same at approximately €2.6 billion due to offsetting effects resulting from additions of usage rights and redemption payments.

Additional impairment losses in the amount of approximately €0.3 billion and interest expenses (2018/19 as well as 2019/20) will be recognised in the income statement in the future instead of leasing expenses. This leads to an improvement in EBITDA of approximately €0.4 billion and an improvement in EBIT at the expense of the financial result amounting to approximately €0.1 billion.

METRO plans to publish an IFRS 16 Transition Booklet in January 2020, which will contain the effects of the changeover per quarter and per segment for financial year 2018/19.

Additional IFRS amendments
At this point, the first-time application of the other standards and interpretations listed in the above table as well as amendments to IFRS are not expected to have a material impact on the group's net assets, financial position and results of operations.

Segment reporting
The segment reporting of METRO was adjusted due to the activities not continued. The 5 Wholesale regions continue to be reportable segments as defined by IFRS 8 (Operating Segments). All other units are combined in the Others segment. In the combined management report, the separate disclosure of individual companies under 'METRO Wholesale Others' and total for 'METRO Wholesale segments' will no longer be provided.

Adjustment of the previous year's financial statements
The Turkish government issued a decree in September 2018 under which business contracts may only be concluded in Turkish lira and no longer in other currencies such as euros or US dollars. At METRO, it is real estate lease contracts that will be affected predominantly. The lease contracts of METRO Properties Gayrimenkul Yatirim A.Ş that were previously based on euros have been converted accordingly to Turkish lira. As a result, as of 1 October 2018, the functional currency of the company will also change from euro to Turkish lira.

Deferred tax differences arising from the translation of tax carrying amounts at current rates compared with their translation at historical rates were adjusted retrospectively.

As of 1 October 2017, deferred tax assets were reduced by €30 million, deferred tax liabilities had been increased by €16 million and the net effect on equity amounted to €−46 million. The effect on income taxes in financial year 2017/18 amounted to €11 million expenses from deferred taxes. For financial year 2018/19 and onwards, no further currency-related effects on income taxes are expected, as the functional currency of METRO Properties Gayrimenkul Yatirim A.Ş. will not differ from the local currency anymore.

€ million	30/9/2018 as reported in the previous year	Adjustment	**30/9/2018 adjusted**
Deferred tax assets	365	−37	**329**
Deferred tax liabilities	100	20	**120**
Reserves retained from earnings	−3,392	−57	**−3,449**
Income taxes	−235	−11	**−246**
Profit or loss for the period[1]	348	−11	**337**
Earnings[1] per share in € (basic = diluted)	0.95	−0.03	**0.92**
Earnings[1] per share in € from continuing operations	1.25	−0.03	**1.22**

[1] The income statement effects are all attributable to continuing operations and the shareholders of METRO AG. The above presentation does not include the further changes of the previous year's amounts from the presentation of METRO China as an activity not continued.

Consolidation group

Besides METRO AG, all companies indirectly or directly controlled by METRO AG are included in the consolidated financial statements if these companies individually or as a group are not immaterial to the consolidated financial statements. Control exists if there is a possibility to control a company's financial and business policy through a majority of voting rights or according to the Articles of Association, company contract or contractual agreement in order to benefit from this company's business activities.

Including METRO AG, 200 German (30/9/2018: 201) and 223 international (30/9/2018: 200) companies are included in the consolidated financial statements.

The group of consolidated companies changed as follows in financial year 2018/19:

As of 1/10/2018	401
Changes in financial year 2018/19	
Companies merged with other consolidated subsidiaries	8
Disposal of shares	2
Other disposals	7
Newly founded companies	4
Acquisitions	35
As of 30/9/2019	**423**

Deconsolidated companies are treated as group companies up to the date of their disposal.

Acquisitions in 2018/19 mainly include the acquisition of shelf companies for the spin-off of real estate.

The other disposal relate to the disposal of 2 real estate companies in China and the Czech Republic.

The remaining disposals relate exclusively to liquidations. Effects from changes in the consolidation group that are of special significance are explained separately in the notes relating to the respective items.

For materiality reasons, 3 affiliated subsidiaries are not fully consolidated.

Structured entities

Structured entities within the group concern leasing companies. The key purpose of the leasing companies is to acquire, lease out and manage assets. As of the closing date, 2 (30/9/2018: 3) structured entities were fully consolidated. As was already the case in the previous year, there were no obligations to grant financial assistance to structured entities in the meaning of IFRS 12.14. There are also no relationships with unconsolidated structured entities.

Investments accounted for using the equity method

24 associated companies (30/9/2018: 24) and 8 joint ventures (30/9/2018: 8) are accounted in the consolidated financial statements using the equity method.

Another 2 companies (30/9/2018: 2) in which METRO AG indirectly or directly holds between 20% and 50% of the voting rights were measured at cost because they did not qualify as associates or because materiality considerations made the use of the equity method unnecessary.

OVERVIEW OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

€ million

30/9/2018		Non-controlling interests								
Name	Registered office	in %	as of 30/9/2018	Dividends paid[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales revenues	Profit-shares[1]
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	23	0	291	797	3	860	2,652	1

€ million

30/9/2019		**Non-controlling interests**								
Name	**Registered office**	**in %**	**as of 30/9/2019**	**Dividends paid[1]**	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Sales revenues**	**Profit-shares[1]**
METRO Jinjiang Cash & Carry Co., Ltd.	**Shanghai, China**	**10.00**	**14**	**13**	**298**	**897**	**3**	**1,045**	**2,812**	**5**

[1] Attributable to non-controlling interests.

— **A complete list of group companies and associates is shown in** **no. 55 – overview of the major fully consolidated group companies page 296****. In addition, a complete list of all group companies and associates is shown in** **no. 57 – affiliated companies of the METRO AG as of 30 September 2019 pursuant to § 313 of the German Commercial Code page 302****.**

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared using uniform accounting and measurement methods as required by IFRS 10 (Consolidated Financial Statements).

Subsidiaries that, unlike METRO AG, do not close their financial year on 30 September prepared interim financial statements for consolidation purposes. In principle, subsidiaries are fully consolidated insofar as their consolidation is of material importance to the presentation of a true and fair view of the net assets, financial position and results of operations.

In accordance with IFRS 3 (Business Combinations), capital consolidation is effected using the purchase method. In the case of business combinations, the carrying amounts of the investments are offset against the revalued pro rata equity of the subsidiaries as of their acquisition dates. Any positive differences remaining after the allocation of hidden reserves and burdens are capitalised as goodwill. Goodwill is tested for impairment regularly once a year.

In addition, in the case of company acquisitions, hidden reserves and burdens attributable to non-controlling interests must be disclosed and recognised in equity as non-controlling interests. In accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and burdens as well as after an reassessment during the period in which the business combination took place are recognised through profit or loss.

Acquisitions of additional shareholdings in companies where a controlling interest has already been acquired are recognised as equity transactions.

Investments in associates and joint ventures are accounted for using the equity method and treated in accordance with the principles applying to full consolidation, with existing goodwill being included in the amount capitalised for such investments. The disclosure of income from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee carries out operating or non-operating activities. Operating activities include the retail and wholesale businesses as well as related support activities (for example rent/lease of real estate, procurement, logistics). Income from operating associates, joint ventures and joint operations is recognised in earnings before interest and taxes (EBIT); income from non-operating entities is however recognised in the net financial result.

Any deviating accounting and measurement methods used in the financial statements of entities valued at equity are retained as long as they do not substantially contradict METRO's uniform accounting and valuation methods.

According to IFRS 11 (Joint Arrangements), the individual venturers in joint operations recognise their portion of jointly held assets and jointly incurred liabilities in their own balance sheets.

Intra-group sales, expenses and income or profits and losses as well as receivables and liabilities and/or provisions are eliminated. Interim results in fixed assets or inventories resulting from intra-group transactions are eliminated unless they are of minor significance. In accordance with IAS 12 (Income Taxes), deferred taxes are recognised for consolidation procedures.

Unrealised gains from transactions with companies accounted for using the equity method are recognised as a reduction of the carrying amount of the investment in the amount of the group's share of the profit.

In joint arrangements, all venturers recognise the respective portion of sales attributable to them as well as their own income and expenses resulting from the joint arrangement in their income statement.

If a reduction in the shareholding quota in a subsidiary or the complete disposal of the shares entails a loss of control, full consolidation of the subsidiary is terminated when the control opportunity no longer exists. All assets and liabilities that were previously fully consolidated will then be derecognised at amortised group carrying amounts (deconsolidation). Any investments held after the loss of control opportunity are recognised at fair value as a financial instrument according to IFRS 9 or as an investment pursuant to IAS 28 using the equity method.

Currency translation

Foreign currency transactions

In the separate financial statements of the subsidiaries and the parent company, transactions in foreign currency are recognised at the rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are valued at the closing date exchange rate. Non-monetary assets and liabilities that are measured at fair value in foreign currency are translated at the rate prevailing at the time the fair value was determined. Non-monetary items measured at historical acquisition or production costs in foreign currency are translated at the rate of the transaction date.

In principle, gains and losses from exchange rate fluctuations incurred until the closing date are recognised in profit or loss. However, the currency translation differences resulting from the subsequent measurement of the following assets and liabilities are reported under reserves retained from earnings outside of profit or loss:

- Receivables and liabilities in foreign currency, which must be regarded as (part of) a net investment in a foreign operation
- Equity instruments at fair value through other comprehensive income
- Hedging instruments qualifying for cash flow hedges

Foreign operations

The annual financial statements of foreign subsidiaries are prepared according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates) and translated into euro for consolidation purposes in case their functional currency is a currency other than the euro. The functional currency is defined as the currency of the primary economic environment of the subsidiary. Since all companies included in the consolidated financial statements operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. Necessary translations of assets and liabilities are made at the exchange rate on the closing date. As a rule, income statement items are translated at the average exchange rate during the financial year. Exchange rate differences arising from the translation of the financial statements of foreign subsidiaries are recognised directly in equity and are reported separately under reserves retained from earnings in other comprehensive income. To the extent that foreign subsidiaries are not under the full control of the parent company, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign subsidiary whose functional currency is not the euro are deconsolidated or terminated. In a partial disposal in which a controlling interest in such a foreign subsidiary is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should associates or jointly controlled entities, whose functional currency is not the euro, be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised in profit or loss.

In financial year 2018/19, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

The following exchange rates being of major significance for METRO were applied in the translation of key currencies outside the European Monetary Union:

		Average exchange rate per €		Exchange rate at closing date per €	
		2017/18	**2018/19**	30/9/2018	**30/9/2019**
Bulgarian lev	BGN	1.95583	**1.95583**	1.95583	**1.95583**
Chinese renminbi	CNY	7.78072	**7.75616**	7.96620	**7.77840**
Croatian kuna	HRK	7.44639	**7.41336**	7.43460	**7.41100**
Czech koruna	CZK	25.59342	**25.74114**	25.73100	**25.81600**
Danish krone	DKK	7.44841	**7.46385**	7.45640	**7.46620**
Egyptian pound	EGP	21.14591	**19.48706**	20.96995	**17.75290**
Hong Kong dollar	HKD	9.32227	**8.83913**	9.05790	**8.53680**
Hungarian forint	HUF	315.96660	**323.02241**	324.37000	**334.83000**
Indian rupee	INR	79.17455	**79.65100**	83.91600	**77.16150**
Indonesian rupiah	IDR	16,563.99000	**16,160.21000**	17,249.98000	**15,456.94000**
Japanese yen	JPY	131.44140	**124.14090**	131.23000	**117.59000**
Kazakhstani tenge	KZT	399.50173	**427.11378**	420.91000	**423.49000**
Malaysian ringgit	MYR	4.79783	**4.67447**	4.78900	**4.55920**
Moldovan leu	MDL	20.07596	**19.72835**	19.76180	**19.39590**
Myanmar kyat	MMK	1,643.89863	**1,728.93370**	1,816.30000	**1,675.90000**
Norwegian krone	NOK	9.59644	**9.73765**	9.46650	**9.89530**
Pakistani rupee	PKR	136.55544	**163.05191**	144.19130	**170.90740**
Philippine peso	PHP	62.00207	**59.03683**	62.64800	**56.55300**
Polish złoty	PLN	4.24399	**4.30027**	4.27740	**4.37820**
Pound sterling	GBP	0.88479	**0.88412**	0.88730	**0.88573**
Romanian leu	RON	4.64422	**4.71851**	4.66380	**4.74960**
Russian rouble	RUB	72.23349	**73.82877**	76.14220	**70.75570**
Serbian dinar	RSD	118.46441	**118.06690**	118.41790	**117.52830**
Singapore dollar	SGD	1.59897	**1.54212**	1.58390	**1.50600**
Swiss franc	CHF	1.16162	**1.12274**	1.13160	**1.08470**
Turkish lira	TRY	5.24182	**6.32660**	6.96500	**6.14910**
UAE dirham	AED	4.37170	**4.14292**	4.26510	**4.00630**
Ukrainian hryvnia	UAH	32.08969	**30.17616**	32.72527	**26.34863**
US dollar	USD	1.19026	**1.12799**	1.15760	**1.08890**
Vietnamese dong	VND	26,816.38000	**25,903.60000**	26,722.01000	**25,457.19000**

Income statement

Recognition of income and expenses

Net sales are recognised in accordance with IFRS 15 (Revenue from Contracts with Customers) when the respective service obligations have been met by transferring goods to wholesale customers or providing services. The goods are deemed to have been transferred at the time at which the customer gains control over them. This applies to stationary trade as well as to the delivery sales business (food service distribution – FSD).

In these cases, cash payment or payment within a short time after delivery of the product (credit purchase) is usually agreed with the customer. Significant financing components are usually not included in the contracts with customers. For services, control over the services is transferred over time, thus fulfilling the performance obligation. Revenue is recognised in the amount of the consideration received or expected to be received in exchange for the goods or services.

Under certain wholesale business models, METRO customers are granted the right to exchange or return goods under certain conditions or in accordance with contractual agreements or on a legal basis. Refund liabilities that are based on empirical values regarding return quotas and periods are recorded for expected returns in this context. Assets for the right to revocer products from a customer on settling these refund liabilities are measured at the former carrying amount of the respective inventories (less settlement costs and any indicated impairment).

METRO grants various types of standardised, performance-based rebates if certain predefined conditions are met. Examples include rebates for achieving certain sales volumes with a customer and for customer loyalty. As soon as it can be assumed that a customer fulfils the conditions for granting the rebate, a portion of the revenue is deferred and recognised as a contract liability. Such contract liabilities are derecognised when the rebate is redeemed by the customer or when the probability that the customer will enforce its rights is remote. The rebates are routinely redeemed by customers within one year of the respective recognition of a contract liability.

Some of the franchise models offered by METRO include multi-component contracts with customers being offered a bundle of different franchise products and services. Individual contractual components are made available to customers in subsidised form, so that the entire agreed consideration is allocated to the individual components in accordance with the relative stand-alone selling prices.

In some cases, METRO acts as an agent for the delivery of goods or the provision of services. In these cases, METRO recognises the expected fee or commission as revenue.

Performance-based government grants attributable to future periods have been recognised on an accrual basis according to the corresponding expenses. Performance-based grants for subsequent periods which have already been received are shown as deferred income and the corresponding income is time-proportionally recognised in subsequent periods.

Operating expenses are recognised as expenses upon utilisation of the service or on the date of their causation.

METRO's financial result consists primarily of interest income and expenses. Interest is recognised as income or expenses and, where applicable, on an accrual basis using the effective interest method. Debt capital interests that are directly attributable to the acquisition or production of a so-called qualified asset represent an exception as they must be included in the acquisition or production costs of the asset capitalised pursuant to IAS 23 (Borrowing Costs). Dividends paid by companies in which METRO holds an interest and which are not accounted for using the equity method are generally recognised as income when the legal claim to payment arises.

Income taxes

Income taxes concern direct taxes on income and deferred taxes. As a rule, they are recognised through profit or loss unless they are related to business combinations or an item that is directly recognised in equity or other comprehensive income.

Balance sheet

Goodwill

Goodwill is regularly tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment. If an impairment exists, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a cash-generating unit is compared to the corresponding carrying amount of the cash-generating unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell. An impairment of the goodwill allocated to a cash-generating unit applies only if the recoverable amount is lower than the total amount of the unit relevant carrying amount. No reversal of an impairment loss is performed if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets

Purchased other intangible assets are recognised at cost of purchase. In accordance with IAS 38 (Intangible Assets), internally generated intangible assets are capitalised at their production cost. Research costs, in contrast, are not capitalised, but recognised as expenses when they are incurred. The production costs include all expenditures directly attributable to the development process, unless they are explicitly prohibited from being a component of the cost of an inernlly generated intangible asset.

Direct costs	Direct material costs
	Direct production costs
	Special direct production costs
Overhead (directly attributable)	Material overhead
	Production overhead
	Depreciation/amortisation/impairment losses
	Development-related administrative costs

Borrowing costs are factored into the determination of production costs only in case the intangible asset is a so-called qualified asset pursuant to IAS 23 (Borrowing Costs). Qualified assets are defined as non-financial assets that take a substantial period of time to be prepared for their intended use or sale.

All other intangible assets with a finite useful life are subject to straight-line amortisation. Capitalised internally created and purchased software as well as comparable intangible assets are amortised over a period of up to 10 years, while licences are amortised over their useful lives.

Intangible assets with an infinite expected useful life are not subject to scheduled amortisation, but are subjected to an impairment test at least once a year. Impairment losses and reversed impairment losses are recognised through profit or loss in consideration of the historical cost principle.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production costs pursuant to IAS 16 (Property, Plant and Equipment). The production cost of internally generated assets includes both direct costs and directly attributable overhead. Borrowing costs are only capitalised in relation to so-called qualified assets as a component of acquisition or production costs. In line with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), investment grants received are offset against the acquisition or production costs of the corresponding asset. Dismantling and removing obligations are included in the acquisition or production costs at the discounted settlement amount. Subsequent acquisition or production costs of property, plant and equipment are only capitalised if they result in a higher future economic benefit of the tangible asset.

Property, plant and equipment are solely depreciated on a straight-line basis. Throughout the group, depreciation is based on the following expected useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter rental contract duration
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

Capitalised costs of dismantling and removing are depreciated over the expected useful life of the asset.

Pursuant to IAS 36 (Impairment of Assets), an impairment test will be carried out if there are any indications of impairment of property, plant and equipment or of a cash-generating unit (CGU). Impairment losses are recognised if the recoverable amount is below the carrying amount. If the reasons for the impairment have ceased to exist, impairment losses are reversed up to the amount of amortised acquisition or production costs hadno impairment loss been recognised in previous periods.

In accordance with IAS 17 (Leases), economic ownership of leased assets is attributable to the lessee if all the material risks and rewards incidental to ownership of the asset are transferred to the lessee (finance lease). If economic ownership is attributable to a group company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. Analogous to the comparable purchased property, plant and equipment, leased assets are subject to scheduled depreciation over their expected useful lives or the lease term if the latter is shorter. However, if it is sufficiently certain that ownership of the leased asset will be transferred to the lessee (METRO) at the end of the lease term, the asset is depreciated over its expected useful life. Payment obligations resulting from future lease payments are carried as liabilities.

When economic ownership of the leased asset is not transferred to the lessee (METRO) it si accounted for as an operationg lease. METRO does not recognise assets or leasing liabilities for operating leases, but merely recognises rental expenses in its income statement over the term of the lease using the straight-line method.

Investment properties

In accordance with IAS 40 (Investment Property), investment properties comprise real estate assets that are held to earn rentals or for capital appreciation, or both. Analogous to property, plant and equipment, such assets are recognised at acquisition or production costs less depreciation and –if required – impairment losses (cost model). Investment properties are depreciated using the straight-line method, considering an expected useful life of 15 to 33 years. In addition, the fair value of these real estates is determined accepted valuation methods, taking into account project development opportunitie. The fair values are disclosed in the notes.

Financial assets

Unless associated companies or joint ventures as defined by IAS 28 (Investments in Associates and Joint Ventures) are involved, to which the equity method is applied financial assets are accounted for in accordance with the provisions of IFRS 9 (Financial Instruments) since 1 October 2018.

Financial assets are recognised in the consolidated balance sheet when METRO becomes a contractual party to a financial instrument. Recognition is effected at the trade date. Financial assets are derecognised if the contractual rights to payments from the financial assets no longer exist or the financial assets with all material risks and rewards are transferred to another party and METRO cannot control the financial assets after the transfer. When the uncollectability of receivables is finally determined, they are derecognised.

Financial assets are measured at fair value upon initial recognition. The transaction costs directly attributable to the acquisition must be taken into account, unless the financial instruments are subsequently measured at fair value through profit or loss.

The subsequent measurement of financial assets is based on the allocation of the respective financial asset to one of the categories described below. The classification is determined by whether the so-called cash flow condition is met as well as by the business model used to manage the respective financial asset (or a portfolio of financial assets). The cash flow condition is metif the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. With regard to potential business models, a distinction must be made between the objectives of meeting the cash flow condition of the financial assets

- to either hold the receipt of these contractual cash flows (hold)
- or to partially hold them and partially sell them (hold and sell).

Using these classification criteria, the individual financial asset is assigned to one of the following classes at initial recognition:

- Measured at amortised cost (AC), provided the hold criterion is met
- Measured at fair value through other comprehensive income (FVOCI), if the ‘hold and sell’ criterion is met
- Measured at fair value through profit or loss (FVPL) in all other cases

Derivative financial instruments that are not designated as part of a hedge accounting relationship for accounting purposes are measured at fair value.

METRO does not make use of the option to measure financial assets at fair value through profit or loss upon initial recognition (fair value option).

With regard to the financial assets recognised at amortised cost (AC), impairments are recognised as expected losses, regardless of the existence of actual default events. However, if there is objective evidence that contractually agreed cash flows of a financial asset are likely to partially or completely default, they are recorded as specific bad debt allowances. If these indications cease to exist, impairment losses are reversed up to the amount of the carrying amount that would have resulted if no default event had occurred. METRO determines the expected losses on trade receivables using the so-called simplified approach by using a provision matrix structured according to various (past-due) maturities. Expected losses for other financial assets are determined in accordance with the so-called general approach. Impairment losses are generally recognised in separate accounts.

Changes in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income and reclassified to the income statement when the assets are sold. Impairment losses on financial assets in the FVOCI category are determined in the same way as impairment losses on financial assets in the AC category and recognised in profit or loss.

In the previous year, financial assets were accounted for in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) and allocated to one of the following categories:

- 'Loans and receivables'
- 'Financial instruments held to maturity'
- 'Financial assets at fair value through profit or loss'
- 'Financial assets available for sale'

Depending on the classification to the categories listed above, the subsequent measurement of financial assets was carried out at amortised cost or at fair value:

- 'Loans and receivables' comprised non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were recognised at amortised cost using the effective interest method.
- The measurement category 'financial instruments held to maturity' included non-derivative financial assets with fixed or determinable payments and fixed maturity, with METRO having both the positive intention and the ability to hold them to maturity. They were also recognised at amortised cost using the effective interest method.
- 'Financial assets at fair value through profit or loss' included those that were either acquired or incurred with the intention of selling or repurchasing them in the near term or that were part of a portfolio of jointly managed financial instruments with a history of short-term profit-taking. Furthermore, this category included derivative financial instruments that were not designated to be part of hedge accounting.
- The category 'financial assets available for sale' represented a collective category for original financial assets that could not be assigned to any of the other 3 categories. METRO did not actively designate any financial assets to this category. Financial assets assigned to this category were measured at fair value through other comprehensive income. The cumulative changes in fair value were not reclassified to profit or loss until the financial asset was derecognised or an impairment of the assets had occurred.

At each closing date, financial assets that were not measured at fair value through profit or loss were examined for objective, substantial indications of impairment. If there were any such indications, the respective financial asset was tested for impairment by comparing the carrying amount to the present value. The present value of financial assets measured at amortised cost corresponded to the present value of expected future cash flows, discounted at the original effective interest rate. However, the present value of equity instruments measured at cost in the category 'financial assets available for sale' corresponded to expected future cash flows discounted at the current market interest rate. If the present value was lower than the carrying amount, an impairment loss was recognised for the difference. If decreases in fair value of financial assets in the category 'financial assets available for sale' were recognised in other comprehensive income, such decreases in fair value were reclassified and recognised in profit or loss to the extent of the impairment loss determined. If, at a later date, the present value increased again, the impairment loss was reversed accordingly. In the case of financial assets recognised at amortised cost, the impairment loss reversal was limited to the amount of the amortised cost, which would have been recognised had the impairment not occured. In the category 'financial assets available for sale', the reversal of previously recognised impairment losses for equity instruments was shown outside of profit or loss in other comprehensive income, while for debt instruments it was shown in profit or loss up to the amount of the impairment previously recognised through profit or loss. Increases in value for debt instruments beyond this level were recognised outside of profit or loss in other comprehensive income.

In accordance with the provisions of IFRS 9, equity instruments held are either measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income without reclassification (FVOCInR).

Cash flow hedges: as part of cash flow hedging, which continues to be accounted for in accordance with IAS 39, METRO hedges to exposure to variability in future cash flows. For this purpose, future underlying transactions and related hedging instruments are designated as hedging relationships for accounting purposes. The effective portion of changes in the fair value of the hedging instrument that regularly meets the definition criteria of a derivative is initially recognised directly in equity under consideration of deferred taxes. The ineffective portion is recognised directly in profit or loss. For future transactions that result in the recognition of a non-financial asset or a non-financial liability, the cumulative changes in the fair value of the hedging instrument, which are recognised in other comprehensive income, are removed and and included in the initial cost of the other carrying amount of the asset of liability. If the hedging transaction relates to financial assets, financial liabilities or future transactions, the changes in fair value of the hedging instrument are transferred from other comprehensive income to profit or loss in the reporting periods in which the hedged item is recognised in the income statement. The term of the hedging instrument is aligned to coincide with the occurrence of the future transaction.

Other financial and other non-financial assets

The assets reported under other financial assets are generally measured at amortised cost, and impairments are determined for the reporting year under review in accordance with the general approach to determine expected credit losses.

Other financial assets also include derivative financial instruments that are measured at fair value through profit or loss.

As prepaid expenses transitorily deferred charges are presented.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of these assets or liabilities in the consolidated financial statements and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available in the future to allow the corresponding benefit of that deferred tax asset to be realised.

Deferred tax assets and deferred tax liabilities are netted if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes. Deferred tax assets are remeasured at each closing date and adjusted if necessary.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, these are based on the valid laws or legislation that has been passed at the time of the closing date.

The assessment of deferred taxes reflects the tax consequence arising from METRO’s expectations as of the closing date with regard to the manner in which the carrying amounts of the assets will be realised or the liabilities will be settled.

Inventories

In accordance with IAS 2 (Inventories), merchandise carried as inventories is reported at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions or by means of the weighted average cost method. Supplier compensations to be classified as a reduction in the cost of purchase is deducted when the costs of acquisition are determined.

Merchandise is measured as of the closing date at the lower of cost or net realisable value. Merchandise is written down on a case-by-case basis if the net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

When the reasons for a write-down of the merchandise have ceased to exist, the previously recognised impairment loss is reversed.

Trade receivables

Trade receivables are recognised at amortised cost. For the reporting period, expected impairments determined on the basis of a provision matrix are taken into account. If there are further doubts about their recoverability, the trade receivables are recognised at the lower present value of the estimated future cash flows. In the previous year, trade receivables were recognised taking into account appropriate impairments for uncollectible receivables.

Income tax assets and liabilities

The income tax assets and liabilities presented concern domestic and foreign income taxes for the reporting period as well as prior periods. They are determined in compliance with the tax laws of the respective country.

In addition, the effects of tax risks are considered in the determining income tax liabilities. The premises and assessments underlying these risks are regularly reviewed and considered in the determination of income tax.

Cash and cash equivalents

Cash and cash equivalents comprise cheques, cash on hand, bank deposits and other short-term liquid financial assets, such as accessible deposits on lawyer trust accounts or cash in transit, with an original term of up to 3 months and are valued at their respective nominal values.

Non-current assets held for sale, liabilities related to assets held for sale and activities not continued

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), an asset is classified as a non-current asset held for sale if the respective carrying amount will be recovered principally through a disposal transaction rather than through continuing use. Analogously, liabilities related to assets held for sale are recognised separately in the balance sheet. A sale must be feasible in practice and be planned for execution within the subsequent 12 months. The valuation of the affected assets and liabilities' carrying amounts pursuant to the relevant IFRS directly precedes the first-time classification as held for sale. In case of reclassification, the assets and liabilities of the disposal group are measured at the lower of their carrying amount and the fair value less costs to sell and reported separately in the balance sheet.Discontinued operations are components of a company that have been disposed of or are classified as held for disposal and represent a separate major operation or a separate geographical operation..

Employee benefits

Employee benefits include:

- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based payment

Short-term employee benefits include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognised as liabilities at the disbursement amount as soon as the associated job performance has been rendered.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of defined contribution plans, periodic contribution obligations to the external pension provider are recognised as expenses for post-employment benefits at the same time as the beneficiary's job performance. Missed payments or prepayments to the pension provider are accrued as liabilities or receivables. Liabilities with a term of over 12 months are discounted.

The actuarial measurement of pension provisions for post-employment benefits plans as part of a defined benefit plan is effected in accordance with the projected unit credit method as stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the closing date as well as expected increases in future wages and pensions. Where the employee benefit obligations determined or the fair value of the plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a changed fluctuation rate) or changes in underlying actuarial assumptions, this will result in actuarial gains and losses. These are recognised in other comprehensive income outside of profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is presented as interest expenses under the financial result. Insofar as plan assets exist, the amount of the pension obligation is generally the result of the difference between the present value of defined benefit obligations and the fair value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are based on the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in the period in which they are incurred.

Termination benefits comprise severance payments to employees. These are recognised as liabilities through profit or loss when contractual or factual payment obligations towards the employee are to be made in relation to the termination of the employment relationship. Such an obligation is given when a formal plan for the early termination of the employment relationship exists to which the company is bound. Benefits with terms of more than 12 months after the closing date are recognised at their present value.

The share bonuses granted under the share-based remuneration system are classified as cash-settled share-based payments pursuant to IFRS 2 (Share-based Payment). For these share-based payments provisions are set up on a pro rata basis, measured at the fair value of the obligations entered into. The recognition of the provision follows a prorated approachover the underlying vesting period and is recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

(Other) provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), (other) provisions are recognisedif legal or constructive obligations to third parties exist that are based on past business transactions or events and will probably result in an outflow of financial resources that can be reliably measured. The provisions are stated at the anticipated settlement amount with regard to all identifiable risks attached.

Long-term provisions with a term of more than one year are discounted to the closing date using an interest rate for matching maturities reflectings current market expectations regarding interest rate effects. Provisions with a term of less than one year are discounted accordingly if the interest rate effect is material. Claims for recourse are not netted with provisions, but recognised separately as an asset if their realisation is considered virtually certain.

Provisions for onerous contracts are recognised if the unavoidable costs of meeting the obligations under a contract exceed the expected economic benefits resulting from the contract. Provisions for deficient rental agreements relating to leased objects are based on an item by item basis. Provisions in the amount of the present value of the funding gap recognised for all closed properties or properties with deficient rental coverage. In addition, a provision is recognisedfor store-related risks related to leased, operational or not yet closed stores insofar as a deficient coverage of operational costs or a deficient rental coverage despite considering a possible sublease of the respective location arises from current corporate planning covering the basic rental term.

Provisions for restructurings are recognised if a constructive obligation to restructure has been formalised by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those employees affected as of the closing date.

Warranty provisions, that do not fall into the scope of IFRS 15 (Revenue from Contracts with Customers), are based on past warranty claims and considering the sales of the current financial year.

(Other) financial liabilities

Financial liabilities in the current financial year (in accordance with IFRS 9) or in the previous financial year (in accordance with IAS 39) that do not represent finance leases in accordance with IAS 17, are assigned to one of the following categories:

- At fair value through profit or loss
- Other financial liabilities

The initial recognition of financial liabilities and the subsequent measurement of financial liabilities at fair value through profit or loss is applied in analogy to the corresponding guidance as it is applied to financial assets.

All other financial liabilities are classified as miscellaneous financial liabilities. They are measured at their amortised cost using the effective interest method.

The fair value option according to IFRS 9 is not applied to financial liabilities at METRO.

The fair values provided for the financial liabilities in the notes have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

Financial liabilities from finance leases are generally measured at the present value of future minimum lease payments.

A financial liability is derecognised only when it has expired or when the contractual obligations have been redeemed or annulled or have expired.

Other non-financial liabilities

Other non-financial liabilities are carried at their repayment amount.As deferred income transitorily deferred charges are presented.

Trade liabilities

Trade liabilities are recognised at amortised cost.

Other

Contingent liabilities

Contingent liabilities are, on the one hand, possible obligations arising from past events whose existence must still be confirmed by the occurrence or non-occurrence of uncertain future events that are not entirely under METRO's control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability. Such liabilities are not recognised in the balance sheet but disclosed in the notes. Contingent liabilities are determined on the basis of the principles applying to the measurement of provisions.

Accounting for derivative financial instruments and hedge accounting

Derivative financial instruments are exclusively utilised to reduce risks. They are used in accordance with the respective group guideline.

All derivative financial instruments that are not designated as part of a hedging relationship are measured at fair value in accordance with IFRS 9 – or in the previous financial year in accordance with IAS 39 – and reported under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms and conditions, possibly including the credit margin or stock exchange prices applicable to METRO – in this respect the average rate on the closing date is used. Where no stock exchange prices can be used, the fair value is determined by means of accepted financial models.

In case of effective hedge accounting transactions (hedge accounting) in accordance with IAS 39, the effective portion of the change in the derivative used as hedging instrument is recognised in other comprehensive income as part of cash flow hedges. A transfer to the income statement is – in general – only processed when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is immediately reported in profit or loss.

Supplier compensation

Depending on the underlying circumstances, supplier compensation is recognised as a reduction in the cost of purchase, reimbursement or payment for services rendered. Supplier compensation is deferredat the closing date insofar as it has been contractually agreed and is likely to be realised. For supplier remunerations linked to calendar year targets, the supplier`s compensation included in the financial statement is based on appropriate extrapolations.

Judgements, estimates and assumptions

The preparation of the consolidated financial statements was based on a number of judgements, estimates and assumptions that had an effect on the measurement and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities.

Judgements

Information on the key judgements that materially affected the amounts reported in these consolidated financial statements relate to the following circumstances or note disclosures:

- Classification of leases as finance leases or operating leases – including sale-and-leaseback transactions (no. 2 – other operating income ▸ page 200 and no. 21 – property, plant and equipment ▸ page 218)
- Determination whether METRO is the principal or agent in sales transactions (no. 1 – revenues ▸ page 200)
- Determination of the group of investments accounted for at-equity by assessing the material influence

Estimates and assumptions

Information on estimates and underlying assumptions with significant effects on these consolidated financial statements relates to the following circumstances or is included in the following notes:

- Uniform group-wide determination of expected useful lives for assets with a definite useful life (no. 15 – depreciation/amortisation/impairment losses ▸ page 209, no. 20 – other intangible assets ▸ page 216 and no. 21 – property, plant and equipment ▸ page 218)
- Impairment testing of assets with a definite useful life triggered by indications of impairment (no. 15 – depreciation/amortisation/impairment losses ▸ page 209, no. 20 – other intangible assets ▸ page 216 and no. 21 – property, plant and equipment ▸ page 218)
- Annual goodwill impairment tests including sensitivity analysis (no. 19 – goodwill ▸ page 212)
- Recoverability of receivables – particularly receivables due from suppliers with respect tocompensations (no. 24 – other financial and other non-financial assets ▸ page 226)
- Recognition of supplier compensation on an accrual basis (no. 24 – other financial and other non-financial assets ▸ page 226)
- Ability to realise future deferred tax assets– particularly from tax loss carry-forwards (no. 25 – deferred tax assets/deferred tax liabilities ▸ page 227)
- Measurement of inventories (no. 26 – inventories ▸ page 229)
- Determination of provisions for post-employment benefits plans (no. 32 – provisions for post-employment benefits plans and similar obligations ▸ page 239)
- Determination of other provisions – for example, for deficient rental coverage and onerous contracts, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation (no. 33 – other provisions [non-current]/provisions [current] ▸page 247)

- Estimation of the expected timing of transactions in connection with activities not continued; with regard to the planned disposal of the hypermarket business, also taking into account events and circumstances that lead to an extension of the period required to complete the sale and are beyond the control of METRO (no. 30 – assets held for sale/liabilities related to assets held for sale ▸ page 235)
- Determination of the fair value of the hypermarket business disposal group (no. 30 – assets held for sale/liabilities related to assets held for sale ▸ page 235)
- Estimation of the probability of utilisation from supplier liabilities (no. 35 – trade liabilities ▸ page 248)

Although great care has been taken in making these estimates and assumptions, actual measurements may deviate from them in individual cases. The estimates and assumptions used in the consolidated financial statements are regularly reviewed. Changes are taken into account at the time new information becomes available.

CAPITAL MANAGEMENT

The aim of the capital management strategy of METRO is to secure the company's business operations to continue, to enhance its company value, to create solid capital resources to finance future growth and to provide for attractive dividend payments and debt service.

The capital management strategy of METRO has remained unchanged compared with the previous year.

Equity, liabilities and net debt in the consolidated financial statements

Equity amounts to €2,735million (30/9/2018: €3,074 million), while liabilities amounts to €11,762 million (30/9/2018: €12,132 million). Net debt related to continuing operations decreased by €0.2 billion in the adjusted year-on-year comparison and amounted to €2.9 billion as of 30 September 2019 (30/09/2018: €3.1 billion).

€ million	30/9/2018[1]	30/9/2018 adjusted[3]	**30/9/2019**
Equity	**3,074**	**3,074**	**2,735**
Liabilities	**12,132**	**12,132**	**11,762**
Net debt	**2,710**	**3,102**	**2,858**
Financial liabilities (incl. finance leases)	4,010	4,010	**3,369**
Cash and cash equivalents	1,298	906	**500**
Short-term financial investments[2]	2	2	**11**

[1] Adjustment of previous year according to explanation in notes
[2] Shown in the balance sheet under other financial assets (current).
[3] Adjusted for the effects of discontinued operations.

Local capital requirements

The capital management strategy of METRO consistently aims to ensure that the group companies' capital resources meet the local requirements. During financial year 2018/19, all external capital requirements were fulfilled. This includes, for example, adherence to a defined level of indebtedness and a fixed equity ratio.

NOTES TO THE INCOME STATEMENT

1. Sales revenues

Commencing with financial year 2018/19, METRO has been applying IFRS 15 (Revenue from Contracts with Customers). The sales revenues reported for the current financial year relate exclusively to revenues from contracts with customers.

Sales revenues are allocated to the following categories:

€ million	2017/18	**2018/19**
Store-based and other business	**22,585**	**22,487**
METRO Germany	4,128	**4,075**
METRO Western Europe (excl. Germany)	8,904	**8,885**
METRO Russia	2,550	**2,406**
METRO Eastern Europe (excl. Russia)	5,893	**5,986**
METRO Asia	1,074	**1,097**
Others	35	**38**
Delivery sales	**4,207**	**4,595**
METRO Germany	633	**660**
METRO Western Europe (excl. Germany)	1,704	**1,867**
METRO Russia	265	**257**
METRO Eastern Europe (excl. Russia)	1,059	**1,205**
METRO Asia	538	**599**
Others	7	**7**
Total sales	**26,792**	**27,082**
METRO Germany	4,761	**4,735**
METRO Western Europe (excl. Germany)	10,609	**10,752**
METRO Russia	2,815	**2,662**
METRO Eastern Europe (excl. Russia)	6,952	**7,191**
METRO Asia	1,612	**1,696**
Others	43	**46**

2. Other operating income

€ million	2017/18	**2018/19**
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	145	**360**
Income from logistics services	285	**257**
Services	251	**250**
Rents incl. reimbursements of subsidiary rental costs	268	**236**
Services rendered to suppliers	111	**103**
Miscellaneous	211	**198**
	1,271	**1,405**

Gains from the disposal of fixed assets and gains from the reversal of impairment losses includes €354 million of income from the disposal of real estates (2017/18: €137 million) and €5 million of income from reversal of impairment losses (2017/18: €4 million). Project developments and sale-and-leaseback transactions contributed to the real estate transactions.

The income from logistics services provided by METRO LOGISTICS to companies intended for disposal and non-group companies is offset by expenses from logistics services, which are reported under other operating expenses.

The other operating income includes cost allocations and cost shares as well as a great number of insignificant individual items.

— **Disclosures on companies intended for sale can be found under no. 43 – discontinued business sectors page 266.**

3. Selling expenses

€ million	2017/18	2018/19
Personnel expenses	1,957	**2,001**
Cost of material	2,064	**2,091**
	4,021	**4,092**

In terms of selling expenses, personnel expenses increased compared to the previous year, mainly due to higher wages and salaries and variable payments.

The year-on-year increase in cost of material is due in particular to higher consulting expenses. The revised disclosure of impairment losses on financial instruments had the opposite effect. In accordance with IFRS 9, from financial year 2018/19 onwards, impairment losses on financial assets are reported under earnings from impairment of financial assets.

4. General administrative expenses

€ million	2017/18	2018/19
Personnel expenses	386	**424**
Cost of material	387	**398**
	773	**822**

The increase in personnel expenses within general administrative expenses is mainly due to higher variable payments in the operating segments and at METRO AG.

The increase in cost of material is primarily due to increased amortisation of intangible assets.

5. Other operating expenses

€ million	2017/18	**2018/19**
Expenses from logistics services	272	**254**
Losses from the disposal of fixed assets	4	**6**
Impairment losses on goodwill	0	**3**
Miscellaneous	17	**17**
	293	**279**

The expenses from logistics services provided by METRO LOGISTICS to companies intended for sale and non-group companies are offset by income from logistics services, which are reported under other operating income.

– **Disclosures on companies intended for sale can be found under no. 43 – discontinued business sectors page 266 .**

6. Earnings from impairment of financial assets

Earnings from impairment of financial assets amounts to €14 million. This includes expenses from additions to impairment losses, income from the reversal of impairment losses, and income from the receipt of cash and cash equivalents for financial assets that have already been derecognised. Impairment losses on receivables from contracts with customers in the amount of €9 million are included.

In the previous year, the impairments were reported under sales, selling and administrative expenses. They amounted to €18 million.

7. Earnings share of operating/non-operating companies recognised at equity

The earnings of operating companies recognised at equity that have an operational relation to the ordinary business activities, are shown in the income statement in the EBIT item. It amounts to €24 million (2017/18: €14 million). Of these, €15 million (2017/18: €5 million) are attributable to the METRO Western Europe (excl. Germany) segment and €9 million (2017/18: €8 million) to the Others segment as well as €1 million (2017/18: €1 million) to the METRO Asia segment. The earnings share of non-operating companies recognised at equity is shown in the net financial result and amounts to €0 million (2017/18: €0 million). The earnings shares of operating and non-operating companies consolidated at equity amounted to a total of €24 million (2017/18: €14 million).

8. Other investment result

Other investment results include the impact of the fair value measurement of investments in the amount of €−1 million (2017/18: €0 million). Dividends from investments amounted to €0 million (2017/18: €0 million).

9. Net interest income/interest expenses

The interest result can be broken down as follows:

€ million	2017/18	2018/19
Interest income	**27**	**29**
thereof finance leases	(0)	**(0)**
thereof from post-employment benefits plans	(5)	**(7)**
thereof from financial instruments of the measurement categories according to IFRS 9 (previous year: IAS 39):	(16)	**(12)**
Interest expenses	**−163**	**−148**
thereof finance leases	(−51)	**(−49)**
thereof from post-employment benefits plans	(−16)	**(−15)**
thereof from financial instruments of the measurement categories according to IFRS 9 (previous year: IAS 39)	(−79)	**(−69)**
Interest result	**−136**	**−119**

Interest income and interest expenses from financial instruments are assigned to the measurement categories according to IFRS 9 on the basis of the underlying transactions.

The interest expenses included here (of the measurement categories in accordance with IFRS 9) primarily include interest expenses for issued bonds (including the Commercial Paper Programme) of €41 million (2017/18: €55 million) and for liabilities to banks of €19 million (2017/18: €12 million).

The decline in interest expenses was primarily the result of more favourable refinancing terms.

— **For more information about possible effects from currency risks, see no. 44 – management of financial risks page 274.**

10. Other financial result

The other financial income and expenses from financial instruments are assigned to measurement categories according to IFRS 9 on the basis of the underlying transactions. Besides income and expenses from the measurement of financial instruments (except derivatives in hedging relationships in accordance with IAS 39), this also includes the measurement of foreign currency positions according to IAS 21.

€ million	2017/18	**2018/19**
Other financial income	182	**159**
thereof currency effects	(126)	**(112)**
thereof hedging transactions	(16)	**(39)**
Other financial expenses	−184	**−158**
thereof currency effects	(−152)	**(−116)**
thereof hedging transactions	(−3)	**(−18)**
Other financial result	**−2**	**1**
thereof from financial instruments of the measurement categories according to IFRS 9 (previous year: IAS 39):	(−16)	**(17)**
thereof cash flow hedges:		
ineffectiveness	(7)	**(−1)**

The total comprehensive income from currency effects and measurement results from hedging transactions and hedging relationships totalled €17 million (2017/18: €−14 million). In addition, the other financial result reflects €−5 million (2017/18: €4 million) in currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognised through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued. In addition, impairment losses on financial assets amounting to €2 million (2017/18: €0 million) were recognised in the reporting period.

- **For more information about possible effects from currency risks, see no. 44 – management of financial risks page 274.**

11. Net results according to measurement categories

The key effects of income from financial instruments are as follows:

2017/18

€ million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	16	0	−27	0	−17	0	−29
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	0	13	0	0	0	0	13
Available for sale	0	0	0	0	0	0	0	0
Miscellaneous financial liabilities	0	−79	10	1	4	0	−5	−69
	0	**−63**	**23**	**−27**	**4**	**−17**	**−5**	**−85**

2018/19

€ million	**Investments**	**Interest**	**Fair value measurements**	**Currency translation**	**Disposals**	**Impairments**	**Other**	**Net result**
Financial assets measured at amortised cost, incl. cash and cash equivalents	**0**	**11**	**0**	**19**	**0**	**−16**	**0**	**13**
Financial assets at fair value through profit or loss incl. derivatives in a hedging relationship according to IAS 39	**−1**	**0**	**22**	**0**	**0**	**0**	**0**	**22**
Equity instruments measured outside of profit or loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised cost	**0**	**−69**	**4**	**−23**	**3**	**0**	**−4**	**−89**
	−1	**−57**	**26**	**−5**	**4**	**−16**	**−4**	**−54**

The income and expenses from financial instruments are assigned to measurement categories according to IFRS 9 on the basis of the underlying transactions.

Investment income and income effects from the disposal of investments are included in other investment result. Interest income and expenses are part of the interest result. Fair value measurements and effects from other financial expenses and currency translation are included in the other financial result. Income effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). The expenses from impairments are included in the result from impairments on financial assets.

— **For more information about impairments, see** **no. 44 – management of financial risks ▸ page 274****.**

Remaining financial income and expenses included in the other financial result primarily concern bank commissions and similar expenses that are incurred within the context of financial assets and liabilities.

12. Income taxes

Income taxes include the taxes on income paid or owed in the individual countries as well as deferred taxes.

€ million	2017/18[1]	**2018/19**
Deferred taxes in the income statement	43	**83**
thereof from temporary differences	(24)	**(15)**
thereof from loss and interest carry-forwards	(19)	**(68)**

[1] Adjustment of previous year according to explanation in notes.

€ million	2017/18[1]	**2018/19**
Actual taxes	173	**215**
thereof Germany	(14)	**(9)**
thereof international	(159)	**(206)**
thereof tax expenses/income of current period	(194)	**(221)**
thereof tax expenses/income of previous periods	(−21)	**(−6)**
Deferred taxes	43	**83**
thereof Germany	(39)	**(104)**
thereof international	(4)	**(−21)**
	216	**298**

[1] Adjustment of previous year according to explanation in notes.

The income tax rate of the German companies of METRO consists of a corporate income tax of 15.00% plus a 5.50% solidarity surcharge on corporate income tax as well as the trade tax of 14.70% given an average assessment rate of 420.00%. All in all, this results in an aggregate tax rate of 30.53%. The tax rates are unchanged from the previous year. The income tax rates applied to foreign companies are based on the respective laws and regulations of the individual countries and vary within a range of 0.00% (2017/18: 0.00%) and 34.94% (2017/18: 44.41%).

At €298 million (2017/18: €216 million), recognised income tax expenses are €81 million higher than in the previous year. In addition to an increase in pre-tax earnings, the change is due to higher expenses for impairments on deferred taxes, among other things.

Applying the German group tax rate to the reported pre-tax result would result in an income tax expense of €216 million (2017/18: €176 million). The deviation of €81 million (2017/18: €40 million) from the reported tax expense of €298 million (2017/18: €216 million) can be reconciled as follows:

€ million	2017/18[1]	**2018/19**
EBT (earnings before taxes)	**576**	**709**
Expected income tax expenses (30.53%)	176	**216**
Effects of differing national tax rates	−58	**−62**
Tax expenses and income relating to other periods	−21	**−6**
Non-deductible business expenses for tax purposes	41	**51**
Effects of not recognised or impaired deferred taxes	79	**114**
Additions and reductions for local taxes	11	**13**
Tax holidays	−14	**−39**
Other deviations	3	**5**
Income tax expenses according to the income statement	**216**	**298**
Group tax rate	**37.6%**	**42.0%**

[1] Adjustment of previous year according to explanation in notes.

The item ‘effects of differing national tax rates’ includes a deferred tax revenue of €6 million (2017/18: €23 million) from tax rate changes.

Tax expenses and income relating to other periods of the previous year include a repayment of approximately €20 million because of a retrospective change in foreign law in 2018.

Tax holidays for the current year include effects from real estate transactions in the amount of €30 million (2017/18: €2 million).

13. Profit or loss for the period attributable to non-controlling interests

Of profit or loss for the period attributable to non-controlling interests, profit shares accounted for €13 million (2017/18: €6 million) and loss shares for €−2 million (2017/18: €−2 million).

14. Earnings per share

	2017/18[1]	**2018/19**
Weighted number of no-par-value shares	363,097,253	**363,097,253**
Profit or loss for the period attributable to the shareholders of METRO AG (€ million)	333	**−126**
Earnings per share in € (basic = diluted)	**0.92**	**−0.35**
from continuing operations	(0.98)	**(1.12)**
from discontinued operations	(−0.06)	**(−1.46)**

[1] Adjustment of previous year according to explanation in notes.

Earnings per share are determined by dividing profit or loss for the period attributable to the shareholders of METRO AG by the weighted number of no-par-value shares. In the calculation of earnings per ordinary share, an additional dividend for preference shares is generally deducted from profit or loss for the period attributable to the shareholders of METRO AG. There was no dilution in the reporting period or the year before from so-called potential shares.

Earnings per preference share correspond to earnings per share.

15. Depreciation/ amortisation/ impairment losses

Depreciation/amortisation/impairment losses of €538 million (2017/18: €507 million) include impairment losses totalling €20 million (2017/18: €11 million).

The impairment losses mainly relate to the Others segment in the amount of €13 million and to a single property in the METRO Russia segment in the amount of €3 million.

The attribution of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

2017/18

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Total
Cost of sales	0	2	20	0	0	23
thereof depreciation/ amortisation	(0)	(2)	(20)	(0)	(0)	(23)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	29	370	5	0	404
thereof depreciation/ amortisation	(0)	(29)	(360)	(5)	(0)	(394)
thereof impairment	(0)	(0)	(10)	(0)	(0)	(10)
General administrative expenses	0	60	20	1	0	80
thereof depreciation/ amortisation	(0)	(60)	(19)	(0)	(0)	(80)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(1)
Other operating expenses	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled impairment losses and impairment before impairment of financial investments	**0**	**92**	**410**	**6**	**0**	**507**
Net financial result	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Scheduled depreciation/ amortisation/impairment losses	**0**	**92**	**410**	**6**	**0**	**507**
thereof depreciation/ amortisation	(0)	(92)	(400)	(5)	(0)	(497)
thereof impairment	(0)	(0)	(10)	(1)	(0)	(11)

[1] Also comprise investments accounted for using the equity method.

2018/19

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets[1]	Total
Cost of sales	0	3	23	0	0	26
thereof depreciation/ amortisation	(0)	(3)	(23)	(0)	(0)	(26)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	30	373	4	0	406
thereof depreciation/ amortisation	(0)	(30)	(366)	(3)	(0)	(399)
thereof impairment	(0)	(0)	(7)	(0)	(0)	(7)
General administrative expenses	0	81	20	1	0	101
thereof depreciation/ amortisation	(0)	(73)	(20)	(1)	(0)	(93)
thereof impairment	(0)	(8)	(0)	(0)	(0)	(8)
Other operating expenses	3	0	0	0	0	3
thereof impairment	(3)	(0)	(0)	(0)	(0)	(3)
Scheduled impairment losses and impairment before impairment of financial investments	3	113	416	4	0	536
Net financial result	0	0	0	0	2	2
thereof impairment	(0)	(0)	(0)	(0)	(2)	(2)
Scheduled depreciation / amortisation/impairment losses	3	113	416	4	2	538
thereof depreciation/ amortisation	(0)	(105)	(409)	(4)	(0)	(518)
thereof impairment	(3)	(8)	(7)	(0)	(2)	(20)

[1] Also comprise investments accounted for using the equity method.

In accordance with IFRS 5, impairment losses of METRO China are not included in the profit or loss for the period from continuing operations and thus not included in the tables above. In contrast, these impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; for that reason, the amounts stated there may differ from those stated above.

16. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2017/18	**2018/19**
Cost of raw materials, supplies and goods purchased	21,571	**21,768**
Cost of services purchased	13	**16**
	21,584	**21,784**

17. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2017/18	2018/19
Wages and salaries	2,173	**2,264**
Social security expenses, expenses for post-employment benefits and related employee benefits	552	**552**
thereof for post-employment benefits	(43)	**(41)**
	2,725	**2,816**

Wages and salaries include expenses relating to restructuring measures and severance payments of €23 million (2017/18: €19 million). The variable remuneration rose from €52 million in financial year 2017/18 to €81 million in financial year 2018/19. Wages and salaries also include expenses for long-term remunerationcomponents totalling €7 million (2017/18: €16 million).

Annual average number of group employees in the continuing segment:

Number of employees by headcount	2017/18	2018/19
Blue collar/white collar	103,072	**99,843**
Apprentices/trainees	1,840	**1,811**
	104,912	**101,654**

This includes an absolute number of 16,902 (2017/18: 17,245) part-time employees. The number of employees working outside of Germany stood at 81,607 (2017/18: 84,425). This includes 80,660 blue and white collar employees (2017/18: 83,498). In addition, 947 trainees were employed abroad (2017/18: 927).

18. Other taxes

The other taxes (for example property tax, motor vehicle tax, excise tax and transaction tax) have the following effects on the income statement:

€ million	2017/18	2018/19
Other taxes	**79**	**79**
thereof from cost of sales	(1)	**(1)**
thereof from selling expenses	(65)	**(62)**
thereof from general administrative expenses	(13)	**(16)**

NOTES TO THE BALANCE SHEET

19. Goodwill

Goodwill amounts to €785 million (30/9/2018: €797 million).

The acquisition of Restu s.r.o resulted in goodwill of €1 million. The purchase price amounted to €1 million.

The goodwill allocated to METRO Cash & Carry China in the amount of €19 million was reclassified to assets held for sale.

At the closing date, the breakdown of goodwill among the major cash-generating units was as shown below:

	30/9/2018		**30/9/2019**	
		WACC		**WACC**
	€ million	%	**€ million**	**%**
METRO Cash & Carry France	293	5.7	**293**	**5.0**
METRO Cash & Carry Germany	94	5.7	**94**	**4.7**
METRO Cash & Carry Poland	58	6.3	**57**	**5.6**
METRO Cash & Carry Spain/Portugal	54	6.9	**54**	**5.7**
METRO Cash & Carry Russia	39	7.4	**42**	**6.6**
METRO Cash & Carry Romania	40	7.3	**39**	**6.2**
METRO Cash & Carry Italy	38	7.3	**38**	**6.7**
Pro à Pro	34	5.7	**34**	**5.0**
Classic Fine Foods	23	6.0	**25**	**5.0**
METRO Cash & Carry Czech Republic	24	6.4	**24**	**5.3**
Others	100		**85**	
	797		**785**	

In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment once a year. This is carried out at the level of a group of cash-generating units. Specifically, this refers to the sales line per country.

In the impairment test, the cumulative carrying amount of the group of cash-generating units is compared with the recoverable amount. The recoverable amount is defined as the fair value less costs to sell, which is calculated from discounted future cash flows and the level 3 input parameters of the fair value hierarchy.

— **The description of the fair value hierarchies is included in** **no. 40 – carrying amounts and fair values according to measurement categories ▸ page 258****.**

Expected future cash flows are based on a qualified planning process under consideration of intra-group experience as well as macroeconomic data collected by third-party sources. As a rule, the detailed planning period comprises 3 years. In individual cases, it may be extended by up to 2 years for units currently undergoing a transformation process. Following the detailed planning period, a growth rate of 1% is assumed, as in the previous year. The capitalisation rate as the weighted average cost of capital (WACC) is determined using the capital asset pricing model. In the process, an individual peer group is assumed for all groups of cash-generating units operating in the same business segment. In addition, the capitalisation rates are determined on the basis of an assumed basic interest rate of 0.60% (30/9/2018: 1.25%) and a market risk premium of 7.00% (30/9/2018: 7.00%) in Germany as well as a beta factor of 0.97 (30/9/2018: 1.03). Country-specific risk premiums based on the respective country rating are applied to the equity cost of capital and to the borrowing costs. The capitalisation rates after taxes determined individually for each group of cash-generating units range from 4.7% to 10.1% (30/9/2018: 5.7% to 11.4%).

The mandatory annual impairment test carried out by METRO as of 30 September 2019 resulted in the following assumptions regarding the development of sales, EBIT and the EBIT margin targeted for valuation purposes during the detailed planning period. The EBIT margin hereby reflects the ratio of EBIT to net sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
METRO Cash & Carry France	Slight growth	Slight growth	Stable development	3
METRO Cash & Carry Germany	Slight growth	Slight growth	Slight growth	4
METRO Cash & Carry Poland	Slight growth	Slight growth	Stable development	3
METRO Cash & Carry Spain/Portugal	Slight growth	Slight growth	Slight growth	3
METRO Cash & Carry Russia	Slight decline	Noticable decline	Slight decline	3
METRO Cash & Carry Romania	Substantial growth	Slight growth	Slight decline	3
Pro à Pro	Substantial growth	Substantial growth	Substantial growth	4
Classic Fine Foods	Substantial growth	Slight growth	Stable development	4

As of 30 June 2019, the mandatory annual impairment test confirmed the recoverability of all capitalised goodwill. An impairment loss of €3 million was recognised in the course of the year.

In addition to the impairment test, 3 sensitivity analyses were conducted for each group of cash-generating units. In the first sensitivity analysis, the interest rate for each group was raised by 10.0%. The second sensitivity analysis was based on the assumption of a 1 percentage point lower growth rate. In the 3rd sensitivity analysis, a lump sum discount of 10.0% was applied to the assumed perpetual EBIT. These changes did not result in significant impairment for any of the groups of cash-generating units with the exception of METRO Cash & Carry Germany and Classic Fine Foods.

In the goodwill impairment test at METRO Cash & Carry Germany, the fair value less costs to sell exceeded the carrying amount by €122 million. At a growth rate of 0.2% instead of 1%, the fair value less costs to sell would correspond to the carrying amount.

In the goodwill impairment test at Classic Fine Foods, the fair value less costs to sell exceeded the carrying amount by €17 million. Assuming a 0.34 percentage point higher growth rate or a capitalisation rate of 5.31% (rather than 4.97%) or an assumed perpetual EBIT of €12.5 million (rather than €13.6 million), the fair value less costs to sell would correspond to the carrying amount.

€ million	Goodwill
Acquisition or production costs	
As of 1/10/2017	922
Currency translation	−21
Additions to consolidation group	0
Additions	4
Disposals	0
Reclassifications in accordance with IFRS 5	−64
Transfers	0
As of 30/9/2018 | 1/10/2018	841
Currency translation	7
Additions to consolidation group	0
Additions	1
Disposals	0
Reclassifications in accordance with IFRS 5	−19
Transfers	0
As of 30/9/2019	829
Depreciation	
As of 1/10/2017	47
Currency translation	−3
Additions, scheduled	0
Additions, impairment	64
Disposals	0
Reclassifications in accordance with IFRS 5	−64
Reversals of impairment losses	0
Transfers	0
As of 30/9/2018 | 1/10/2018	44
Currency translation	−2
Additions, scheduled	0
Additions, impairment	3
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2019	44
Carrying amount as of 1/10/2017	875
Carrying amount as of 30/9/2018	797
Carrying amount as of 30/9/2019	**785**

20. Other intangible assets

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs		
As of 1/10/2017	1,782	(952)
Currency translation	−2	(−1)
Additions to consolidation group	0	(0)
Additions	142	(67)
Disposals	−38	(−3)
Reclassifications in accordance with IFRS 5	−83	(−37)
Transfers	0	(−2)
As of 30/9/2018 | 1/10/2018	1,801	(977)
Currency translation	10	(1)
Additions to consolidation group	0	(0)
Additions	170	(137)
Disposals	−11	(−5)
Reclassifications in accordance with IFRS 5	−10	(0)
Transfers	7	(−3)
As of 30/9/2019	1,967	(1,106)
Depreciation		
As of 1/10/2017	1,309	(792)
Currency translation	−3	(−1)
Additions, scheduled	98	(49)
Additions, impairment	0	(0)
Disposals	−38	(−3)
Reclassifications in accordance with IFRS 5	−64	(−21)
Reversals of impairment losses	0	(0)
Transfers	0	(−0)
As of 30/9/2018 | 1/10/2018	1,302	(817)
Currency translation	3	(1)
Additions, scheduled	106	(46)
Additions, impairment	8	(6)
Disposals	−11	(−5)
Reclassifications in accordance with IFRS 5	−6	(0)
Reversals of impairment losses	0	(0)
Transfers	2	(−0)
As of 30/9/2019	1,405	(864)
Carrying amount on 1/10/2017	473	(160)
Carrying amount 30/9/2018	499	(160)
Carrying amount 30/9/2019	**562**	**(242)**

The other intangible assets have both finite and indefinite expected useful lives. Intangible assets with a finite expected useful life are subject to scheduled depreciation/amortisation. Intangible assets with an indefinite expected useful life are subjected to annual impairment tests. Assets with an indefinite useful life regard acquired brand rights. Their carrying amount is €99 million (30/9/2018: €96 million). The expected useful life of the trademark rights is indeterminable, because METRO can use them without restrictions and an abandonment of trademark rights is not envisaged in the future. The assumptions underlying the annual impairment test are presented in no. 19 – goodwill ▸ page 212. The trademarks are tested at the level of the cash-generating units addressed in this disclosure.

Additions in the amount of €170 million (2017/18: €142 million) concern internally generated software at €137 million (2017/18: €67 million), software purchased from third parties and still in development at €19 million (2017/18: €48 million), and concessions, rights and licences at €13 million (2017/18: €27 million).

The additions to depreciation/amortisation on other intangible assets in the amount of €106 million (2017/18: €98 million) are recognised in general administrative expenses at €73 million (2017/18: €60 million), in selling expenses at €30 million (2017/18: €29 million), in the cost of sales at €3 million (2017/18: €2 million).

Impairment losses of €8 million (2017/18: €0 million) were recognised in financial year 2018/19 and reported in full under general administrative expenses.

Research and development expenses recognised in expenses essentially concern internally generated software and amounted to €28 million (2017/18: €28 million).

In accordance with IFRS 5, the scheduled depreciation of METRO China in the amount of €1 million (2017/18: €1 million) is not included in the current profit or loss for the period from continuing operations. These impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; consequently, the amounts stated there may differ from the notes on depreciation.

As in the previous year, there are no material restrictions on title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €1 million (30/9/2018: €0 million, thereof €0 million for METRO China) were recorded.

21. Property, plant and equipment

As of 30 September 2019, property, plant and equipment totalling €4,760 million (30/9/2018: €5,314 million) was recorded. The development of property, plant and equipment is shown in the following table.

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Acquisition or production costs				
As of 1/10/2017	9,223	4,927	195	14,344
Currency translation	−138	−88	−5	−231
Additions to consolidation group	0	0	0	0
Additions	178	169	315	662
Disposals	−248	−238	−10	−496
Reclassifications in accordance with IFRS 5	−2,134	−1,157	−56	−3,346
Transfers	−53	315	−282	−19
As of 30/9/2018 | 1/10/2018	6,828	3,928	158	10,914
Currency translation	149	52	3	204
Additions to consolidation group	0	0	0	0
Additions	100	111	161	372
Disposals	−126	−86	−5	−218
Reclassifications in accordance with IFRS 5	−681	−363	−15	−1,059
Transfers	32	129	−186	−25
As of 30/9/2019	6,303	3,770	116	10,188
Depreciation				
As of 1/10/2017	4,290	3,221	11	7,522
Currency translation	−39	−47	−1	−86
Additions, scheduled	287	302	0	589
Additions, impairment	22	11	1	34
Disposals	−153	−228	−1	−382
Reclassifications in accordance with IFRS 5	−1,259	−814	0	−2,073
Reversals of impairment losses	−3	0	0	−3
Transfers	−79	78	0	−1
As of 30/9/2018 | 1/10/2018	3,066	2,524	10	5,600
Currency translation	39	27	0	67
Additions, scheduled	216	239	0	455
Additions, impairment	6	1	0	7
Disposals	−74	−79	0	−154
Reclassifications in accordance with IFRS 5	−356	−168	0	−524
Reversals of impairment losses	−4	−1	0	−5
Transfers	−22	4	0	−18
As of 30/9/2019	2,871	2,547	10	5,429
Carrying amount as of 1/10/2017	4,932	1,705	184	6,822
Carrying amount as of 30/9/2018	3,763	1,404	148	5,314
Carrying amount as of 30/9/2019	**3,432**	**1,223**	**106**	**4,760**

The €554 million decrease in property, plant and equipment results in the amount of €409 million from the reclassification of property, plant and equipment to assets held for sale in connection with METRO China. In addition, reclassifications of property, plant and equipment to assets held for sale in connection with individual properties in the amount of €127 million and disposals of real estates in the amount of €52 million (2017/18: €95 million) led to a reduction in property, plant and equipment. In contrast, positive currency effects of €138 million (2017/18: €−144 million) increased property, plant and equipment.

In accordance with IFRS 5, the scheduled depreciation of METRO China in the amount of €44 million (2017/18: €43 million) is not included in the current profit or loss for the period from continuing operations. These impairment losses are included in the movement schedules on the development of financial assets up to the point of reclassification on 30 September 2019; consequently, the amounts stated there may differ from the notes on depreciation.

Restrictions on titles in the form of liens and encumbrances for items of property, plant and equipment amounted to €11 million (30/9/2018: €12 million, thereof €0 million for METRO China).

Contractual commitments were recorded for items of property, plant and equipment in the amount of €42 million (30/9/2018: €84 million, thereof €0 million for METRO China).

- **Disclosures on assets/liabilities held for sale in connection with the sale of the hypermarket business and METRO China can be found under** **no. 43 – discontinued operations page 266****.**

Leases

Assets available to METRO under the terms of finance leases were recognised at €481 million (30/9/2018: €468 million, thereof €0 million for METRO China); they essentially relate to leased buildings.

Finance leases generally have terms of 15 to 25 years with options under expiration to extend them at least once for 5 years. The interest rates used for discounting vary between 1.42% and 10.05%, depending on the market and the date on which the contract was concluded.

In addition to finance leases, METRO also signed other types of leases classified as operating leases based on their economic value. Operating leases generally have an initial term of up to 15 years. The interest rates in the leases are based partly on variable and partly on fixed rents.

Payments due under finance and operating leases in subsequent periods are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2018			
Future lease payments due (nominal)	126	373	517
Discount	−10	−88	−268
Present value	116	286	250
Operating leases 30/9/2018			
Future lease payments due (nominal)	414	1,427	1,990

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2019			
Future lease payments due (nominal)	**112**	**419**	**528**
Discount	**–8**	**–90**	**–229**
Present value	**104**	**329**	**299**
Operating leases 30/9/2019			
Future lease payments due (nominal)	**561**	**1,413**	**1,683**

Future payments due on finance leases contain purchase payments amounting to €13 million (30/9/2018: €13 million, thereof €0 million for METRO China) required for the exercise of more favourable purchase options.

The nominal value of future lease payments due to METRO from the subleasing of assets held under finance leases amounts to €148 million (30/9/2018: €150 million, thereof €0 million for METRO China).

The nominal value of future lease payments due to METRO from the subleasing of assets held under operating leases amounts to €319 million (30/9/2018: €364 million, thereof €0 million for METRO China).

Profit or loss for the period from continuing operations includes expenses from leases totalling €484 million (2017/18: €484 million). Income from tenancy agreements totalling €236 million (2017/18: €268 million) is included.

Contingent lease payments from finance leases, included as income in the net profit or loss for the period from continuing operations, amount to €0 million (2017/18: €2 million). Contingent lease payments from operating leases recognised as expenses during the period amount to €9 million (2017/18: €9 million).

Conditional lease payments are sales-dependent, use-based or price-indexed payments.

Lease payments due in subsequent periods from entities outside METRO for the rental of properties that are legally owned by METRO (METRO as lessor) are shown below:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2018			
Future lease payments due (nominal)	29	77	52

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2019			
Future lease payments due (nominal)	**24**	**63**	**44**

22. Investment properties

Investment properties are recognised at depreciated cost. As of 30 September 2019, investment properties totalling €82 million (30/9/2018: €97 million) were recognised. The development of these real estates is shown in the following table.

€ million	Investment properties
Acquisition or production costs	
As of 1/10/2017	426
Currency translation	−2
Additions to consolidation group	0
Additions	2
Disposals	−20
Reclassifications in accordance with IFRS 5	−128
Transfers associated with the tangible assets	19
As of 30/9/2018 | 1/10/2018	297
Currency translation	15
Additions to consolidation group	0
Additions	4[1]
Disposals	−32
Reclassifications in accordance with IFRS 5	0
Transfers associated with the tangible assets	22
As of 30/9/2019	306
Depreciation	
As of 1/10/2017	300
Currency translation	0
Additions, scheduled	5
Additions, impairment	1
Disposals	−6
Reclassifications in accordance with IFRS 5	−98
Reversals of impairment losses	−2
Transfers associated with the tangible assets	1
As of 30/9/2018 | 1/10/2018	200
Currency translation	9
Additions, scheduled	6[1]
Additions, impairment	0
Disposals	−11
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers associated with the tangible assets	18
As of 30/9/2019	223
Carrying amount as of 1/10/2017	126
Carrying amount as of 30/9/2018	97
Carrying amount as of 30/9/2019	**82**

[1] Including reclassifications from assets held for sale to investment properties.

The decline of €15 million resulted primarily from the disposal of a single Russian property in the Others segment.

The fair values of these investment properties total €148 million (30/9/2018: €205 million). They are determined on the basis of internationally recognised measurement methods, particularly the comparable valuation method and the discounted cash flow method (level 3 of the 3-level valuation hierarchy of IFRS 13 (Fair Value Measurement). This measurement is based on a detailed planning period of 10 years. Aside from market rents, market-based discount rates were used as key valuation parameters. The discount rates are determined on the basis of analyses of relevant real estate markets as well as evaluations of comparable transactions and market publications issued by international consulting firms. The resulting discount rates reflect the respective country and location risk as well as the property-specific real estate risk. In addition, project developments are considered to determine the best use.

The fair value is usually assessed by METRO PROPERTIES employees. External expert reports are used where available.

Rental income from continuing operations amounts to €22 million, with finance leases accounting for €8 million of this total (2017/18: €20 million, thereof €7 million from finance leases). The related expenses amount to €13 million, with finance leases accounting for €4 million (2017/18: €12 million, thereof €4 million from finance leases). Expenses of €0 million were incurred for properties without rental income, €0 million of which are attributable to finance leases (2017/18: €0 million, thereof €0 million from finance leases).

Restrictions on titles in the form of liens and encumbrances amounted to €0 million (30/9/2018: €0 million). As in the previous year, no contractual commitments for the acquisition of investment properties were made.

23. Financial investments and investments accounted for using the equity method

€ million	Loans	Investments	Securities	Total financial assets
Acquisition or production costs				
As of 1/10/2017	47	51	9	107
Currency translation	−1	0	0	−1
Additions to consolidation group	0	0	0	0
Additions	6	19	0	26
Disposals	−3	−2	0	−4
Reclassifications in accordance with IFRS 5	−13	−17	0	−31
Transfers	−1	0	0	−1
As of 30/9/2018 | 1/10/2018	35[1]	48[1]	9	92[1]
Currency translation	1	0	0	1
Additions to consolidation group	0	0	0	0
Additions	3	26	0	29
Disposals	−5	−7	−7	−19
Reclassifications in accordance with IFRS 5	0	0	0	0
Transfers	−1	−2	0	−2
As of 30/9/2019	34	66	2	102
Depreciation				
As of 1/10/2017	4	12	0	15
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	0	0	0	0
Disposals	0	−1	0	−1
Reclassifications in accordance with IFRS 5	0	−8	0	−8
Reversals of impairment losses	0	0	0	0
Transfers	1	0	0	1
As of 30/9/2018 | 1/10/2018	4	0[1]	0	4[1]
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	2	0	0	2
Disposals	−2	0	0	−2
Reclassifications in accordance with IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9/2019	5	0	0	5
Carrying amount as of 1/10/2017	43	39	9	92
Carrying amount as of 30/9/2018	31	48	9	88
Carrying amount as of 30/9/2019	**29**	**66**	**2**	**97**

[1] Changed opening balance due to first-time application of IFRS 9.

€ million	Investments accounted for using the equity method
Acquisition or production costs	
As of 1/10/2017	184
Currency translation	−8
Additions to consolidation group	0
Additions	9
Disposals	−6
Reclassifications in accordance with IFRS 5	0
Transfers	0
As of 30/9/2018 | 1/10/2018	179
Currency translation	−6
Additions to consolidation group	0
Additions	16
Disposals	−9
Reclassifications in accordance with IFRS 5	0
Transfers	0
As of 30/9/2019	180
Depreciation	
As of 1/10/2017	1
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2018 | 1/10/2018	1
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	0
Reclassifications in accordance with IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2019	1
Carrying amount as of 1/10/2017	183
Carrying amount as of 30/9/2018	178
Carrying amount as of 30/9/2019	**179**

Disclosures on the major investments accounted for using the equity method can be found in the following table.

Apart from Habib METRO Pakistan (closing date 30 June), all companies mentioned above have 31 December as the closing date. The companies are included in the consolidated financial statements of METRO AG with their latest available financial statements.

€ million	Habib METRO Pakistan 2017/18	Habib METRO Pakistan 2018/19	OPCI FWP 2017/18	OPCI FWP 2018/19	OPCI FWS 2017/18	OPCI FWS 2018/19	Mayfair group[1] 2017/18	Mayfair group[1] 2018/19	Miscellaneous 2017/18	Miscellaneous 2018/19	Total 2017/18	Total 2018/19
Disclosures on the income statement												
Sales revenues	12	**11**	23	**18**	23	**18**	14	**17**	127	**141**	199	**204**
Tax profit for the period from continuing operations	6	**5**	15	**12**	15	**12**	8	**8**	63	**67**	107	**105**
Tax profit for the period from discontinued operations	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Other comprehensive income	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Total comprehensive income	6	**5**	15	**12**	15	**12**	8	**8**	63	**67**	107	**105**
Dividend payments to the group	2	**2**	1	**1**	3	**4**	0	**0**	1	**8**	7	**14**
Disclosures on the balance sheet												
Non-current assets	47	**38**	287	**279**	270	**264**	190	**185**	–	**–**	–	**–**
Current assets	22	**22**	4	**4**	5	**4**	8	**2**	–	**–**	–	**–**
Non-current liabilities	2	**2**	116	**108**	110	**96**	0	**0**	–	**–**	–	**–**
Current liabilities	2	**2**	0	**0**	0	**0**	8	**2**	–	**–**	–	**–**
Net assets	64	**56**	175	**176**	164	**172**	190	**184**	–	**–**	–	**–**
Amount of the share (in %)	**40**	**40**	**5**	**5**	**25**	**25**	**40**	**40**	**–**	**–**	**–**	**–**
Share of the group in the net assets	26	**22**	9	**9**	41	**43**	75	**73**	–	**–**	–	**–**
Adjustment of asset values	15	**13**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**
Carrying amount of the share in the group	**41**	**35**	**9**	**9**	**41**	**43**	**75**	**73**	**12**	**17**	**178**	**179**

[1] The Mayfair group comprises 10 real estate companies.

METRO’s representation on the supervisory board of OPCI FRENCH WHOLESALE PROPERTIES – FWP ensures that significant influence is maintained and that the holding will be accounted for using the equity method although the investment only amounts to 5%.

The investments accounted for using the equity method within the group are mainly associate companies and rental companies. The main purpose of the leasing companies is to acquire, lease out and manage assets. The assets of these real estate companies are exclusively leased by METRO companies.

24. Other financial and other non-financial assets

	30/9/2018			30/9/2019		
		Remaining term			Remaining term	
€ million	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year
Receivables due from suppliers	328	327	1	316	316	1
Miscellaneous financial assets	271	233	38	324	287	37
Other financial assets	**600**	**561**	**39**	**640**	**603**	**37**
Other tax receivables	237	237	0	178	178	0
Prepaid expenses and deferred charges	226	68	158	101	66	35
Miscellaneous non-financial assets	53	48	5	42	35	8
Other non-financial assets	**515**	**353**	**163**	**322**	**279**	**43**

Receivables due from suppliers comprise both invoiced and deferred income for subsequent supplier compensation (for example bonuses, advertising subsidies) and creditors with debit balances.

The miscellaneous financial assets primarily consist of receivables from the disposal of non-current assets, receivables from credit card transactions, receivables from finance lease agreements, receivables from other financial transactions and receivables and other assets from the real estate sector.

The previous year's figures for the other financial assets include €27 million and the previous year's figures for other non-financial assets include €205 million attributable to the assets held for sale in connection with the sale of METRO China.

The other tax receivables include value added tax refunds, later offsettable input tax and miscellaneous tax receivables.

Prepaid expenses and deferred charges include deferred rental, leasing and interest charges as well as miscellaneous prepaid expenses and deferred charges.

Miscellaneous non-financial assets mainly consist of prepayments on inventories and raw materials and supplies. In addition, they include contract assets in the amount of €1 million (1/10/2018: €0 million) as well as assets for the right to recover products from a customer on settling the refund liabilities in the amount of €1 million (no balances existed at the date of first application of IFRS 15).

The decrease of the other non-financial assets is predominantly attributable to the assets of METRO China, which were still included in previous year's figure.

25. Deferred tax assets/deferred tax liabilities

Deferred tax assets on tax loss carry-forwards and temporary differences amount to €607 million before offsetting (30/9/2018: €719 million), a decline of €112 million compared to 30 September 2018. The carrying amounts of deferred tax liabilities increased by €24 million to €534 million compared with the previous year (30/9/2018: €511 million). The previous year's figures include €72 million in deferred tax assets and €6 million in deferred tax liabilities (before offsetting) attributable to METRO China.

Deferred taxes relate to the following balance sheet items:

	30/9/2018[1]		**30/9/2019**		Change through profit or loss	
€ million	Assets	Liabilities	**Assets**	**Liabilities**	Assets	Liabilities
Goodwill	27	29	**23**	**33**	−5	4
Other intangible assets	17	86	**10**	**103**	−7	17
Property, plant and equipment and investment properties	60	292	**74**	**307**	21	15
Financial investments and investments accounted for using the equity method	10	8	**5**	**4**	−5	−3
Inventories	26	5	**19**	**1**	−3	−2
Other financial and non-financial assets	82	29	**40**	**34**	−5	12
Assets held for sale	1	8	**0**	**0**	−1	−8
Provisions for post-employment benefits plans and similar obligations	95	36	**117**	**30**	5	−5
Other provisions	38	0	**42**	**4**	4	5
Financial liabilities	192	5	**177**	**3**	−13	−3
Other financial and non-financial liabilities	57	13	**60**	**15**	34	0
Write-downs of temporary differences	−22	0	**−28**	**0**	−6	0
Loss carry-forwards	136	0	**67**	**0**	−68	0
Carrying amount of deferred taxes before offsetting	**719**	**511**	**607**	**534**	**−49**	**34**
Offsetting	−390	−390	**−416**	**−416**	−34	−34
Carrying amount of deferred taxes	**329**	**120**	**191**	**119**	**−83**	**0**

[1] Adjustment of previous year according to explanation in notes.

Of the deferred tax assets shown, €52 million (30/9/2018: €130 million) are attributable to the group of incorporated companies of METRO AG. The additional deferred tax assets of €21 million (30/9/2018: €79 million) are attributable to various companies abroad. Based on business planning, realisation of these tax assets is to be considered sufficiently likely.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata equity in the balance sheet and the carrying amount of the investment for this subsidiary in the parent company's tax statement must be recognised (so-called outside basis differences) if the tax benefit is likely to be realised in the future. The differences can primarily be attributed to retained earnings of subsidiaries in Germany and abroad. No deferred taxes were recognised for these retained earnings as they will be reinvested over an indefinite period of time or are not subject to relevant taxation. Any dividends paid by subsidiaries would be subject to dividend tax. In addition, foreign dividends may trigger a withholding tax. As of 30 September 2019, no deferred tax liabilities from outside basis differences were recognised for planned dividend payments (30/9/2018: €0 million). The sum of the amount of temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognised was not determined as this would have been disproportionately expensive due to the level of detail of the METRO group.

No deferred tax assets were capitalised for the following tax loss carry-forwards and interest carry-forwards or temporary differences because realisation of the assets in the short-to-medium term is not expected:

€ million	30/9/2018	**30/9/2019**
Corporate tax losses	4,320	**4,883**
Trade tax losses	3,296	**3,679**
Interest carry-forwards	57	**83**
Temporary differences	104	**120**

The loss carry-forwards as of the closing date predominantly concern the German consolidation group. They can be carried forward without limitation.

TAX EFFECTS ON COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2017/18			**2018/19**		
€ million	Before taxes	Taxes	After taxes	**Before taxes**	**Taxes**	**After taxes**
Currency translation differences from translating the financial statements of foreign operations	−190	0	−190	**138**	**0**	**138**
thereof currency translation differences from net investments in foreign operations	(3)	(0)	(3)	**(40)**	**(0)**	**(40)**
Effective portion of gains/losses from cash flow hedges	2	0	2	**2**	**0**	**2**
Gains/losses on remeasuring financial instruments in the category 'available for sale'	9	0	9	**0**	**0**	**0**
Effects from the fair value measurement of equity instruments	0	0	0	**−3**	**0**	**−3**
Effects from the fair value measurement of debt instruments	0	0	0	**0**	**0**	**0**
Remeasurement of defined benefit pension plans	17	−6	11	**−94**	**22**	**−73**
Remaining income tax on other comprehensive income	0	4	4	**0**	**−4**	**−4**
	−162	**−2**	**−164**	**43**	**17**	**59**

Deferred taxes on components of other comprehensive income primarily apply to the remeasurement of defined benefit pension plans. The other components are not tax-effective.

26. Inventories

€ million	30/9/2018	**30/9/2019**
Food merchandise	1,517	**1,408**
Non-food merchandise	591	**539**
	2,108	**1,946**

The inventories are reduced by €162 million from €2,108 million to €1,946 million.

The previous year's figures include €203 million attributable to METRO China.

Positive currency effects, resulting in particular from the development of the Russian rouble and the Turkish lira, increased inventories by a total of €41 million.

Inventories include impairments of €62 million (30/9/2018: €70 million). The inventories are subject to the customary or statutory retention of title.

27. Trade receivables

Trade receivables declined by €90 million, from €571 million to €482 million. These are receivables with a remaining term of up to 1 year.

The previous year's figures include €75 million attributable to METRO China. Currency effects increased the trade receivables by €9 million. Higher direct payments reduce trade receivables in the METRO Western Europe (excluding Germany) segment by €8 million.

28. Impairments of financial assets

Since 1 October 2018, METRO has applied the new accounting and measurement methods in accordance with the impairment requirements of IFRS 9.

The following disclosures on impairment losses under IFRS 9 are not comparable to the previous year's disclosures under IFRS 7 or IAS 39, which are explained at the end of this chapter. In the previous year, impairment losses of €100 million were recognised for financial assets. As of 30 September 2019, impairment losses recognised in the balance sheet amounted to €104 million. The impact of the first-time application of IFRS 9 is insignificant.

- **Disclosures regarding the conversion effects from the introduction of IFRS 9 can be found in the notes to the group accounting principles and methods page 170.**

The following explanations relate to the financial assets to which the impairment requirements of IFRS 9 are applied.

For **trade receivables**, METRO makes use of the simplified procedure to determine expected credit losses provided for in IFRS 9. METRO records the expected credit losses over the entire term of the financial instruments on the basis of a provision matrix. Trade receivables are combined in different portfolios with similar credit risk characteristics for this purpose. This is based on the regions used for METRO's segment reporting.

The loss default rates per past-due category of these portfolios are estimated on the basis of previous experience with credit losses from such financial assets. The loss default rates determined in this way are adjusted by including a projected global corporate insolvency index.

The table below shows the expected credit losses on trade receivables for each maturity band as of 30 September 2019, calculated on the basis of the provision matrix:

€ million	Total	thereof not past-due	thereof up to 90 days past-due	thereof 91 to 180 days past-due	thereof 181 to 270 days past-due	thereof 271 to 360 days past-due	thereof more than 360 days past-due
Gross carrying amount	454	353	86	7	3	3	3
Bandwidth of calculated default rates		+0.21% to +1.12%	1.00% to 6.97%	3.40% to 26.00%	6.62% to 28.18%	10.72% to 47.34%	11.91% to 86.49%
Risk provisions	**7**	**2**	**2**	**1**	**0**	**1**	**1**

Loss allowances on trade receivables are reconciled according to the simplified calculation as follows:

€ million	Trade receivables
Loss allowances in accordance with IAS 39 as of 30 September 2018	**43**
Retrospective adjustment (recognised in reserves retained from earnings)	3
Loss allowances according to IFRS 9 as of 1 October 2018	**47**
Addition to impairment through profit or loss	23
Reversal of impairment through profit or loss	−15
Utilisation	−8
Currency effects	1
Other changes	0
Loss allowances as of 30 September 2019	**47**

The loss allowances as of 30 September 2019 amounted to €47 million (30/9/2018: €43 million, thereof €1 million for METRO China) and include impairments of €40 million on individual receivables for which there are objective indications of an impairment of creditworthiness.

The valuation adjustment of trade receivables resulting from the first-time application of IFRS 9 in financial year 2018/19 with regard to impairment amounted to €3 million. This effect was recognised directly in reserves retained from earnings.

The following table shows the gross carrying amounts of trade receivables that were or were not past-due as of the closing date on 30 September 2019, which were depreciated either on the basis of the respective applied provision matrix or on the basis of objective indications of default:

€ million	Trade receivables
Not past-due	367
Up to 90 days past-due	93
91 to 180 days past-due	15
181 to 270 days past-due	6
271 to 360 days past-due	6
More than 360 days past-due	31
Gross carrying amount	**517**
Loss allowances	−47
Maximum credit risk	**470**

In addition, for trade receivables of €12 million (30/9/2018: €7 million, thereof €0 million for METRO China) collaterals are available. These receivables were not impaired.

METRO applies the general impairment requirements of IFRS 9 to **receivables from suppliers, credit card transactions** and **loans**. A possible credit risk in these cases is determined on the basis of the counterparty's creditworthiness. For this purpose, METRO uses external ratings of well-known rating agencies as well as internal credit risk rating grades based on the risk of default of the respective financial instrument. The creditworthiness of the counterparties is continuously monitored so that METRO recognises a significant increase in the credit risk and can react promptly to any changes.

The following table shows the development of risk provisions in relation to financial assets to which the general impairment requirements of IFRS 9 are applied:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
Risk provision as of 30 September 2018	**–**	**–**	**–**	**29**
Retrospective IFRS 9 adjustment (recognised in reserves retained from earnings)	–	–	–	0
Risk provision as of 1 October 2018	**1**	**0**	**28**	**29**
Newly originated/acquired financial assets	0	0	0	0
Other changes within one stage	0	0	9	9
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Derecognised financial assets	0	0	−5	−5
Utilisation	0	0	−4	−4
Other changes[1]	0	0	−2	−2
Risk provision as of 30 September 2019	**1**	**0**	**27**	**28**

[1] Other changes include currency translation differences, changes in the consolidation group and reclassifications to assets held for sale.

Risk provisions as of 30 September 2019 amounted to € 28 million (30/9/ 2018: € 29 million, thereof € 2 million for METRO China).

Stage 1 of the model contains financial assets that have a low credit risk or whose credit risk has not increased significantly since the initial recognition of the asset. At this stage, the risk provision is calculated as the 12-month expected credit loss. If the credit risk on the closing date is significantly higher than at the time of initial recognition, the financial asset is reclassified to stage 2. The amount of the risk provision is determined at this level as the expected losses that can arise from all possible default events over the expected entire term of the financial instrument. If there is objective evidence that a financial asset will not be collected in whole or in part, it is reclassified to stage 3. Default is defined as the failure to maintain contractually agreed cash flows.

The table below shows the gross carrying amounts as of 30 September 2019 for those financial instruments for which the impairment losses are determined according to the general approach; they are differentiated according to the external rating of the counterparties:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
AAA, AA+, AA, AA−	7	1	1	9
A+, A, A−	16	0	0	17
BBB+, BBB, BBB−	10	0	0	10
BB+, BB, BB−	2	0	0	2
B+ or lower	44	0	0	44
Gross carrying amount	**80**	**1**	**2**	**82**
Risk provision	0	0	−1	−1
Maximum credit risk	**80**	**1**	**1**	**82**

METRO minimises credit risk by exclusively investing in first-class debt capital instruments from counterparties with a good to very good external rating (investment grade). Therefore, a significant portion of the financial assets is allocated to stage 1 of the impairment model.

For counterparties that do not have an external rating and are therefore assigned to the internal risk classes, the credit risk determined according to the general approach is as follows:

€ million	No significantly increased credit risk since recognition (stage 1)	Increased credit risk (stage 2)	Impaired credit-worthiness (stage 3)	Total
Internal risk class 1 (not past-due or up to 30 days past-due)	294	0	2	297
Internal risk class 2 (31 to 90 days past-due)	15	1	1	16
Internal risk class 3 (more than 90 days past-due)	12	0	33	46
Gross carrying amount	**321**	**1**	**37**	**358**
Risk provision	−1	0	−27	−27
Maximum credit risk	**320**	**1**	**10**	**331**

The figures for the previous year were based on the requirements of IAS 39 and IFRS 7 (Financial Instruments: Disclosures). Impairment losses on financial assets developed as follows:

€ million	Category 'loans and receivables'	thereof loans	thereof other current receivables
As of 30/9/2017 and 1/10/2017	117	(4)	(113)
Currency translation	−5	(0)	(−5)
Additions	40	(0)	(40)
Reversal	−19	(0)	(−18)
Reclassifications in accordance with IFRS 5	−5	(0)	(−5)
Utilisation	−29	(0)	(−29)
Transfers	1	(1)	(0)
As of 30/9/2018	**100**	**(5)**	**(95)**

In financial year 2017/18, impairment losses in the amount of €2 million were included, which were attributable to METRO China.

The maturity structure of the financial assets recognised as of 30 September 2018 is as follows:

			thereof past-due, no specific allowances				
€ million	Total carrying amount 30/9/2018	thereof not past-due, not impaired	Up to 90 days past-due	91 to 180 days past-due	181 to 270 days past-due	271 to 360 days past-due	More than 360 days past-due
Assets							
in the category 'loans and receivables'	1,170	928	78	8	1	1	4
thereof loans	(33)	(33)	(0)	(0)	(0)	(0)	(0)
thereof other current receivables	(1,138)	(895)	(78)	(8)	(1)	(1)	(4)
in the category 'held to maturity'	0	0	0	0	0	0	0
in the category 'held for trading'	7	0	0	0	0	0	0
in the category 'available for sale'	49	1	0	0	0	0	0
	1,227	**929**	**78**	**8**	**1**	**1**	**4**

In financial year 2017/18, financial assets that were not past-due but also not individually impaired included €110 million, financial assets that were past-due up to 90 days but not specifically impaired included €5 million attributable to METRO China.

29. Cash and cash equivalents

€ million	30/9/2018	30/9/2019
Cheques and cash on hand	31	20
Bank deposits and other financial assets with short-term liquidity	1,267	479
	1,298	500

The previous year's figures include €392 million attributable to METRO China. Of the cash and cash equivalents, €0 million (30/9/2018: €0 million) are subject to restrictions on title.

— **For more information, see the cash flow statement and no. 41 – notes to the cash flow statement ▶ page 263.**

30. Assets held for disposal/liabilities related to assets held for sale

Real estate

The value of individual real estate properties held for sale changed from €26 million to €0 million during financial year 2018/19. On the one hand, reclassifications from non-current assets increased the item by €127 million. On the other hand, the sale of real estate assets in the amount of €137 million caused assets held for sale to decline. In addition, this item was reduced to €0 million by the reintegration of real estate assets into non-current assets.

— **Disclosures on assets/liabilities held for sale in connection with the sale of the hypermarket business and METRO China can be found under no. 43 – discontinued business sectors ▶ page 266.**

31. Equity

The subscribed capital of METRO AG amounts to €363,097,253. It is divided as follows:

No-par-value bearer shares, accounting par value of €1.00		30/9/2018	30/9/2019
Ordinary shares	Number of shares	360,121,736	360,121,736
	€	360,121,736	360,121,736
Preference shares	Number of shares	2,975,517	2,975,517
	€	2,975,517	2,975,517
Total shares	**Number of shares**	**363,097,253**	**363,097,253**
Total share capital	**€**	**363,097,253**	**363,097,253**

As of 30 September 2019 and as of 30 September 2018, the subscribed capital of METRO AG amounted to €363,097,253. It is divided into a total of 360,121,736 ordinary no-par-value bearer shares (pro rata value of the share capital: €360,121,736, approximately 99.18%), as well as 2,975,517 preference no-par-value bearer shares (pro rata value of the share capital: €2,975,517, approximately 0.82%). Each no-par-value share in the company has a notional interest of €1.00 in the share capital.

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

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

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

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

(4) The holders of non-voting preference shares and those holding ordinary shares will equally share in any additional profit distribution in the proportion corresponding to the number of shares held by them in the share capital.'

Authorised capital

The Annual General Meeting on 16 February 2018 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital). The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, the authorised capital has not been fully utilised.

Contingent capital

The Annual General Meeting held on 16 February 2018 resolved a contingent increase in the share capital by up to €50,000,000, divided into a maximum of 50,000,000 ordinary shares (contingent capital). This contingent capital increase is related to the establishment of an authority of the Management Board to issue, subject to the consent of the Supervisory Board, one or several tranches of warrant or convertible bearer bonds (collectively 'bonds') with an aggregate par nominal value of €1,500,000,000 prior to 15 February 2023, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or to impose warrant or conversion obligations 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, or to provide for the company's right to deliver ordinary shares in the company as full or partial payment in lieu of a cash redemption of the bonds. The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, no warrants and/or convertible bearer bonds have been issued under the aforementioned authority.

Repurchase of own shares

On the basis of § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting on 11 April 2017 authorised the company to acquire own shares of any share class representing a maximum of 10% of the share capital issued at the time the authority became effective, or – if this figure is lower – at the time the authority is exercised. The authority expires on 28 February 2022. To date, neither the company nor any company controlled or majority-owned by it, any other company acting on behalf of the company or of any company controlled or majority-owned by that company, has exercised this authority.

- **For more information on the company's authorised capital, contingent capital, the authority to issue warrants and/or convertible bearer bonds as well as share repurchasing, see chapter –** **7 takeover-related disclosures page 141** **in the combined management report.**

Capital reserve and reserves retained from earnings

Prior to the effective date of the reclassification and demerger of CECONOMY AG on 12 July 2017, METRO AG was not yet a group within the meaning of IFRS 10. Accordingly, combined financial statements of METRO Wholesale & Food Specialist GROUP (hereinafter: MWFS GROUP) were prepared for the IPO prospectus of METRO AG. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of MWFS GROUP. Following the demerger, METRO became an independent group with METRO AG as the listed parent company. Therefore, the equity in the consolidated financial statements is subdivided according to legal requirements. The subscribed capital of €363 million and the capital reserve of €6,118 million were recognised at the carrying amounts from the METRO AG Annual Financial Statements as of 30 September 2017. For this purpose, a transfer was made from the equity item net assets, recognised as of 1 October 2016, attributable to the former METRO GROUP of the combined financial statements of MWFS GROUP. The remaining negative amount of this equity item was reclassified to reserves retained from earnings. It cannot be traced back to a history of loss.

Reserves retained from earnings can be broken down as follows:

€ million	30/9/2018	**30/9/2019**
Effective portion of gains/losses from cash flow hedges	0	**2**
Equity and debt instruments[1]	9	**−3**
Currency translation differences from translating the financial statements of foreign operations	−738	**−602**
Remeasurement of defined benefit pension plans	−410	**−500**
Income tax on components of other comprehensive income	91	**106**
Other reserves retained from earnings	−2,401[2]	**−2,782**
	−3,449	**−3,778**

[1] Previous year: gains/losses on remeasuring financial instruments in the category 'available for sale'.

[2] Adjustment of previous year according to explanation in notes.

Changes in the financial instruments presented above consist of the following components:

€ million	2017/18	**2018/19**
Initial or subsequent measurement of derivative financial instruments	9	**0**
Derecognition of cash flow hedges	−7	**2**
thereof in inventories	(0)	**(0)**
thereof in net financial result	(−7)	**(2)**
Effective portion of gains/losses from cash flow hedges	**2**	**2**
Equity and debt instruments[1]	9	**−3**
	11	**−1**

[1] Previous year: Gains/losses on remeasuring financial instruments in the category 'available for sale'.

The valuation effects of equity and debt instruments relate to the subsequent measurement of investments.

In addition, currency translation differences increased by €136 million (2017/18: €−189 million). They can be broken down as follows:

The translation of the local balance sheets to the group currency resulted in an increase of €131 million in other comprehensive income. In addition, the effective derecognition of cumulative currency differences of companies that were deconsolidated or discontinued operation within financial year 2018/19 had an effect of €5 million.

The remeasurement of defined benefit pension plans resulted in effects outside of profit or loss before deferred taxes in the amount of €−90 million.

- **An overview of the tax effects on components of other comprehensive income can be found under** **no. 25 – deferred tax assets/deferred tax liabilities ▸ page 227****.**

Other reserves retained from earnings decreased by €381 million from €−2,401 million to €−2,782 million. The profit or loss for the period from continuing operations results in an increase in other reserves retained from earnings. The profit or loss for the period from discontinued operations as well as dividend payments for financial year 2017/18 have an opposite effect.

Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the equity of the consolidated subsidiaries. As of 30 September 2019, they amount to €32 million (30/9/2018: €41 million).

- **An overview of subsidiaries with major non-controlling interests is published in the** **notes to the group accounting principles and methods ▸ page 170****.**

Appropriation of the balance sheet profit, dividend

Dividend distribution of METRO AG is based on the METRO AG Annual Financial Statements prepared under German commercial law.

Concerning the appropriation of the balance sheet profit for 2018/19, the Management Board of METRO AG will propose to the Annual General Meeting to distribute a dividend in the amount of €0.70 per ordinary share and €0.70per preference share – that is, a total of

€254million – from the reported balance sheet profit of €266 million and to carry forward the remaining amount to the new account.

32. Provisions for post-employment benefits plans and similar obligations

€ million	30/9/2018	**30/9/2019**
Provisions for post-employment benefits plans (employer's commitments)	344	**414**
Provisions for indirect commitments	12	**17**
Provisions for voluntary pension benefits	0	**0**
Provisions for post-employment benefit plans	71	**78**
	427	**509**
Provisions for obligations similar to pensions	41	**34**
	468	**543**

Provisions for post-employment benefits plans are recognised in accordance with IAS 19 (Employee Benefits).

Provisions for post-employment benefits plans consist of commitments primarily related to benefits defined by the provisions of company pension plans. These take the form of defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external pension providers (benevolent funds in Germany and international pension funds). The external providers' assets serve exclusively to finance the pension entitlements and qualify as plan assets. The benefits under the different plans are based on performance and length of service.

The most important performance-based pension plans are described in the following.

Germany

METRO grants many employees in Germany retirement, disability and surviving dependant's benefits. New commitments are granted in the form of 'defined benefit' commitments in the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension reinsurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by pension reinsurance.

In addition, various pension funds exist that are closed for new contributions. In general, these provide for lifelong pensions starting with the start of retirement or recognised invalidity. Benefits are largely defined as fixed payments or on the basis of set annual increases. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. The commitments provide for a widow's or widower's pension of varying size, depending on the benefits the former employee received or would have received in case of invalidity. Legacy commitments are partially covered by assets held in benevolent funds. Provisions are recognised for those commitments not covered. The benevolent funds' decision-making bodies (management board and general assembly of members) comprise both employer and employee representatives. The respective members of the Management Board decide on the deployment of funds and financial investments. It may commission third parties to manage fund assets. No statutory minimum endowment obligations exist. Insofar as pledged benefits cannot be paid out of the benevolent fund assets, the employer is obliged to directly assume these payments.

There are also deferred compensation contracts with the 'Hamburger Pensionskasse' (Hamburg pension fund).

Netherlands

A defined benefit pension plan exists in the Netherlands which provides for pension payments in addition to invalidity and death benefits. The amount of the benefits depends on the pensionable salary per year of service. Benefits are funded through a pension fund whose decision-making bodies (management board, as well as administration, finance and investment committee) include employer and employee representatives. The fund's management board has responsibility for asset management. The pension fund's investment committee exists for this purpose. In line with statutory minimum funding requirements, the pension fund's management board must ensure that commitments are covered by assets at all times. In case of underfunding, the pension fund's management board may take different measures to compensate for deficient cover. These measures include the requirement for additional contributions by the employer and curtailments in employee benefits.

United Kingdom

In July 2012, the former METRO GROUP sold its cash-and-carry business in the United Kingdom to Booker Group PLC. Pension commitments were not part of the sale. Since the date of the disposal, only vested benefits and current pensions from service years at the former METRO GROUP have existed. In accordance with legal stipulations, the vested interests must be adjusted for inflation effects. The commitments are covered by assets which are managed and invested by a corporate trustee. A major share of these commitments was fully funded through a buy-in. The management board of this corporate trustee consists of employer and employee representatives. In any case, the trustee must ensure that benefits can be paid at all times in the future. This is regulated on the basis of statutory minimum financing requirements. In case of underfunding, the trustee may require additional employer contributions to close the funding gap.

Belgium

There are both retirement pensions and capital commitments; the amount depends on the pensionable length of service and pensionable income. In addition, groups of employees are granted interim allowances. In principle, benefits are funded through group insurance contracts that are subject to Belgian regulatory law.

Additional retirement plans are reported cumulatively under other countries.

The following table provides an overview of the present value of defined benefit obligations by METRO countries as well as material obligations:

€ million	30/9/2018	**30/9/2019**
Germany	374	**448**
Netherlands	469	**611**
United Kingdom	211	**241**
Belgium	88	**85**
Other countries	109	**131**
	1,251	**1,516**

The plan assets of METRO are distributed between the following countries:

€ million	30/9/2018	**30/9/2019**
Germany	71	**81**
Netherlands	584	**671**
United Kingdom	209	**237**
Belgium	50	**52**
Other countries	26	**25**
	940	**1,066**

The above commitments are valued on the basis of actuarial calculations in accordance with relevant provisions of IAS 19. The basis for the measurement is the legal and economic circumstances prevailing in each country.

The following assumptions regarding the material parameters were used in the actuarial measurements:

	30/9/2018				**30/9/2019**			
%	Germany	Nether-lands	United Kingdom	Belgium	**Germany**	**Nether-lands**	**United Kingdom**	**Belgium**
Actuarial interest rate	2.20	2.40	2.70	2.20	**1.00**	**1.20**	**2.00**	**1.20**
Pension trend	1.50	0.90	2.40	2.00	**1.50**	**0.70**	**2.50**	**2.00**

As in previous years, METRO used generally recognised methods to determine the actuarial interest rate. With these, the respective actuarial interest rate based on the yield of investment grade corporate bonds is determined as of the closing date taking account of the currency and maturity of the underlying obligations. The actuarial interest rate for the Eurozone and the UK is based on the results of a method applied in a uniform manner across the group. The interest rate for this is set on the basis of the returns of high-quality corporate bonds and the duration of commitments. In countries without a liquid market of suitable corporate bonds, the actuarial interest rate was determined on the basis of government bond yields.

Aside from the actuarial interest rate, the pension trend represents another key actuarial parameter. In Germany, the rate of pension increases is derived directly from the inflation rate insofar as pension adjustments can be determined on the basis of the increase in the cost of living. In international companies, pension adjustments are also generally determined on the basis of the inflation rate.

The other parameters are not relevant for the measurement of pension obligations. The impact of changes in fluctuation and mortality assumptions was analysed for major plans. As of 30 September 2019, the mortality rate for the German group companies are based on the 2018 G tables from Prof. Dr Klaus Heubeck.

The actuarial measurements outside of Germany are based on country-specific mortality tables. The resulting effects of fluctuation and mortality assumptions have been deemed immaterial and are not listed as a separate component.

The results of a sensitivity analysis for the key measurement parameters with respect to the present value of pension entitlements are presented below. The actuarial interest rate and the pension trend were identified as key parameters with an impact on the present value of pension entitlements. The sensitivity analysis used the same methods as were applied in the previous year. The analysis considered changes in parameters that are considered possible within reason. The selection of the respective spectrum of possible changes in parameters is based on historical multi-year observations.

The following illustrates the impact of an increase/decrease in the actuarial interest rate by 100 basis points or an increase/decrease in the pension trend by 25 basis points. For interpretation of the values, it should be noted that the obligations in the Netherlands and the United Kingdom are backed to a large extent and that the plan assets also regularly show a compensating sensitivity with regard to the development of the general interest rate level.

€ million		30/9/2018				**30/9/2019**			
		Germany	Nether-lands	United Kingdom	Belgium	**Germany**	**Nether-lands**	**United Kingdom**	**Belgium**
Actuarial interest rate	Increase by 100 basis points	−46	−89	−33	−3	**−59**	**−126**	**−38**	**−4**
	Decrease by 100 basis points	58	123	43	5	**77**	**175**	**50**	**6**
Pension trend	Increase by 25 basis points	9	13	5	0	**12**	**19**	**7**	**0**
	Decrease by 25 basis points	−9	−13	−6	0	**−11**	**−18**	**−6**	**0**

Changes in the present value of defined benefit obligations have developed as follows:

€ million	2017/18	**2018/19**
Present value of defined benefit obligations		
As of the beginning of the period	1,342	**1,251**
Recognised under	**55**	**50**
Interest expenses	30	**29**
Current service cost	25	**21**
Past service cost (incl. curtailments and changes)	0	**0**
Settlement expenses	0	**0**
Recognised outside of profit or loss under 'remeasurement of defined benefit pension plans' in other comprehensive income	**−39**	**251**
Actuarial gains/losses from changes in		
demographic assumptions (−/+)	−4	**10**
financial assumptions (−/+)	−20	**237**
experience-based correction (−/+)	−15	**4**
Other effects	**−107**	**−36**
Benefit payments (incl. tax payments)	−59	**−48**
Contributions from plan participants	11	**9**
Change in consolidation group / transfers	0	**1**
Reclassifications in accordance with IFRS 5	−55	**0**
Currency effects	−4	**2**
As of end of period	**1,251**	**1,516**

Changes in parameters on the basis of actuarial calculations led to a total increase in the present value of defined benefit obligations by €247 million (2017/18: €−24 million). Most of the effects result from the reduction of the applied invoice rates.

The weighted average term of defined benefit commitments for the countries with material pension obligations amounts to:

Years	30/9/2018	**30/9/2019**
Germany	16	**16**
Netherlands	22	**24**
United Kingdom	18	**18**
Belgium	4	**6**
Other countries	11	**11**

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/9/2018	**30/9/2019**
Active members	32	**34**
Former claimants	38	**38**
Pensioners	30	**28**

The granting of defined benefit pension entitlements exposes METRO to various risks. These include general actuarial risks resulting from the measurement of pension commitments (for example, interest rate risks) as well as capital and investment risks related to plan assets.

With a view to the funding of future pension payments from indirect commitments and a stable actuarial reserve, METRO primarily invests plan assets in low-risk investment forms. The funding of direct pension commitments is secured through operating cash flow at METRO.

The fair value of plan assets by asset category can be broken down as follows:

	30/9/2018		**30/9/2019**	
	%	€ million	**%**	**€ million**
Fixed-interest securities	36	337	**38**	**407**
Shares, funds	26	247	**25**	**264**
Real estate	4	36	**5**	**50**
Other assets	34	320	**32**	**345**
	100	**940**	**100**	**1,066**

Fixed-interest securities, shares and funds are regularly traded in active markets. As a result, the relevant market prices are available. The asset category ‘fixed-interest securities’ only includes investments in investment grade corporate bonds, government bonds and mortgage-backed bonds (Investment Grade). Risk within the category shares, funds is minimised through geographic diversification.

The majority of real estate assets are invested in real estate funds.

Other assets essentially comprise receivables from first-class insurance companies in Germany, Belgium and the United Kingdom.

The actual return on plan assets amounted to €125 million in the reporting period (2017/18: €45 million).

For financial year 2019/20, the company expects employer payments to external pension providers totalling approximately €18 million and employee contributions of €9 million in plan assets, with contributions in the Netherlands, Belgium and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

The fair value of plan assets developed as follows:

€ million	2017/18	2018/19
Change in plan assets		
Fair value of plan assets as of beginning of period	905	**940**
Recognised under	**21**	**23**
Interest income	21	**23**
Recognised outside of profit or loss under 'remeasurement of defined benefit pension plans' in other comprehensive income	**24**	**102**
Gains/losses from plan assets excl. interest income (+/−)	24	**102**
Other effects	**−10**	**0**
Benefit payments (incl. tax payments)	−34	**−27**
Settlement payments	−6	**0**
Employer contributions	35	**18**
Contributions from plan participants	11	**9**
Change in consolidation group / transfers	0	**0**
Reclassification in accordance with IFRS 5	−16	**0**
Currency effects	0	**1**
Fair value of plan assets as of end of period	**940**	**1,066**

€ million	30/9/2018	30/9/2019
Financing status		
Present value of defined benefit obligations	1,251	**1,516**
less the fair value of plan assets	940	**1,066**
Asset adjustment (asset ceiling)	115	**59**
Net liability / assets	**427**	**509**
thereof recognised under provisions	(427)	**(509)**
thereof recognised under net assets	(0)	**(0)**

At one Dutch company, plan assets exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b).

The change in the effect of the asset ceiling in the amount of €58 million (2017/18: €−46 million) was largely recognised in other comprehensive income as a loss from remeasuring.

The pension expenses of the direct and indirect company pension plan commitments can be broken down as follows:

€ million	2017/18	**2018/19**
Current service cost[1]	24	**21**
Net interest expenses[2]	11	**9**
Past service cost (incl. curtailments and changes)	0	**0**
Settlements	0	**0**
Other pension expenses	1	**1**
Pension expenses	**36**	**31**

[1] Netted against employees' contributions.

[2] Included therein: Interest effect from the adjustment of the asset ceiling.

The entire loss to be recognised outside of profit or loss in the other comprehensive income amounts to €90 million in financial year 2018/19. This figure is comprised of the effect from the change in actuarial parameters in the amount of €+247 million and the experience-based adjustments of €+4 million. It was offset by income from plan assets of €103 million and a gain of €58 million resulting from the change in the effect of the asset ceiling in the Netherlands.

In addition to expenses from defined benefit commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €82 million in financial year 2018/19 (2017/18: €82 million) were recorded. These figures also include payments to statutory pension insurance.

The provisions for obligations similar to pensions essentially comprise commitments from employment anniversary allowances, death benefits and partial retirement plans. Provisions amounting to €34 million (30/9/2018: €41 million) were allocated for these commitments. The commitments are valued on the basis of actuarial expert opinions. The valuation parameters used for this purpose are generally determined in the same way as for the company pension plan.

33. Other provisions (non-current) / provisions (current)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate-related obligations	Obligations from trade transactions	Restructuring	Taxes	Miscellaneous	Total
As of 1/10/2018	135	21	42	14	187	399
Transfer due to IFRS 15	0	−3	0	0	0	−3
Currency translation	2	0	0	0	1	4
Addition	22	27	15	9	110	183
Reversal	−10	0	−8	−4	−31	−54
Utilisation	−19	−23	−22	−4	−83	−151
Change in consolidation group	0	0	0	0	0	0
Interest portion of the addition/change in interest rate	1	0	0	0	1	2
Reclassification in accordance with IFRS 5	−42	0	−1	0	−37	−80
Transfer	−8	7	0	2	−1	−1
As of 30/9/2019	**79**	**30**	**26**	**18**	**148**	**300**
thereof non-current	(46)	(0)	(3)	(11)	(72)	(132)
thereof short-term	(33)	(30)	(23)	(7)	(76)	(168)

Provisions for real estate-related obligations primarily concern deficient rental covers in the amount of €24 million (30/9/2018: €34 million), dismantling and removing obligations amounting to €22 million (30/9/2018: €20 million), reinstatement obligations amounting to €15 million (30/9/2018: €24 million), store-related risks in the amount of €9 million (30/9/2018: €15 million) as well as rental commitments amounting to €7 million (30/9/2018: €40 million).

The most significant component of provisions for obligations from trade transactions are risks from subsequent charges to suppliers.

Supplementary components are provisions for warranties amounting to €1 million (30/9/2018: €1 million).

Other provisions primarily relate to provisions for litigation costs/risks in the amount of €48 million (30/9/2018: €49 million), the provisions for long-term remuneration in the amount of €18 million (30/9/2018: €36 million) and provisions for guarantee and warranty risks amounting to €18 million (30/9/2018: €23 million). The previous year's figures for other provisions include €71 million attributable to METRO China.

— **For more information about the long-term remuneration components, see no. 50 – long-term incentive for executives ▸ page 284.**

Depending on the respective term and country, interest rates for non-interest-bearing, non-current provisions range from 0.00% to 5.32%.

34. Liabilities

€ million	30/9/ 2018 Total	Remaining term: up to 1 year	Remaining term: 1 to 5 years	Remaining term: over 5 years	**30/9/ 2019 Total**	**Remaining term: up to 1 year**	**Remaining term: 1 to 5 years**	**Remaining term: over 5 years**
Trade liabilities	**3,993**	**3,993**	**0**	**0**	**3,572**	**3,572**	**0**	**0**
Bonds incl. commercial papers	2,920	1,026	1,195	699	**2,301**	**531**	**1,122**	**648**
Liabilities to banks	383	318	65	0	**359**	**279**	**80**	**0**
Promissory note loans	55	1	54	0	**55**	**1**	**54**	**0**
Liabilities from finance leases	652	74	213	365	**653**	**60**	**259**	**335**
Financial liabilities	**4,010**	**1,420**	**1,526**	**1,063**	**3,369**	**871**	**1,515**	**983**
Payroll liabilities	450	449	0	0	**472**	**472**	**0**	**0**
Liabilities from other financial transactions	6	6	0	0	**14**	**14**	**0**	**0**
Miscellaneous other financial liabilities	345	289	4	52	**299**	**243**	**8**	**48**
Other financial liabilities	**801**	**744**	**4**	**52**	**784**	**728**	**8**	**48**
Prepayments received on orders	32	32	0	0	**0**	**0**	**0**	**0**
Contract liabilities	0	0	0	0	**35**	**35**	**0**	**0**
Deferred income	170	124	12	34	**57**	**11**	**12**	**34**
Other tax liabilities	195	195	0	0	**158**	**158**	**0**	**0**
Miscellaneous other liabilities	61	41	4	16	**54**	**28**	**5**	**21**
Other liabilities	**459**	**392**	**16**	**50**	**305**	**233**	**17**	**55**
Income tax liabilities	**191**	**191**	**0**	**0**	**169**	**169**	**0**	**0**
	9,454	**6,741**	**1,547**	**1,166**	**8,199**	**5,574**	**1,540**	**1,085**

35. Trade liabilities

Trade liabilities declined by €421 million, from €3,993 million to €3,572 million.

The previous year's figures include €490 million attributable to METRO China.

Currency effects increased trade payables by €52 million, which mainly resulted from the Russian rouble (€23 million), the Turkish lira (€18 million) and the Ukrainian hryvnia (€14 million). The increase after currency effects amounts to €17 million and is predominantly attributable to modified payment terms and increased purchasing volumes in a number of different countries.

36. Financial liabilities

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €5 billion. On 1 March 2019, a due bond of €500 million was repaid with a coupon of 3.375% and was not refinanced through the bond issuance programme. As of 30 September 2019, the utilised bond issuance programme amounted to a total of €1,901 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 €785 million during the reporting period. As of 30 September 2019, the utilisation amounted to €387 million (30/9/2018: €497 million).

In addition, METRO has access to syndicated credit facilities totalling €1,750 million (30/9/2018: €1,750 million) with terms ending between 2021 and 2024. If the credit facilities are used, the interest rates range between EURIBOR +50.0 basis points (BP) and EURIBOR +55.0 BP. As was the case in the previous year, the credit facilities were not utilised in financial year 2018/19. The contract terms for the syndicated credit facilities provide for a decrease of 10 BP in the spread if METRO's credit rating is raised by one grade. In the event of a downgrade in METRO's rating, the margins increase by 25 BP.

As of 30 September 2019, METRO had access to additional bilateral bank credit facilities totalling €609 million (30/9/2018: €633 million), of which €279 million (30/9/2018: €318 million) had a remaining term of up to one year. As of the closing date, €359 million (30/9/2018: €383 million) of the bilateral credit facilities had been utilised. Of this amount, €279 million (30/9/2018: €318 million) had a remaining term of up to one year. As of the closing date, there were €250 million of free multi-year bilateral credit facilities available.

UNDRAWN CREDIT FACILITIES BY METRO

	30/9/2018			**30/9/2019**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Bilateral credit facilities	633	318	315	**609**	**279**	**330**
Utilisation	−383	−318	−65	**−359**	**−279**	**−80**
Undrawn bilateral credit facilities	**250**	**0**	**250**	**250**	**0**	**250**
Syndicated credit facilities	1,750	0	1,750	**1,750**	**0**	**1,750**
Utilisation	0	0	0	**0**	**0**	**0**
Undrawn syndicated credit facilities	**1,750**	**0**	**1,750**	**1,750**	**0**	**1,750**
Total credit facilities	**2,383**	**318**	**2,065**	**2,359**	**279**	**2,080**
Total utilisation	−383	−318	−65	**−359**	**−279**	**−80**
Total undrawn credit facilities	**2,000**	**0**	**2,000**	**2,000**	**0**	**2,000**

Default by a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. METRO therefore does not bear any creditor default risk.

METRO principally does not provide collateral for financial liabilities. One exception concerns the first-time consolidation of METRO PROPERTIES GmbH & Co. KG as well as its subsidiaries in 2003. As of 30 September 2019, collateral securities in the amount of €11 million (30/9/2018: €13 million) was provided for financial liabilities.

The following tables show the **maturity structure** of the financial liabilities. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than one year.

BONDS INCL. COMMERCIAL PAPERS

		30.9.2018				**30/9/2019**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	997	997	1,026	–	**512**	**512**	**531**	**–**
	1 to 5 years	1,200	1,200	1,195	–	**1,126**	**1,126**	**1,122**	**–**
	over 5 years	701	701	699	–	**650**	**650**	**648**	**–**
		2,898	**2,898**	**2,920**	**2,925**	**2,288**	**2,288**	**2,301**	**2,375**

LIABILITIES TO BANKS

(excl. current account)

		30/9/2018				**30/9/2019**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	201	201	202	–	**183**	**183**	**184**	**–**
	1 to 5 years	16	16	16	–	**12**	**12**	**12**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		217	**217**	**218**	**218**	**195**	**195**	**196**	**197**
INR	up to 1 year	1,150	14	14	–	**0**	**0**	**0**	**–**
	1 to 5 years	2,700	32	32	–	**2,700**	**35**	**35**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		3,850	**46**	**46**	**47**	**2,700**	**35**	**35**	**35**
JPY	up to 1 year	970	7	7	–	**625**	**5**	**5**	**–**
	1 to 5 years	2,225	17	17	–	**1,600**	**14**	**14**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		3,195	**24**	**24**	**25**	**2,225**	**19**	**19**	**19**
MMK	up to 1 year	14,530	8	8	–	**8,300**	**5**	**5**	**–**
	1 to 5 years	0	0	0	–	**30,580**	**18**	**18**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		14,530	**8**	**8**	**8**	**38,880**	**23**	**23**	**30**
UAH	up to 1 year	950	29	29	–	**260**	**10**	**10**	**–**
	1 to 5 years	0	0	0	–	**0**	**0**	**0**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		950	**29**	**29**	**29**	**260**	**10**	**10**	**10**

PROMISSORY NOTE LOANS

		30/9/2018				**30/9/2019**			
		Nominal values	Nominal values	Carrying amounts	Fair values	**Nominal values**	**Nominal values**	**Carrying amounts**	**Fair values**
Currency	Remaining term	in million currency	€ million	€ million	€ million	**in million currency**	**€ million**	**€ million**	**€ million**
EUR	up to 1 year	0	0	1	–	**0**	**0**	**1**	**–**
	1 to 5 years	54	54	54	–	**54**	**54**	**54**	**–**
	over 5 years	0	0	0	–	**0**	**0**	**0**	**–**
		54	**54**	**55**	**61**	**54**	**54**	**55**	**61**

Redeemable loans that are reported under **liabilities to banks** are listed with the remaining terms corresponding to their redemption date.

The following tables show the **interest rate** structure of the financial liabilities:

BONDS INCL. COMMERCIAL PAPERS

			30/9/2018	**30/9/2019**
Interest terms	Currency	Remaining term	Nominal values € million	**Nominal values € million**
Fixed interest	EUR	up to 1 year	500	**125**
		1 to 5 years	1,200	**1,126**
		over 5 years	701	**650**
Variable interest	EUR	up to 1 year	497	**387**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

LIABILITIES TO BANKS

(excl. current account)

Interest terms	Currency	Remaining term	30/9/2018 Nominal values € million	**30/9/2019 Nominal values € million**
Fixed interest	EUR	up to 1 year	201	**183**
		1 to 5 years	16	**12**
		over 5 years	0	**0**
	INR	up to 1 year	14	**0**
		1 to 5 years	32	**35**
		over 5 years	0	**0**
	MMK	up to 1 year	8	**5**
		1 to 5 years	0	**18**
		over 5 years	0	**0**
	UAH	up to 1 year	29	**10**
		1 to 5 years	0	**0**
		over 5 years	0	**0**
Variable interest	JPY	up to 1 year	7	**5**
		1 to 5 years	17	**14**
		over 5 years	0	**0**

PROMISSORY NOTE LOANS

Interest terms	Currency	Remaining term	30/9/2018 Nominal values € million	**30/9/2019 Nominal values € million**
Fixed interest	EUR	up to 1 year	0	**0**
		1 to 5 years	54	**54**
		over 5 years	0	**0**
Variable interest	EUR	up to 1 year	0	**0**
		1 to 5 years	0	**0**
		over 5 years	0	**0**

The fixed interest rate on short- and medium-term financial liabilities and the interest rate adjustment dates of all fixed-interest financial liabilities are essentially the same as those shown. The repricing dates for variable interest rates are less than one year.

— **The effects of interest rate changes in the variable share of financial liabilities on profit or loss for the period and the equity of METRO are described in detail in** **no. 44 – management of financial risks ▸ page 274****.**

37. Other financial and other non-financial liabilities

Key items in the remaining miscellaneous other financial liabilities concern liabilities from the acquisition of non-current assets of €100 million (30/9/2018: €137 million), liabilities from put options of non-controlling shareholders in the amount of €50 million (30/9/2018: €64 million), liabilities to customers of €49 million (30/9/2018: €44 million) as well as liabilities from real estate totalling €4 million (30/9/2018: €5 million).

In addition, the remaining miscellaneous other financial liabilities also include numerous other individual items.

The previous year's figures for other financial liabilities include €46 million attributable to METRO China.

Other tax liabilities include sales tax, land tax, wage and church tax as well as other taxes.

Deferred income includes accrued rental, leasing and interest income. The previous year included deferred sales from customer loyalty programmes and the sale of vouchers as well as other deferred items.

Contract liabilities are periodic accruals for sales to customers and mainly comprise accruals for advance payments on orders and own customer loyalty programmes. Net sales realised in the reporting period from contract liabilities existing at the beginning of the period amounted to €27 million.

Significant items in miscellaneous other non-financial liabilities are leases (no finance leases) totalling €27 million (30/9/2018: €21 million).

The previous year's figures for other non-financial liabilities include €137 million attributable to METRO China.

	30/9/2018			**30/9/2019**		
		Remaining term			**Remaining term**	
€ million	Total	up to 1 year	over 1 year	**Total**	**up to 1 year**	**over 1 year**
Payroll liabilities	450	449	0	**472**	**472**	**0**
Miscellaneous other financial liabilities	351	295	56	**313**	**257**	**56**
Other financial liabilities	**801**	**744**	**56**	**784**	**728**	**56**
Other tax liabilities	195	195	0	**158**	**158**	**0**
Deferred income	170	124	47	**57**	**11**	**45**
Contract liabilities	0	0	0	**35**	**35**	**0**
Miscellaneous other non-financial liabilities	93	73	20	**54**	**28**	**26**
Other non-financial liabilities	**459**	**392**	**67**	**305**	**233**	**71**

38. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting arrangements and similar agreements, were as follows:

	30/9/2018					
	(a)	(b)	(c) = (a) − (b)	(d)		(e) = (c) − (d)
	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities/ assets that are netted in the balance sheet	Net amounts of financial assets/ liabilities that are shown in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
€ million				Financial instruments	Received/ provided collateral	Net amount
Financial assets						
Receivables due from suppliers	521	193	328	46	0	282
Derivative financial instruments	11	0	11	1	0	10
	532	**193**	**339**	**46**	**0**	**293**
Financial liabilities						
Trade liabilities	4,186	193	3,993	46	0	3,948
Derivative financial instruments	5	0	5	1	0	4
	4,191	**193**	**3,998**	**46**	**0**	**3,952**

€ million	30/9/2019 (a) Gross amounts of recognised financial assets/ liabilities	(b) Gross amounts of recognised financial liabilities/ assets that are netted in the balance sheet	(c) = (a) − (b) Net amounts of financial assets/ liabilities that are shown in the balance sheet	(d) Corresponding amounts that are not netted in the balance sheet: Financial instruments	Received/ provided collateral	(e) = (c) − (d) Net amount
Financial assets						
Receivables due from suppliers	462	146	316	36	0	280
Derivative financial instruments	14	0	14	1	0	13
	477	**146**	**330**	**37**	**0**	**294**
Financial liabilities						
Trade liabilities	3,719	146	3,572	36	0	3,536
Derivative financial instruments	12	0	12	1	0	11
	3,730	**146**	**3,584**	**37**	**0**	**3,547**

The amounts that are not netted in the balance sheet include both financial instruments and collateral. The financial instruments that have not been netted could be netted based on the underlying framework agreements, but do not fulfil the netting criteria of IAS 32 (Financial Instruments: Presentation).

– **For more information about collateral, see no. 44 – management of financial risks ▸ page 274.**

39. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of financial liabilities, trade liabilities and derivative liabilities are as follows:

€ million	Carrying amount 30/9/2018	Cash flows up to 1 year		Cash flows of 1 to 5 years		Cash flows over 5 years	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
Financial liabilities							
Bonds incl. commercial papers	2,920	50	997	109	1,200	28	701
Liabilities to banks	383	1	317	2	65	0	0
Promissory note loans	55	2	0	7	54	0	0
Finance leases	652	52	74	161	213	153	365
Trade liabilities	3,993	0	3,993	0	0	0	0
Other financial liabilities	801	0	744	0	4	0	52
Interest-based derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	5	0	5	0	0	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

€ million	**Carrying amount 30/9/2019**	**Cash flows up to 1 year**		**Cash flows of 1 to 5 years**		**Cash flows over 5 years**	
		Interest	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**
Financial liabilities							
Bonds incl. commercial papers	**2,301**	**34**	**512**	**89**	**1,126**	**15**	**650**
Liabilities to banks	**359**	**1**	**278**	**1**	**79**	**0**	**0**
Promissory note loans	**55**	**2**	**0**	**5**	**54**	**0**	**0**
Finance leases	**653**	**52**	**60**	**160**	**259**	**193**	**335**
Trade liabilities	**3,572**	**0**	**3,572**	**0**	**0**	**0**	**0**
Other financial liabilities	**784**	**0**	**728**	**0**	**8**	**0**	**48**
Interest-based derivatives carried as liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency derivatives carried as liabilities	**12**	**0**	**12**	**0**	**0**	**0**	**0**
Commodity derivatives carried as liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**

40. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

	30/9/2018				
		Balance sheet value			
€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
Assets	**15,206**	**n/a**	**n/a**	**n/a**	**n/a**
Loans and receivables	**1,170**	**1,170**	**0**	**0**	**1,177**
Loans	33	33	0	0	32
Receivables due from suppliers	328	328	0	0	328
Trade receivables	571	571	0	0	571
Miscellaneous financial instruments	238	238	0	0	246
Held to maturity	**0**	**0**	**0**	**0**	**0**
Miscellaneous financial assets	0	0	0	0	0
Held for trading	**7**	**0**	**7**	**0**	**7**
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	7
Available for sale	**49**	**2**	**0**	**47**	**n/a**
Investments	48	2	0	46	n/a
Securities	1	0	0	1	1
Derivative financial instruments in a hedging relationship according to IAS 39	**4**	**0**	**0**	**4**	**4**
Cash and cash equivalents	**1,298**	**1,298**	**0**	**0**	**1,298**
Receivables from finance leases (amount according to IAS 17)	**29**	**n/a**	**n/a**	**n/a**	**37**
Assets not classified according to IFRS 7	**12,648**	**n/a**	**n/a**	**n/a**	**n/a**
Equity and liabilities	**15,206**	**n/a**	**n/a**	**n/a**	**n/a**
Held for trading	**4**	**0**	**4**	**0**	**4**
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	4
Other financial liabilities	**8,148**	**8,148**	**0**	**0**	**8,161**
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,359	3,359	0	0	3,372
Trade liabilities	3,993	3,993	0	0	3,993
Miscellaneous financial liabilities	796	796	0	0	796
Derivative financial instruments in a hedging relationship according to IAS 39	**1**	**0**	**0**	**1**	**1**
Liabilities from finance leases (amount according to IAS 17)	**652**	**n/a**	**n/a**	**n/a**	**854**
Equity and liabilities not classified according to IFRS 7	**6,402**	**n/a**	**n/a**	**n/a**	**n/a**

€ million	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value re-cognised in equity without reclassifi-cation	Fair value recognised in equity with re-classifi-cation	Fair value
	30/9/2019					
		Balance sheet value				
Assets	14,497	n/a	n/a	n/a	n/a	n/a
Financial instruments measured at amortised cost	1,108	1,108	0	0	0	1,117
Loans	28	28	0	0	0	28
Receivables due from suppliers	316	316	0	0	0	316
Trade receivables	482	482	0	0	0	482
Miscellaneous financial instruments	282	282	0	0	0	290
Financial instruments measured at fair value through profit or loss	78	0	78	0	0	78
Investments	62	0	62	0	0	62
Derivative financial instruments not in a hedging relationship according to IAS 39	9	0	9	0	0	9
Securities	4	0	4	0	0	4
Loans	4	0	4	0	0	4
Financial instruments measured at fair value through other comprehensive income	3	0	0	3	0	3
Investments	3	0	0	3	0	3
Securities	0	0	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	5	0	0	0	5	5
Cash and cash equivalents	500	500	0	0	0	500
Receivables from finance leases (amount according to IAS 17)	28	n/a	n/a	n/a	n/a	35
Assets not classified according to IFRS 7	12,775	n/a	n/a	n/a	n/a	n/a
Equity and liabilities	14,497	n/a	n/a	n/a	n/a	n/a
Financial instruments measured at fair value through profit or loss	11	0	11	0	0	11
Derivative financial instruments not in a hedging relationship according to IAS 39	11	0	11	0	0	11
Financial instruments measured at amortised cost	7,060	7,7060	0	0	0	7,153
Borrowings excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	2,715	2,715	0	0	0	2,804
Trade liabilities	3,572	3,572	0	0	0	3,572
Miscellaneous financial liabilities	772	772	0	0	0	777
Derivative financial instruments in a hedging relationship according to IAS 39	1	0	0	0	1	1
Liabilities from finance leases (amount according to IAS 17)	653	n/a	n/a	n/a	n/a	849
Equity and liabilities not classified according to IFRS 7	6,727	n/a	n/a	n/a	n/a	n/a

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IFRS 9. Derivative financial instruments in a hedging relationship under IAS 39 and other financial liabilities are classified in each case to a separate class.

The fair value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. In cases in which the measurement is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Input parameters for level 1: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Input parameters for level 2: other input parameters than the quoted prices included in level 1 which are either directly or indirectly observable for the asset or liability.

Input parameters for level 3: input parameters that are not observable for the asset or liability.

Of the total carrying amount of investments of €66 million (30/9/2018: €48 million), €62 million (30/9/2018: €2 million) is recognised through profit or loss. This concerns off-exchange financial instruments for which there is also no active market. The remaining investments amounting to €3 million (30/9/2018: €46 million) are recognised at fair value in equity. The classification (FVOCInR) was chosen because investments were made in these equity instruments with a longer-term investment horizon.

In addition, securities totalling €4 million (30/9/2018: €1 million) are recognised through profit or loss. These primarily concern highly liquid exchange-listed money market funds.

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a 3-level fair value hierarchy whose levels reflect the degree of closeness to the market of the data used in the determination of the fair values:

	30/9/2018			
€ million	Total	Level 1	Level 2	Level 3
Assets	**58**	**1**	**57**	**0**
Held for trading				
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0
Available for sale				
Investments	46	0	46	0
Securities	1	1	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	4	0	4	0
Equity and liabilities	**5**	**0**	**5**	**0**
Held for trading				
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0
Miscellaneous financial liabilities	0	0	0	0
Other financial liabilities				
Miscellaneous financial liabilities	0	0	0	0
Derivative financial instruments in a hedging relationship according to IAS 39	1	0	1	0
	53	**1**	**52**	**0**

	30/9/2019			
€ million	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets	**87**	**0**	**87**	**0**
Financial assets measured at fair value through profit or loss				
Investments	**62**	**0**	**62**	**0**
Loans	**4**	**0**	**4**	**0**
Securities	**4**	**0**	**4**	**0**
Derivative financial instruments not in a hedging relationship according to IFRS 9	**9**	**0**	**9**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	**5**	**0**	**5**	**0**
Financial assets measured at fair value through other comprehensive income				
Investments	**3**	**0**	**3**	**0**
Equity and liabilities	**12**	**0**	**12**	**0**
Financial liabilities measured at fair value through profit or loss				
Derivative financial instruments not in a hedging relationship according to IFRS 9	**11**	**0**	**11**	**0**
Miscellaneous financial liabilities	**0**	**0**	**0**	**0**
Derivative financial instruments in a hedging relationship according to IAS 39	**1**	**0**	**1**	**0**
	75	**0**	**75**	**0**

The measurement of securities (level 1) is carried out based on quoted market prices in active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

The measurement of investments (all stage 2) is based on comparable transactions in the past.

No transfers between levels 1 and 2 were effected during the reporting period.

Financial instruments that are recognised at amortised cost in the balance sheet, but for which the fair value is stated in the notes, are also classified according to a 3-level fair value hierarchy.

Due to their mostly short terms, the fair values of receivables due from suppliers, trade receivables and liabilities as well as cash and cash equivalents essentially correspond to their carrying amounts.

The measurement of the fair value of bonds, liabilities to banks and promissory note loans is based on the market interest rate curve following the discounted cash flow method in consideration of credit spreads (level 2). The amounts comprise the interest prorated to the closing date.

The fair values of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date.

OTHER NOTES

41. Notes to the cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the consolidated cash flow statement describes changes in the group's cash and cash equivalents through cash inflows and outflows during the reporting period.

The item cash and cash equivalents includes cheques and cash on hand as well as cash in transit and bank deposits with a remaining term of up to 3 months.

The cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Cash flows from discontinued operations are reported separately where they concern discontinued business sectors.

Cash flows from discontinued operations concern the hypermarket business to be disposed of as well as METRO China.

The following explanations relate to continuing operations.

During the reporting period, cash flows from operating activities amounted to €796 million (2017/18: €766 million). Depreciation/amortisation/impairment losses are attributable to property, plant and equipment at €416 million (2017/18: €410 million), other intangible assets at €113 million (2017/18: €92 million), goodwill at €3 million (2017/18: €0 million) and investment properties at €4 million (2017/18: €6 million). This is contrasted by reversals of impairment losses in the amount of €5 million (2017/18: €4 million).

The change in net working capital amounts to €+27 million (2017/18: €+141 million) and includes changes in inventories, trade receivables and receivables due from suppliers, included in the item 'other financial assets'. Furthermore, it includes changes in trade liabilities. The decline in the cash flow from changes in the net working capital is predominantly attributable to the segments METRO Germany and METRO Western Europe (excluding Germany).

Other operating activities resulted in a total cash inflow of €28 million (2017/18: cash outflow of €59 million). This item includes other taxes, payroll liabilities, changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes changes in the assets and liabilities held for sale, adjustments of unrealised currency effects and the reclassification of deconsolidation results recognised in EBIT.

In the reporting period, investing activities led to cash inflow in the amount of €46 million (2017/18: cash outflow of €292 million).

The amount of investments in property, plant and equipment shown as cash outflows differs from the additions shown in the asset reconciliation in the amount of non-cash transactions. These essentially concern additions from finance leases, currency effects and changes in liabilities from the acquisition of miscellaneous other assets.

The financial investments comprise bank deposits with a residual term of more than 3 months to 1 year, as well as near money market investments that are not classified as cash and cash equivalents, such as shares in money market funds. The balance of capital expenditure in financial investments and the disposal of financial investments amounts to €−2 million (2017/18: €−1 million).

In the reporting period, cash flow from financing activities totalled €1,122 million (2017/18: cash outflow of €587 million).

Cash and cash equivalents were subject to restrictions on title in the amount of €0 million (2017/18: €1 million).

RECONCILIATION OF THE CASH FLOW FROM FINANCIAL LIABILITIES TO THE CHANGE IN FINANCIAL LIABILITIES REPORTED IN THE BALANCE SHEET

€ million	30/9/2017	Cash item	Additions to finance leases	Reclassification in accordance with IFRS 5	Exchange rate movements	30/9/2018
Bonds incl. commercial papers	3,229	−309	0	0	0	2,920
Liabilities to banks	281	188	0	−65	−20	383
Promissory note loans	64	−9	0	0	0	55
Liabilities from finance leases	1,132	−128	145	−493	−4	652
	4,706	**−259**	**145**	**−558**	**−25**	**4,010**

RECONCILIATION OF THE CASH FLOW FROM FINANCIAL LIABILITIES TO THE CHANGE IN FINANCIAL LIABILITIES REPORTED IN THE BALANCE SHEET

€ million	30/9/2018	Cash item	Additions to finance leases	Reclassification in accordance with IFRS 5	Exchange rate movements	**30/9/2019**
Bonds incl. commercial papers	2,920	−619	0	0	0	**2,301**
Liabilities to banks	383	−30	0	0	5	**359**
Promissory note loans	55	0	0	0	0	**55**
Liabilities from finance leases	652	−68	70	0	0	**653**
	4,010	**−717**	**70**	**0**	**6**	**3,369**

42. Segment reporting

Segmentation follows the group’s internal reporting as it is used as a basis for resource allocation and performance measurement by the Chief Operating Decision Maker (member of the Management Board of METRO AG).

METRO is active in the self-service wholesale trade with the brands METRO and MAKRO as well as in the delivery sales (FSD) with the METRO delivery service and, among others, with the supply specialists Classic Fine Foods, Pro à Pro and Rungis Express. Operating segments are aggregated to form reporting segments based on the division of the business into individual regions. The individual regions are Germany, Western Europe (excluding Germany), Russia, Eastern Europe (excluding Russia) and Asia.

The Others segment includes in particular Hospitality Digital, the business unit that bundles the group’s digitalisation initiatives. It also includes service companies METRO PROPERTIES, METRO LOGISTICS, METRO-NOM, METRO ADVERTISING and METRO SOURCING and others, which provide group-wide services in the areas of real estate, logistics, information technology, advertising and procurement.

Based on the decision of the Management Board of METRO AG of the hypermarket business and METRO China, these operating reporting units form discontinued business sectors, which are also presented as discontinued operations in the segment reporting.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
- Internal sales represent sales between the group's operating segments. These transactions are settled at normal market conditions.
- Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
- The earnings contributions from real estate transactions include the EBITDA-effective earnings from the disposal of land and land usage rights and/or buildings as part of a disposal transaction. Earnings from the disposal of dedicated real estate companies or the disposal of shares in such companies capitalised at-equity are, as a result of their commercial substance, also included in the earnings contributions from real estate transactions. The earnings have been reduced by cost components incurred in relation to real estate transactions.
- All earnings contributions from real estate transactions are adjusted in the EBITDA excluding earnings contributions from real estate transactions.
- EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The rental takes place at normal market conditions. The properties are leased at market terms. In principle, store-related risks and impairment risks related to non-current assets are only shown in the segments where they represent group risks. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
- Segment investments include additions (including additions to the consolidation groups) to goodwill, other intangible assets and property, plant and equipment and investment properties. Exceptions to this are additions due to the reclassification of 'assets held for sale' as non-current assets.
- The non-current segment assets include the non-current assets reported in the balance sheet with the exception of financial investments and investments accounted for using the equity method, and tax items.
- In principle, transfers between segments are made based on the costs incurred from the group's perspective.

The reconciliation from non-current segment assets to non-current group assets is shown in the following table: non-current assets according to segment reporting only include the values of continuing operations in the previous year. Therefore, the non-current assets of METRO China must be taken into account in the previous year and are therefore part of the reconciliation:

€ million	30/9/2018[1]	30/9/2019
Non-current segment assets	**6,348**	**6,268**
plus non-current segment assets METRO China	560	**0**
Financial assets	88	**97**
Investments accounted for using the equity method	178	**179**
Deferred tax assets	329	**191**
Other	1	**1**
Non-current group assets	**7,503**	**6,736**

[1] Adjustment of previous year according to explanation in notes.

43. Discontinued operations

Disposal of the hypermarket business

The Management Board of METRO AG decided in its meeting on 13 September 2018 to sell the hypermarket business including 80 real estate properties that are being used for this and are owned by Real or group companies

The decision was made with the intention to focus exclusively on wholesale trade in the future. In addition to all Real locations, the hypermarket business also includes companies providing procurement and online services for Real as well as real estate and a supplier. Together, the assets and liabilities have been treated as discontinued operations within the meaning of IFRS 5 since September 2018. In view of the progress of the divestment process and the expected completion of the sale in the near future, the hypermarket business as of 30 September 2019 will continue to be classified as a discontinued operation until its deconsolidation.

Profit or loss for the period after taxes

The current result of the hypermarket business, together with all related consolidation entries recognised in the income statement, was shown in a separate section in the consolidated income statement as ‘profit or loss for the period from discontinued operations after taxes’. To increase the economic meaningfulness of the earnings statement of the continued sector, its shares in the consolidation effects were also included in the discontinuing section of the earnings statement as far as they were related to business relations that are to be upheld in the long term even after the planned disposal.

The fair value measurement of the hypermarket business disposal group was based on an analysis of the available purchase offers, taking into account an estimate of the expected negotiation results and the development of the disposal group up to the date of disposal, in particular with regard to a purchase price mechanism that still needs to be negotiated. Since the influencing factors cannot be observed on an active market and are subject to uncertainties, the valuation in the fair value hierarchy is assigned to level 3.

– **A detailed description of the fair value is included in no. 40 – carrying amounts and fair values according to measurement categories ▶ page 258.**

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €−649 million (2017/18: €−110 million). Non-controlling interests account for €1 million of earnings (2017/18: €0 million).

In connection with the divestment process, expenses in the low 2-digit million euros range have been incurred to date.

As a result, profit or loss for the period from discontinued operations after taxes for the hypermarket business is made up as follows:

€ million	2017/18	**2018/19**
Sales	6,803	**6,704**
Expenses	−6,918	**−6,889**
Current earnings from discontinued operations before taxes	**−115**	**−185**
Income taxes on gains/losses on the current result	5	**−63**
Current earnings from discontinued operations after taxes	**−110**	**−248**
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	**−401**
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	**0**	**−401**
Profit or loss for the period from discontinued operations after taxes	**−110**	**−649**

Effects of other comprehensive income

Of the other comprehensive income for financial year 2018/19 attributable to the shareholders of METRO AG, €−8 million (2017/18: €−1 million) is attributable to the discontinued operations of the hypermarket business. This includes components that can be recognised as income in the future, €0 million (2017/18: €0 million), and components that can not be recognised as income in the future, €−8 million (2017/18: €−1 million)

Assets/liabilites held for sale

As a result of the classification as discontinued operation and after consolidation measures were carried out, €2,206 million (30/9/2018: €2,580 million) was reclassified in the consolidated balance sheet as of 30 September 2019 into the item assets held for sale and €1,745 million (30/9/2018: €1,691 million) into the item liabilities related to assets held for sale. The respective asset and liability items to be consolidated were recognised in the corresponding balance sheet items of both the continued and the discontinuing segment. As of the end of the financial year, the assets held for disposal and the liabilities of the hypermarket business to be disposed of are comprised as follows:

ASSETS

€ million	30/9/2018	30/9/2019
Non-current assets	1,381	**1,091**
Other intangible assets	19	**27**
Property, plant and equipment	1,253	**1,028**
Investment properties	11	**8**
Financial assets	23	**21**
Other financial assets	2	**0**
Other non-financial assets	4	**3**
Deferred tax assets	70	**4**
Current assets	**1,198**	**1,115**
Inventories	747	**749**
Trade receivables	30	**17**
Financial assets	1	**0**
Other financial assets	280	**242**
Other non-financial assets	43	**40**
Cash and cash equivalents	97	**68**

LIABILITIES

€ million	30/9/2018	30/9/2019
Non-current liabilities	623	**646**
Provisions for post-employment benefits plans and similar obligations	42	**47**
Other provisions	34	**60**
Financial liabilities	498	**499**
Other financial liabilities	1	**1**
Other non-financial liabilities	47	**40**
Deferred tax liabilities	0	**0**
Current liabilities	**1,068**	**1,100**
Trade liabilities	741	**688**
Provisions	93	**207**
Financial liabilities	60	**51**
Other financial liabilities	146	**123**
Other non-financial liabilities	28	**30**
Income tax liabilities	0	**0**

Effects of other comprehensive income

The components of the other comprehensive income of the hypermarket business attributable to the shareholders of METRO AG as of 30 September 2019 amounted to €−17 million (30/9/2018: €−9 million). This includes components that can be recognised as income in the future in the amount of €0 million (30/9/2018: €0 million) and components that cannot be recognised as income in the future amounting to €−17 million (30/9/2018: €−9 million).

Cash flow

The cash flows of the hypermarket business are as follows:

€ million	2017/18	**2018/19**
Cash flow from operating activities of discontinued operations	31	**−22**
Cash flow from investing activities of discontinued operations	−86	**−136**
Cash flow from financing activities of discontinued operations	−79	**−103**

Leases

Payments due under finance and operating leases in subsequent periods for the discontinued business sector of the hypermarket business are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Finance leases 30/9/2018			
Future lease payments due (nominal)	66	249	318
Discount	2	34	104
Present value	64	214	215
Operating leases 30/9/2018			
Future lease payments due (nominal)	209	670	621

€ million	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
Finance leases 30/9/2019			
Future lease payments due (nominal)	**68**	**259**	**312**
Discount	**3**	**35**	**98**
Present value	**66**	**224**	**214**
Operating leases 30/9/2019			
Future lease payments due (nominal)	**210**	**689**	**471**

The rental of real estate gives rise to claims for lease payments from third parties (with METRO as lessor) that will become due in subsequent periods for the discontinued business sector of the hypermarket business as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2018			
Future lease payments due (nominal)	17	30	9

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2019			
Future lease payments due (nominal)	**6**	**45**	**17**

Other disclosures
The hypermarket business is subject to restrictions on titles in the form of liens and encumbrances for property, plant and equipment in the amount of €3 million (30/9/2018: €7 million). Contractual commitments for the acquisition of property, plant and equipment in the amount of €3 million (30/9/2018: €4 million) were recorded.

As in the previous year, there are no purchase obligations, no material restrictions on title or right to dispose of investment property and intangible assets.

Contingent liabilities from guarantee and warranty contracts in the amount of €45 million (30/9/2018: €45 million) relate in particular to contractual obligations from bank guarantees for claims from retailers from the Real online marketplace business.

As of 30 September 2019, the nominal value of other financial commitments amounted to €99 million (30/9/2018: €99 million) and primarily concerned purchasing commitments from service agreements.

On an annual average, the discontinued operation of the hypermarket business employed 35,073 people (2017/18: 35,348). The personnel expenses amount to €1,110 million (2017/18: €1,033 million)

Disposal of METRO China
On 11 October 2019, METRO AG (‘METRO’) entered into an agreement with Wumei Technology Group, Inc. (‘Wumei’), a leading Chinese retailer, to form a strategic partnership for the Chinese operations of METRO (‘METRO China’). This partnership includes the sale of METRO’s entire indirect investment in METRO China (excluding a real estate company sold separately in September 2019) to a subsidiary of Wumei (the buyer) for a company value (enterprise value, 100%) of approximately €1.9 billion. The consideration includes an estimated net cash inflow of more than €1.0 billion as well as a 20% investment of METRO in METRO China.

The closing of this transaction is subject to the approval of the regulatory authorities.

Since the transaction was already expected with sufficient probability as of 30 September 2019, METRO China is presented as a discontinued business sector in the consolidated financial statements as of 30 September 2019.

Profit or loss for the period after taxes
The current result of METRO China was reclassified in the consolidated income statement under the item ‘profit or loss for the period from discontinued operations after taxes’, taking into account necessary consolidation measures. To increase the economic meaningfulness of the earnings statement of the continuing sector, its shares in the consolidation effects were also included in the discontinued section of the earnings statement as far as they were related to business relations that are to be upheld in the long term even after the planned disposal. The previous year’s figures of the income statement were adjusted accordingly.

Profit or loss for the period from discontinued operations after taxes is attributable to the shareholders of METRO AG in the amount of €118 million (2017/18: €87 million). Non-controlling interests account for €5 million of earnings (2017/18: €1 million).

In connection with the divestment process, expenses in the low 2-digit million euros range have been incurred to date.

As a result, profit or loss for the period from discontinued operations after taxes is made up as follows for METRO China:

€ million	2017/18	**2018/19**
Sales	2,680	**2,901**
Expenses	−2,563	**−2,736**
Current earnings from discontinued operations before taxes	**117**	**165**
Income taxes on gains/losses on the current result	−29	**−43**
Current earnings from discontinued operations after taxes	**88**	**122**
Gains/losses from the remeasurement or disposal of discontinued operations before taxes	0	**0**
Gains/losses from the remeasurement or disposal of discontinued operations after taxes	**0**	**0**
Profit or loss for the period from discontinued operations after taxes	**88**	**122**

Effects of other comprehensive income

Of the other comprehensive income for financial year 2018/19 attributable to the shareholders of METRO AG, €14 million (2017/18: €−11 million) is attributable to the discontinued operations of METRO China. This includes components that can be recognised in income in the future, €14 million (2017/18: €−11 million) and components that can not be recognised in income in the future, €0 million (2017/18: €0 million).

Assets/liabilities held for sale

As a result of the classification as discontinued business sector and after consolidation measures were carried out, €1,552 million were reclassified in the consolidated balance sheet as of 30 September 2019 into the item assets held for sale and €856 million into the item liabilities related to assets held for sale. The respective asset and liability items to be consolidated were recognised in the corresponding balance sheet items of both the continuing and the discontinued segment.

As of the end of the financial year, the assets held for sale and the liabilities of METRO China to be disposed of are comprised as follows:

ASSETS

€ million	30/9/2019
Non-current assets	**619**
Goodwill	19
Other intangible assets	5
Property, plant and equipment	409
Other non-financial assets	114
Deferred tax assets	73
Current assets	**932**
Inventories	220
Trade receivables	89
Other financial assets	64
Other non-financial assets	83
Entitlements to income tax refunds	0
Cash and cash equivalents	476

LIABILITIES

€ million	30/9/2019
Non-current liabilities	**1**
Deferred tax liabilities	1
Current liabilities	**855**
Trade liabilities	546
Provisions	80
Financial liabilities	0
Other financial liabilities	62
Other non-financial liabilities	137
Income tax liabilities	29

Effects of other comprehensive income

The components of the other comprehensive income of METRO China attributable to the shareholders of METRO AG as of 30 September 2019 amounted to €13 million (30/9/2018: €−1 million). This includes components that can be recognised as income in the future in the amount of €13 million (30/9/2018: €−1 million) and components that can not be recognised as income in the future amounting to €0 million (30/9/2018: €0 million).

Cash flow

The cash flows of METRO China from discontinued operations are as follows:

€ million	2017/18	**2018/19**
Cash flow from operating activities of discontinued operations	108	**179**
Cash flow from investing activities of discontinued operations	−3	**0**
Cash flow from financing activities of discontinued operations	6	**−6**

Leases

There are no obligations from finance leases. Payments due under operating leases in subsequent periods for the discontinued business sector of METRO China are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2019			
Future lease payments due (nominal)	**31**	**128**	**289**

For METRO China, lease payments due in subsequent periods from entities outside METRO for the rental of properties (with METRO as lessor) are shown below:

€ million	Up to 1 year	1 to 5 years	Over 5 years
Operating leases 30/9/2019			
Future lease payments due (nominal)	4	12	12

Other disclosures

There are no purchase obligations, ownership restrictions or restrictions on disposal for property, plant and equipment, investment property or intangible assets.

As of 30 September 2019, the nominal value of other financial commitments amounted to €10 million and primarily concerned purchasing commitments from service agreements.

On an annual average, the discontinued operations of METRO China employed 11,836 people (2017/18: 12,166). The personnel expenses amount to €189 million (2017/18: €168 million).

44. Management of financial risks

METRO Treasury manages the financial risks of METRO. Specifically, these include:

- Price risks
- Liquidity risks,
- Credit risks
- Cash flow risks

– **For more information about the risk management system, see the combined management report – 3 economic report – 3.2. asset, financial and earnings position – financial and asset position – financial management ▶ page 87.**

Price risks

For METRO, price risks result from the impact of changes in market interest rates and foreign currency exchange rates on the value of financial instruments.

Interest rate risks are caused by changes in interest rate levels. If necessary, interest rate derivatives are used to cap these risks.

METRO's remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

- The total impact determined by the sensitivity analysis relates to the actual balance as of the closing date and reflects the impact for 1 year.
- Primary floating-rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in the interest result in the sensitivity analysis. The sensitivity is determined for a change of 10 basis points.
- Primary fixed-interest financial instruments are generally not recognised in the interest result. They are only recognised in other financial result if they are designated as the underlying transaction within a fair value hedge and measured at fair value. In this case, however, the interest-related change in the value of the underlying transaction is offset by the change in the value of the hedging transaction upon full effectiveness of the hedging transaction. The variable interest flows within the group that result from a fair value hedge are recognised in the interest result.
- Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in the interest result when the payment flows have actually been initiated. However, the measurement of the hedging transaction at fair value is recognised in reserves retained from earnings outside of profit or loss.
- Interest rate derivatives that are not part of a qualified hedging relationship under IAS 39 are recognised at fair value in profit or loss in other financial result and, through resulting interest flows, in the interest result.

As of the closing date, METRO’s remaining interest rate risk is primarily the result of variable interest rate receivables and liabilities to banks as well as other short-term liquid financial assets (reported under cash and cash equivalents) with an aggregate debit balance after consideration of hedging transactions of €−1 million (30/9/2018: €688 million).

Given this total balance, an interest rate rise of 10 basis points would result in €0 million (2017/18: €1 million) higher revenues in the interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €0 million (2017/18: €−1 million).

METRO faces currency risks in its international procurement of merchandise and because of costs and financings that are incurred in a currency other than the relevant local currency or are pegged to the development of another currency. In accordance with the group guideline ‘Foreign Currency Transactions’, resulting foreign currency positions must be hedged. Exceptions from this hedging requirement exist where hedging is not economically reasonable and in the case of legal and regulatory restrictions in the respective countries. Forward currency contracts are used in the hedging.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a devaluation or revaluation of the euro vis-à-vis foreign currencies:

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO and states the effect of a devaluation or revaluation of the euro.

A devaluation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability in euros exists at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A devaluation of the euro will result in a negative effect if a receivable in euros exists at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown above.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the exchange rate at closing date in line with IAS 21 are recognised in the income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity (other comprehensive income) outside of profit or loss.

Forward currency contracts/options and interest rate and currency swaps that are not part of a qualified hedging relationship under IAS 39 are recognised through the fair value measurement in the income statement. In fully effective hedging transactions, this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

In the consolidated financial statements, foreign currency future transactions are designated as hedging transactions within a cash flow hedges to hedge merchandise procurement and sales. Changes in the fair value of these hedging instruments are recognised in other comprehensive income until the underlying transaction is recognised through profit or loss.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of METRO do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO, which is essentially due to an inability to hedge certain currencies for legal reasons or due to insufficient market depth, was as follows:

		Impact of devaluation/revaluation of euro by 10%			
€ million	Currency pair	Volume	30/9/2018	**Volume**	**30/9/2019**
Profit or loss for the period			+/−		**+/−**
	CHF/EUR	+11	1	**+10**	**1**
	CNY/EUR	+33	3	**+17**	**2**
	CZK/EUR	−17	−2	**−25**	**−3**
	EGP/EUR	+29	3	**+31**	**3**
	GBP/EUR	−7	−1	**−8**	**−1**
	HKD/EUR	−18	−2	**−17**	**−2**
	KZT/EUR	+19	2	**+12**	**1**
	MDL/EUR	+1	0	**+1**	**0**
	PLN/EUR	+3	0	**−6**	**−1**
	PKR/EUR	+4	0	**+11**	**1**
	RON/EUR	−13	−1	**−12**	**−1**
	RSD/EUR	+11	1	**+9**	**1**
	RUB/EUR	+12	1	**+27**	**3**
	TRY/EUR	+11	1	**0**	**0**
	UAH/EUR	+37	4	**+43**	**4**
	USD/EUR	+16	2	**+5**	**1**
Equity			+/−		**+/−**
	CNY/EUR	+101	10	**+103**	**10**
	CZK/EUR	−4	0	**0**	**0**
	HUF/EUR	−4	0	**0**	**0**
	KZT/EUR	+117	12	**+126**	**13**
	PLN/EUR	+68	7	**+70**	**7**
	RON/EUR	−7	−1	**0**	**0**
	RSD/EUR	+16	2	**+16**	**2**
	RUB/EUR	−19	−2	**0**	**0**
	UAH/EUR	+200	20	**+200**	**20**
	USD/EUR	+101	10	**+90**	**9**

Currency risks existing in addition to these are mainly the result of USD currency holdings in various subsidiaries in which the functional currency is not the US dollar or the euro. At a nominal US dollar volume of €14 million (30/9/2018: €4 million), a devaluation of the US dollar by 10% would result in positive effects of €1 million in profit or loss for the period (30/9/2018: €0 million), while an appreciation would lead to negative effects of €1 million (30/9/2018: €0 million).

At a nominal volume of €8 million (30/9/2018: €0 million), the currency pair USD/AED accounts for the main share of this effect, while in the previous year the currency pair MMK/USD accounted for the largest share of this effect.

Interest rate and currency risks are substantially reduced and limited by the principles laid down in the internal treasury guidelines of METRO. These include a regulation that is applicable throughout the group whereby all hedging operations must adhere to predefined limits and must not lead to increased risk exposure under any circumstances. METRO is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out only with standard derivative financial instruments whose correct actuarial and accounting mapping and measurement in the treasury system are guaranteed.

As of the closing date, the following derivative financial instruments were being used for risk reduction:

	30/9/2018			**30/9/2019**		
		Fair Values			**Fair Values**	
€ million	Nominal volume[1]	Financial assets	Financial liabilities	**Nominal volume[1]**	**Financial assets**	**Financial liabilities**
Currency transactions						
Forward currency contracts/options	390	11	5	**605**	**14**	**12**
thereof within fair value hedges	(0)	(0)	(0)	**(0)**	**(0)**	**(0)**
thereof within cash flow hedges	(164)	(4)	(1)	**(193)**	**(5)**	**(1)**
thereof not part of hedges	(226)	(7)	(4)	**(412)**	**(9)**	**(11)**
Interest rate/currency swaps	0	0	0	**0**	**0**	**0**
	390	**11**	**5**	**605**	**14**	**12**

[1] Nominal volumes with a positive prefix indicate a purchase of forward currency contracts. Nominal volumes where they negative prefix indicate a disposal of forward currency contracts.

The nominal volume of forex futures/options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. The nominal volume of interest rate swaps or interest rate/currency swaps and interest rate hedging agreements is shown on a gross basis.

All fair values represent the theoretical value of these instruments upon dissolution of the transaction as of the closing date. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

In order to appropriately show this reconciliation for the period, relationships are created between hedging transactions and underlying transactions and recognised as follows:

- Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised at their fair value. The fluctuations in the fair value of both transactions are shown in the income statement, where they will be fully set off against each other in the case of full effectiveness.
- Within a cash flow hedge, the hedging transactions are also principally recognised at their fair value. In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact the earnings. Only then will they be recognised in the income statement.
- Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the income statement. Even if no formal hedging relationship was created, these are hedging transactions that are closely connected to the underlying transaction and whose impact on earnings will be netted by the underlying transaction (natural hedge).

Only derivatives in the form of forward exchange transactions are used as hedging instruments in hedge accounting (cash flow hedging) to hedge off-balance sheet currency risks. Generally, one underlying transaction is hedged in each case by means of a forward currency contract. The effectiveness of these hedges is assessed on the basis of the hypothetical derivative method. The ineffectiveness determined using this method results from the difference between the changes in value of the hedged item and the changes in value of the hedging transaction.

Currency derivatives are used primarily for Chinese renminbi, Hong Kong dollar, Japanese yen, Polish złoty, Romanian leu, Russian rouble, Swiss franc, Czech koruna, Hungarian forint and US dollar. The average hedging rates for METRO for the 2 particularly important currency pairs resulting from such hedges are as follows: 1.14 USD/EUR and 7.93 CNY/EUR. The maturity of derivatives used for hedging purposes in the amount of €5 million (30/9/2018: €3 million) is less than one year.

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted incoming payments. METRO AG acts as financial coordinator for METRO companies to ensure that they are provided with the necessary financing to fund their operating and investing activities at all times and in the most cost-efficient manner possible. The necessary information is provided by means of a group financial plan, which is updated monthly and checked monthly for deviations. This financial plan is complemented by a weekly rolling 14-day liquidity plan.

Instruments used for financing purposes include money and capital market products (time deposits, call money, promissory note loans, commercial papers and listed bonds sold as part of ongoing capital market programmes) as well as bilateral and syndicated loans. METRO has a sufficient liquidity reserve so that liquidity risks are not likely, even if an unexpected event has a negative financial impact on the company's liquidity situation. For more information about the instruments used for financing purposes and credit facilities, see the explanatory notes to the respective balance sheet items.

— **For more information, see no. 29 – cash and cash equivalents ▶ page 235 as well as no. 36 – financial liabilities ▶ page 249.**

Intra-group cash pooling allows the surplus liquidity of individual group companies to be used for providing internal finance to other group companies. This reduces the group's amount of debt and thus its interest expenses. In addition, METRO AG draws on the financial expertise pooled in the treasury of METRO AG to advise the group companies in all relevant financial matters and provide support. This ranges from the elaboration of investment financing concepts to supporting the responsible financial officers of the individual group companies in their discussions with local banks and financial service providers. This ensures, on the one hand, that the financial resources of METRO are optimally employed, and, on the other, that all group companies benefit from the strength and credit standing of METRO in negotiating their financing terms.

Credit risks

Credit risks arise from the total or partial default by a counterparty, for example, through bankruptcy or in connection with financial investments and derivative financial instruments with positive market values. METRO's maximum credit risk as of the closing date is reflected by the carrying amount of financial assets totalling €1,722 million (30/9/2018: €2,558 million).

— **For more information about the amount of the respective carrying amounts, see no. 40 – carrying amounts and fair values according to measurement categories ▶ page 258.**

Cash on hand considered in cash and cash equivalents totalling €16 million (30/9/2018: €25 million) is not exposed to any credit risk.

In the course of the risk management of financial investments totalling €453 million (30/9/2018: €1,205 million) and derivative financial instruments totalling €14 million (30/9/2018: €11 million), minimum creditworthiness requirements and individual maximum exposure limits for the engagement have been defined for all business partners of METRO. Cheques and money in circulation are not considered in the determination of credit risks. This is based on a system of limits laid down in the treasury guidelines, which are based mainly on the ratings of international rating agencies, developments of credit default swaps or internal credit assessments. An individual limit is allocated to every counterparty of METRO; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of business partners of continuing and discontinued operations by rating class:

Rating classes			Volume in %						
			Financial investments						
Grade	Standard & Poor's	Moody's	Germany	Western Europe (excl. Germany)	Russia	Eastern Europe (excl. Russia)	Asia and others	Derivatives with positive market values	**Total**
Investment grade	AAA	Aaa	0.0	0.0	0.0	0.0	0.0	0.0	
	AA+ to AA−	Aa1 to Aa3	3.4	0.6	0.4	0.4	8.2	0.2	
	A+ to A−	A1 to A3	2.7	0.9	0.0	5.4	54.1	0.7	
	BBB+ to BBB−	Baa1 to Baa3	1.1	1.6	1.2	10.8	4.6	0.8	**97.1**
Non-investment grade	BB+ to BB−	Ba1 to Ba3	0.0	0.0	0.0	0.0	0.2	0.0	
	B+ to B−	B1 to B3	0.1	0.2	0.0	1.3	0.1	0.0	
	CCC+ to C	Caa1 to Ca	0.0	0.0	0.0	0.0	0.0	0.0	**1.9**
No rating			0.0	0.0	0.0	0.6	0.4	0.0	**1.0**
			7.3	**3.3**	**1.6**	**18.5**	**67.6**	**1.7**	**100.0**

The table shows that, as of the closing date, about 97.1% of the capital investment volume, including the positive market value of derivatives, had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on analyses. METRO also operates in countries where local financial institutions do not have investment-grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these institutions is unavoidable. These institutions account for about 1.9% of the total volume.

METRO's level of exposure to credit risks is thus very low.

Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and liability items to fluctuate. Stress tests are used to determine the potential impact interest rate changes may have on cash flow and how they can be capped through hedging transactions in accordance with the group's internal treasury guidelines.

45. Contingent liabilities

€ million	30/9/2018	**30/9/2019**
Contingent liabilities from guarantee and warranty contracts	18	**17**
Contingent liabilities from the provision of collateral for third-party liabilities	9	**12**
Other contingent liabilities	0	**1**
	27	**30**

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

- **Disclosures on assets/liabilities held for sale in connection with the sale of the hypermarket business and METRO China can be found under** **no. 43 – discontinued business sectors page 266****.**

46. Other financial commitments

As of 30 September 2019, the nominal value of other financial commitments amounted to €232 million (30/9/2018: €247 million) and primarily concerned purchasing commitments from service agreements.

The previous year’s figures for the other financial commitments include €4 million attributable to METRO China.

- **For more information about contractual commitments for the acquisition of other intangible assets and property, plant and equipment, obligations from finance and operating leases as well as investment properties, see** **no. 20 – other intangible assets page 216, no. 21 – property, plant and equipment page 218 and no. 22 – investment properties page 220****.**
- **Disclosures on assets/liabilities held for sale in connection with the sale of the hypermarket business and METRO China can be found under** **no. 43 – discontinued business sectors page 266****.**

47. Remaining legal issues

Successful completion of the demerger

In connection with the demerger of the group, several shareholders took legal action against CECONOMY AG by seeking various legal remedies at the Düsseldorf District Court, such as action for annulment, rescission and/or declaratory action, including against the resolution passed by the Annual General Meeting of CECONOMY AG on 6 February 2017 concerning the meeting’s approval of the demerger and spin-off agreement (demerger agreement) as well as partially against the agreement itself. Pursuant to the provisions of the demerger agreement, METRO AG has to bear the costs of the litigation and proceedings relating to the demerger. On 24 January 2018, the Düsseldorf District court rejected the complaint in its entirety. All plaintiffs have filed appeals against all these decisions with the Düsseldorf Higher Regional Court . On 4 April 2019, the Düsseldorf Higher Regional Court rejected all appeals. In the appeal judgement in the rescission proceedings concerning the resolutions of the Annual General Meeting, the appeal was admitted and lodged with the German Federal Court of Justice. The Higher Regional Court of Düsseldorf did not allow the appeal in the proceedings for a declaration of invalidity or pending ineffectiveness of the spin-off and demerger agreement. In one of these assessment proceedings, the plaintiffs filed an appeal against denial of leave to appeal with the Federal Court of Justice. The judgement in the other assessment proceedings is final. METRO AG maintains its position that all of these legal challenges are inadmissible and/or unfounded and has therefore not recognised corresponding risk provisions in its accounts.

Legal action against credit card companies

Companies of the METRO group had submitted complaints against credit card companies. The complaints claimed damages based on the EU Commission's ban on credit card companies setting multilateral interchange fees on an EU level. The European Court of Justice confirmed the decision of the EU Commission against one credit card company in the final instance. Settlements reached during the first half of financial year 2018/19 with respect to the claimed damages contributed a sum in the low double-digit millions to earnings. As a result, METRO abandoned its complaints against the credit card companies.

Arbitration proceedings against Hudson's Bay Company

METRO AG is a plaintiff in arbitration proceedings against the Canadian retail group Hudson's Bay Company (HBC). The background of the arbitration proceedings is an outstanding purchase price claim of METRO AG against HBC, resulting from the disposal of Galeria Kaufhof in 2015. METRO AG had initially retained minority interests in individual real estates and granted HBC call options. In January 2016, HBC exercised its call options and paid a preliminary purchase price. METRO AG believes that the paid preliminary purchase price was insufficient and disputes the applied valuation basis.

Further remaining legal issues

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

48. Events after the closing date

METRO AG sells majority share in METRO China to Wumei Technology Group

On 11 October 2019, METRO AG ('METRO') entered into an agreement with Wumei Technology Group, Inc. ('Wumei'), a leading Chinese retailer, to form a strategic partnership for the Chinese operations of METRO ('METRO China'). This partnership includes the sale of METRO's entire indirect investment in METRO China (excluding a real estate company sold separately in September 2019) to a subsidiary of Wumei (the buyer) for a company value (enterprise value, 100%) of approximately €1.9 billion. The consideration includes an estimated net cash inflow of more than €1.0 billion as well as a 20% investment of METRO in METRO China.

The closing of this transaction is subject to the approval of the regulatory authorities.

EP Global Commerce GmbH increases its share of voting rights in METRO AG

EP Global Commerce GmbH increased its voting rights in METRO AG from 17.52% to 29.99% as of 6 November 2019 based on the notifications of voting rights submitted to the company. They and possibly other affiliated companies and related parties will thus become related companies and parties of METRO AG as of this date. Franz Haniel & Cie. GmbH and its subsidiaries are no longer related parties due to the reduction of their voting rights.

49. Notes on related parties

In financial year 2018/19, METRO maintained the following business relations to related companies:

€ million	2017/18	**2018/19**
Services provided	8	**8**
Associates	5	**5**
Joint ventures	3	**3**
Miscellaneous related parties	0	**0**
Services received	96	**93**
Associates	78	**76**
Joint ventures	8	**7**
Miscellaneous related parties	10	**10**
Receivables from services provided, as of 30/9	0	**0**
Associates	0	**0**
Joint ventures	0	**0**
Miscellaneous related parties	0	**0**
Liabilities from goods/services received as of 30/9	1	**1**
Associates	0	**0**
Joint ventures	0	**0**
Miscellaneous related parties	1	**1**

Transactions with associated companies and other related parties

The services received totalling €93 million (2017/18: €96 million) that METRO companies received from associates and other related parties in financial year 2018/19 consisted mainly of real estate leases in the amount of €79 million (2017/18: €80 million), thereof €76 million from associates; (2017/18: €78 million) and the rendering of services in the amount of €15 million (2017/18: €16 million), thereof €7 million from joint ventures; (2017/18: €8 million).

Other future financial commitments in the amount of €667 million (2017/18: €719 million) consist of tenancy agreements with the following associated companies: OPCI FWP France, OPCI FWS France, Habib METRO Pakistan and the Mayfair group.

In financial year 2018/19, METRO companies provided services to companies belonging to the group of associates and related parties in the amount of €8 million (2017/18: €8 million).

A dividend of €38 million has been paid out to a shareholder with significant influence.

Business relations with related parties are based on contractual agreements providing for arm's length prices. As in financial year 2017/18, there were no business relations with related natural persons and companies of management in key positions in financial year 2018/19.

Related persons (compensation for management in key positions)

The management in key positions consists of members of the Management Board and the Supervisory Board of METRO AG.

Thus, the expenses for members of the Management Board of METRO AG amounted to €6.9 million (2017/18: €5.2 million) for short-term benefits and €3.7 million (2017/18: €7.0 million) for post-employment benefits. Thereof an amount of €3.0 million relates to termination benefits paid in financial year 2018/19. The expenses for existing compensation programmes with long-term incentive effect in financial year 2018/19, calculated in accordance with IFRS 2, amounted to €2.6 million (2017/18: €0.7 million).

The short-term compensation for the members of the Supervisory Board of METRO AG amounted to €2.2 million (2017/18: €2.2 million).

The total compensation for members of the Management Board in key positions in financial year 2018/19 amounted to €15.4 million (2017/18: €15.1 million).

– **For more information about the basic principles of the remuneration system and the amount of Management Board and Supervisory Board compensation, see no. 51 – Management Board and Supervisory Board ▸ page 289.**

50. Long-term incentive for executives

Authorisations for the continuing operations of METRO

The Long-Term Incentive developed in financial year 2015/16 for the METRO Wholesale sales line (MCC LTI) was adjusted for the continuing operations of METRO and granted to the senior executives of METRO and the management bodies of the METRO Wholesale subsidiaries as of 1 April 2019. The METRO LTI is a cyclical plan that is issued once every 3 years. The respective performance targets focus on value creation in the individual national subsidiaries, the relative total shareholder return of the METRO share compared to a comparable market as well as the sustainable development and future orientation of METRO. The performance period of the METRO LTI extends from 1 April 2019 to 31 March 2022. The individual target amounts are accumulated proportionally during this period. The final target amount that has been accumulated at the end of the performance period is based on the period of eligibility for the METRO LTI as well as the individual's position. According to the plan conditions, executives can be newly admitted to the circle of beneficiaries on a pro rata basis or be removed from the plan.

Operating principles METRO LTI

After the end of each performance period, the payout amount is determined by multiplying the respectively accumulated individual target amount with a total goal achievement factor. This factor consists of the achievement of the country performance component (60%), the achievement of the METRO performance component (30%) and the achievement of the sustainability component (10%). The payout amount is capped and the total goal achievement factor cannot drop below 0.

For the country performance component, the success of the respective national subsidiary is decisive for the beneficiaries of the national METRO Wholesale subsidiaries, while the overall success of all national subsidiaries is taken as the basis for the other beneficiaries. The overall success of METRO is determined for the METRO performance and sustainability components.

The **country performance component** rewards the achievement of internal economic targets and is measured on the basis of a cash proxy achieved cumulatively for the METRO Wholesale subsidiaries in financial years 2018/19 to 2020/21. In each case, a value for the factor 0.0 and a target value for the target achievement factor 1.0 were defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the country performance component cannot drop below 0 and is capped.

The METRO performance component is based on the success of METRO, expressed as the relative total shareholder return (TSR) compared to a comparison group. This group consists of the MDAX (50%) and the selected competitors (50%).

The comparison group of competitors consists of the following companies:

- Bidcorp (ISIN ZAE000216537)
- Bizim Toptan (ISIN TREBZMT00017)
- Marr (ISIN IT0003428445)
- Eurocash Group (ISIN PLEURCH00011)
- Performance Food Group (ISIN US71377A1034)
- US Foods (ISIN US9120081099)
- Sysco (ISIN US8718291078)
- Sligro (ISIN NL0000817179)

If the total shareholder returns of METRO AG and the comparison group run in parallel, the performance target is 100% met; for an underperformance of −20%, the performance target is met by one third; for anything below that, the target achievement is 0. Between these 2 points and beyond, linear interpolation or extrapolation is used to determine target achievement. The achievement of targets is capped.

Performance achievement for the **sustainability component** is determined on the basis of the average rating which METRO AG is awarded in an external corporate sustainability assessment during each performance period. Each year during the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM. RobecoSAM AG uses this assessment to determine METRO AG's ranking within the industry group Food & Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). RobecoSAM AG will inform METRO AG of any changes in its sector classification. In case of material changes in the composition of companies or the ranking method, RobecoSAM AG can determine adequate comparable values.

The company's average ranking, rounded to whole numbers, is determined on the basis of the rankings communicated during each performance period. The factor for the sustainability component is determined in the following manner on the basis of the average of the performance period:

Average ranking (rounded)	Sustainability factor
1	3.00
2	2.00
3	1.50
4	1.00
5	0.75
6	0.50
7	0.25
Below rank 7	0.00

METRO mid-term incentive

In financial year 2018/19, a mid-term incentive (MTI) was launched to support the transformation of METRO over a 2-year period. This plan allows top executives to participate in METRO's success and rewards the achievement of important internal transformation goals, such as customer satisfaction and master data quality.

The METRO mid-term incentive (METRO MTI) has a term (performance period) of 2 years and was granted to the senior executives of METRO and the management bodies of the METRO Wholesale subsidiaries as of 1 April 2019. This is a one-time issue.

The METRO MTI is a phantom share plan in which a phantom share represents the value of the METRO ordinary share. Participants were allocated an initial number of phantom shares based on a target amount at the beginning of the performance period. At the end of the performance period, the final number of phantom shares will be determined for each participant and paid out with the dividend-adjusted value. Half of the final number of phantom shares is measured by the achievement of an internal EBITDA target, based on METRO as a whole, and half by country-specific transformation targets (transformation KPIs). The individual performance targets cannot fall below 0 and are capped. The total payout from the plan is also capped.

The EBITDA target is based on the EBITDA of METRO excluding earnings contributions from real estate transactions in financial year 2018/19. Targets were set for 50%, 100% and 150% degrees of target achievement. The achievement of targets is determined by linear interpolation between these values. The achievement of targets is limited at the lower and upper levels.

Targets were set for all METRO Wholesale subsidiaries for the transformation KPIs performance target 'in the equally weighted components like-for-like sales growth in strategic customer groups, Net Promoter Score (NPS) and master data quality. A country-specific overall factor is determined from the achievement of the respective targets with regard to the transformation KPIs.

With regard to the target for like-for-like sales growth in strategic customer groups, growth targets were set for individual customer groups in line with the strategic orientation of the respective national subsidiary. For each national subsidiary and for each of the strategic customer groups relevant for that country, the Management Board of METRO AG set separate target values for the achievement of the factor 1.00. Furthermore, a threshold (a minimum performance target where the factor is 0.00) and the target values for reaching a factor of 2.00 and 3.00 were defined. Linear interpolation is performed between these values to determine the achievement of the respective targets. The goal achievement factor cannot drop below 0 and is capped.

The NPS factor (qualitative) rewards the careful implementation and maintenance of the NPS system by the national subsidiaries, which was entrenched in the NPS target image of METRO. The relevant measurement of the performance for the determination of the target achievement is carried out during the performance period on 2 dates. The measurement focuses in particular on the routines and processes associated with the introduction of the NPS as well as the success of the respective national subsidiary. The goal achievement cannot drop below 0 and is capped.

The master data quality component rewards a sustainable improvement of the core attributes of article master data and customer contact data, since complete and correct data are a basic requirement for all METRO processes. 4 relevant data clusters have been defined (purchasing units, sales units, customers and authorised buyers). Separate target values for achieving factor 1.00 were set for each national subsidiary. Furthermore, a threshold (a minimum performance target where the factor is 0.00) and the target values for reaching a factor of 2.00 and 3.00 were defined. Linear interpolation is performed between these values to determine the achievement of the respective targets. Each identified factor for the past performance component cannot drop below 0 and is capped.

The transformation KPIs target achievement for METRO as a whole is calculated separately for each subcomponent as a sales-weighted average of the respective factors determined for the national subsidiaries.

As of the closing date on 30 September 2019, the initially granted number of phantom shares was 1,217,690. Assuming that all performance targets can be achieved to the maximum extent possible, the maximum number of phantom shares is 2,739,803.

Permissions for the retail business segment (Real LTI)

In financial year 2016/17, the Real long-term incentive (Real LTI) was developed for the retail business segment. The authorised executives and senior executives of the retail business segment were eligible. The performance period started on 1 April 2017 and ends on 31 March 2020. The operating principles are shown below.

Operating principles Real LTI

After the end of each performance period, the payout amount is determined by multiplying the respectively accumulated individual target amount with a total goal achievement factor. The goal achievement rate of this factor for the past performance and future value components accounts for 45% each; the remaining 10% are accounted for by the goal achievement rate of the sustainability component. The payout amount is capped and the total goal achievement factor cannot drop below 0. For the past performance and future value components, the overall success of Real is key for the achievement of objectives.

The past performance component rewards the achievement of internal economic target values and is determined on the basis of the EBITDA after special items generated cumulatively over financial years 2016/17 to 2018/19. Separate target values for goal achievement factors 1.0 and 0.0 have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the past performance component cannot drop below 0 and is capped.

The **future value component** mirrors Real's external measurement with respect to the expected future performance of each sales line as a whole from an analyst's perspective. For the purpose of target setting, the company value was determined on the basis of analyst measurements before the start of the performance period. It is determined again at the end of the performance period. Separate target values for a goal achievement factor of 1.0 and 0.0, respectively, have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the future value component cannot drop below 0 and is capped.

Performance achievement for the **sustainability component** is determined on the basis of the average rating which METRO AG is awarded in an external corporate sustainability assessment during the performance period. In each year of the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM. RobecoSAM AG uses this assessment to determine METRO AG's ranking within the industry group Food & Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). RobecoSAM AG will inform METRO AG of any changes in its sector classification. In case of material changes in the composition of companies or the ranking method, RobecoSAM AG can determine adequate comparable values.

The company's average ranking, rounded to whole numbers, is determined on the basis of the rankings communicated during each performance period. The factor for the sustainability component is determined in the following manner on the basis of the average of the performance period:

Average ranking (rounded)	Sustainability factor
1	3.00
2	2.50
3	2.00
4	1.50
5	1.25
6	1.00
7	0.75
8	0.50
9	0.25
Below rank 9	0.00

As of 30 September 2019, the target amount for the eligible group of persons was €13.1 million. The mentioned tranches of share-based payment programmes resulted in total expenses of €12.0 million (2017/18: €9 million).

The related provisions as of 30 September 2019 amount to €12.5 million (30/9/2018: €28 million).

The provisions correspond to the fair value of the plans calculated pro rata temporis. This fair value is determined by an external expert using recognised financial mathematical methods. The basis for this is a risk-neutral, arbitrage-free valuation model of the option price theory (in this case using Monte Carlo simulation). The input data for the simulation are measurements and estimates of internal key performance indicators as of the reporting date and the external market values as of the valuation date.

51. Management Board and Supervisory Board

Remuneration of members of the Management Board in financial year 2018/19

The remuneration of the active members of the Management Board essentially consists of a fixed salary, a short-term performance-based remuneration component (short-term incentive and special bonuses), as well as the performance-based remuneration component with a long-term incentive effect (long-term incentive) granted in financial year 2018/19.

The short-term incentive for members of the Management Board is essentially determined by the development of financial performance targets related to that financial year and also considers the attainment of agreed-upon targets.

The remuneration of the active members of the Management Board in financial year 2018/19 amounted to €9.8 million (2017/18: €7.0 million). This includes €3.5 million (2017/18: €3.7 million) in fixed salaries, €2.0 million (2017/18: €0.4 million) in short-term performance-based remuneration, €3.9 million (2017/18: €2.7 million) in performance-based remuneration with a long-term incentive effect and €0.3 million (2017/18: €0.2 million) in non-monetary and supplemental benefits.

The share and performance-based remuneration component with long-term incentive effect granted in financial year 2018/19 (performance share plan) was recognised at fair value as of the date granted. The number of conditionally allocated performance shares for the members of the Management Board amounts to a total of 311,477.

In financial year 2018/19, value adjustments resulted from the current tranches of performance-based payment programmes with a long-term incentive effect. The company’s expenses amounted to €0.78 million for Mr Koch, €0.50 million for Mr Baier, €1.23 million for Mr Hutmacher and €0.09 million for Mr Palazzi.

As of 30 September 2019, the provisions for the members of the Management Board totalled €3.46 million. Of this amount, €1.17 million was attributable to Mr Koch, €0.69 million to Mr Baier, €1.52 million to Mr Hutmacher and €0.09 million to Mr Palazzi.

Expenses and provisions were determined by external experts using a recognised financial mathematical procedure.

An agreement was reached with Mr Hutmacher in the reporting year for the premature termination of his service 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 service contract (1 January 2020 to 30 September 2020) and the short-term incentive for the period from 1 October 2019 to 31 May 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 is due in financial year 2019/20, was fully accrued in financial year 2018/19. The tranches of the long-term incentive already granted to Mr Hutmacher will be settled in accordance with the terms of the plan.

Total compensation of former members of the Management Board

There are congruent, reinsured liabilities from pension provisions of €1.5 million towards former members of the Management Board.

- **Individual versions of the disclosures released pursuant to § 314 Section 1 No. 6a Sentences 5 to 8 of the German Commercial Code can be found in chapter 6 remuneration report page 124 in the combined management report.**

Compensation of members of the Supervisory Board

The total remuneration of all members of the Supervisory Board in financial year 2018/19 amounted to €2.2 million (2017/18: €2.2 million).

- **For more disclosures about the compensation of the members of the Supervisory Board, see chapter '6 remuneration report page 124' in the combined management report.**

52. Auditor's fees for the financial year pursuant to § 314 Section 1 No. 9 of the German Commercial Code (HGB)

KPMG AG Wirtschaftsprüfungsgesellschaft invoiced total professional fees in the amount of €5.1 million for services rendered. €4.3 million of this amount was attributable to professional fees for the audit of the financial statements, €0.2 million to other assurance services and €0.6 million to other services. Only services that are consistent with the task of the auditor of the annual financial statements and consolidated financial statements of METRO AG were provided.

The fees for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft relate to the audit of the consolidated financial statements and the annual financial statements of METRO AG, including statutory order extensions. In addition, the fees for the audits of IFRS reporting packages of subsidiaries of METRO AG for inclusion in the METRO consolidated financial statements as well as for the audits of annual financial statements of subsidiaries under commercial law are included here. In addition, the audit-integrated reviews of interim financial statements, project-related audits within the framework of the introduction of new accounting standards and ISAE 3402 audit-related services were performed.

The other assurance services include contracted audits (for example, sales lease agreements, compliance certificates, comfort letters, declaration of completeness of the packaging ordinance), the voluntary audit of the internal audit system according to IDW PS 983, the voluntary audit of the corporate responsibility report according to ISAE 3000 and ISAE 3410 and the business audit of the non-financial statement.

The other services relate to fees for financial due diligences, for auditing support services within the framework of a sales tax compliance management system and auditing support services based on IDW PS 980 in connection with the IT compliance system.

53. Declaration of conformity with the German Corporate Governance Code

In September 2019, the Management Board and the Supervisory Board issued the annual declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) concerning the recommendations of the Government Commission on the German Corporate Governance Code. The statement is published permanently on the website of METRO AG (www.metroag.de/en).

54. Election to be exempt from §§ 264 Section 3 and 264b of the German Commercial Code

The following domestic subsidiaries in the legal form of stock corporations or partnerships will use the exemption provisions according to § 264 Section 3 and § 264b of the German Commercial Code, and will thus refrain from preparing their annual financial statements for financial year 2018/19 as well as mostly from preparing their notes and management report (according to the German Commercial Code).

a) Operating companies and service entities	
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf
N & NF Trading GmbH	Düsseldorf
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
real,- Handels GmbH	Düsseldorf
Hospitality Digital GmbH	Düsseldorf
METRO GROUP Accounting Center GmbH	Wörrstadt
METRO Innovations Holding GmbH	Düsseldorf
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf
METRO LOGISTICS Germany GmbH	Düsseldorf
MGC METRO Group Clearing GmbH	Düsseldorf
METRO Finanzdienstleistungs Pensionen GmbH	Düsseldorf
real,- Digital Services GmbH	Düsseldorf
DAYCONOMY GmbH	Düsseldorf
Fulltrade International GmbH	Düsseldorf
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf
METRO Dienstleistungs-Holding GmbH	Düsseldorf
METRO Re AG	Düsseldorf
METRO Advertising GmbH	Düsseldorf
real,- Holding GmbH	Düsseldorf
real,- Digital Fulfillment GmbH	Düsseldorf
METRO Travel Services GmbH	Düsseldorf
METRO Insurance Broker GmbH	Düsseldorf
METRO-nom GmbH	Düsseldorf
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden
NordRhein Trading GmbH	Düsseldorf

METRO Großhandelsgesellschaft mbH	Düsseldorf
real GmbH	Düsseldorf
METRO Deutschland GmbH	Düsseldorf
MGE Warenhandelsgesellschaft mbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
real,- SB-Warenhaus GmbH	Düsseldorf
MCC Trading International GmbH	Düsseldorf
METRO Cash & Carry International GmbH	Düsseldorf
Meister feines Fleisch - feine Wurst GmbH	Gäufelden
Multi-Center Warenvertriebs GmbH	Düsseldorf
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf
MCC Trading Deutschland GmbH	Düsseldorf
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mbH	Düsseldorf
Liqueur & Wine Trade GmbH	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
Weinkellerei Thomas Rath GmbH	Düsseldorf
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf
METRO FSD Holding GmbH	Düsseldorf
RUNGIS express GmbH	Meckenheim
Petit RUNGIS express GmbH	Meckenheim
CCG DE GmbH	Kelsterbach
cc delivery gmbh	Meckenheim
HoReCa Investment Management GmbH	Düsseldorf
DISH Plus GmbH	Düsseldorf
HoReCa Komplementär GmbH	Düsseldorf
HoReCa Innovation I GmbH & Co. KG	Düsseldorf
HoReCa Investment I GmbH & Co. KG	Düsseldorf
HoReCa Strategic I GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf
MIP METRO Holding Management GmbH	Düsseldorf
Markthalle GmbH	Düsseldorf
METRO Hospitality Digital Holding GmbH	Düsseldorf
METRO Dritte Verwaltungs GmbH	Düsseldorf
METRO Vierte Verwaltungs GmbH	Düsseldorf
METRO Fünfte Verwaltungs GmbH	Düsseldorf
METRO Sechste Verwaltungs GmbH	Düsseldorf
METRO Siebte Verwaltungs GmbH	Düsseldorf
Hospitality Digital Services Germany GmbH	Düsseldorf
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf
Hospitality.systems GmbH	Düsseldorf
METRO Markets GmbH	Düsseldorf

real Digital Agency GmbH	Düsseldorf
Heim & Büro Versand GmbH	Nister
hospitality.data GmbH	Düsseldorf
METRO Payment Services GmbH	Düsseldorf
METRO Fulfillment GmbH	Düsseldorf
b) Real estate companies	
METRO Leasing GmbH	Düsseldorf
METRO Asset Management Services GmbH	Düsseldorf
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ARKON Grundbesitzverwaltung GmbH	Düsseldorf
METRO PROPERTIES Holding GmbH	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn 'Südring Center' KG	Düsseldorf
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf
TIMUG GmbH & Co. Objekt Homburg KG	Düsseldorf
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf
AIB Verwaltungs GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf
DFI Verwaltungs GmbH	Düsseldorf
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
METRO Retail Real Estate GmbH	Düsseldorf
METRO Wholesale Real Estate GmbH	Düsseldorf
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf

Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt - KG	Düsseldorf
METRO PROPERTIES GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
Wolfgang Wirichs GmbH	Düsseldorf
Wirichs Immobilien GmbH	Düsseldorf
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf
BAUGRU Immobilien - Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf
STW Grundstücksverwaltung GmbH	Düsseldorf
PIL Grundstücksverwaltung GmbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf
METRO Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf
MDH Secundus GmbH & Co. KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf
Kaufhalle GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf
ASSET Immobilienbeteiligungen GmbH	Düsseldorf
ASSET Köln-Kalk GmbH	Düsseldorf
Horten Nürnberg GmbH	Düsseldorf

METRO International Beteiligungs GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Stralsund KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bitterfeld KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Aachen SB-Warenhaus KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf
TIMUG Verwaltung GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf
METRO Leasing Objekt Schwerin GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf
Deutsche SB-Kauf Beteiligungsverwaltung GmbH	Düsseldorf
Schaper Beteiligungsverwaltung GmbH	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf
METRO Campus Services GmbH	Düsseldorf

55. Overview of the major fully consolidated group companies

Name	Registered office	Stake in %	Sales[1] in € million
Holding companies			
METRO AG	Düsseldorf, Germany		0
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	0
METRO Wholesale			
METRO Deutschland GmbH	Düsseldorf, Germany	100.00	4,423
METRO France S.A.S.	Nanterre, France	100.00	4,280
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	2,812
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,700
METRO Italia Cash and Carry S. p. A.	San Donato Milanese, Italy	100.00	1,723
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	1,385
Makro Autoservicio Mayorista S. A. U.	Madrid, Spain	100.00	1,255
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	100.00	1,191
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,080
METRO Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	1,027
METRO Cash & Carry India Private Limited	Bengaluru, India	100.00	848
METRO Distributie Nederland B. V.	Amsterdam, Netherlands	100.00	780
METRO Cash & Carry Österreich GmbH	Vösendorf, Austria	73.00	760
Real			
real GmbH	Düsseldorf, Germany	100.00	6,970
Other companies			
METRO Sourcing International Limited	Hong Kong, China	100.00	24
METRO LOGISTICS Germany GmbH	Düsseldorf, Germany	100.00	0
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	92.90	0
METRO-nom GmbH	Düsseldorf, Germany	100.00	0
METRO International AG	Baar, Switzerland,	100.00	0

[1] Including consolidated national subsidiaries.

56. Boards of METRO AG and mandates of their members

Members of the Supervisory Board

(As of 3 December 2019)

Jürgen Steinemann (Chairman)
CEO of JBS Holding GmbH
Shareholder representative
a) Big Dutchman AG (Vice Chairman)
b) Bankiva B.V., Wezep, Netherlands – Supervisory Board (Chairman)
Barry Callebaut AG[1], Zurich, Switzerland – Board of Directors, until 11 December 2019
Lonza Group AG[1], Basle, Switzerland – Board of Directors

Werner Klockhaus (Vice Chairman)
Chairman of the Group Works Council of METRO AG
Chairman of the General Works Council of Real GmbH
Employee representative
a) Hamburger Pensionskasse von 1905 Versicherungsverein auf Gegenseitigkeit
Real GmbH[2] (Vice Chairman)
b) None

Stefanie Blaser
Chairwoman of the General Works Council of METRO PROPERTIES GmbH & Co. KG Saarbrücken
Employee representative
a) None
b) None

Herbert Bolliger
Self-employed business consultant
Shareholder representatives
a) None
b) Amann Wine Group Holding SA, Zug, Switzerland – Board of Directors
BNP Paribas (Suisse) AG[1], Geneva, Switzerland – Board of Directors MTH Retail Group Holding GmbH, Vienna, Austria – Supervisory Board Office World Holding AG, Bolligen, Switzerland – Board of Directors (Vice President)

Gwyn Burr
Member of the Board of Directors of Hammerson plc, London, United Kingdom
Shareholder representative
a) None
b) Hammerson plc[1], London, United Kingdom – Board of Directors
Ingleby Farms and Forests ApS, Køge, Denmark – Board of Directors
Just Eat plc[1], London, United Kingdom – Board of Directors
Sainsbury's Bank plc[1], London, United Kingdom – Board of Directors Taylor Wimpey plc[1], London, United Kingdom – Board of Directors

Thomas Dommel
Chairman of the General Works Council of METRO LOGISTICS Germany GmbH
Employee representative
a) METRO LOGISTICS Germany GmbH[2] (Vice Chairman)
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG)
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG)
[1] Listed company
[2] Intra-group mandate

Prof. Dr Edgar Ernst
President of the German Financial Reporting Enforcement Panel (FREP)
Shareholder representative
a) TUI AG[1]
Vonovia SE[1] (Vice Chairman)
b) None

Dr Florian Funck (until 7 December 2019)
Member of the Management Board of Franz Haniel & Cie. GmbH
Shareholder representative
a) CECONOMY AG[1]
TAKKT AG[1] (Chairman, since 15 May 2019)
Vonovia SE[1]
b) None

Michael Heider
Vice Chairman of the General Works Council of METRO Deutschland GmbH
Chairman of the Works Council of the METRO wholesale store Schwelm
Employee representative
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Peter Küpfer
Self-employed business consultant
Shareholder representative
a) CECONOMY AG[1], until 30 April 2019
b) AHRA AG, Zurich, Switzerland – Board of Directors (President)
AHRB AG, Zurich, Switzerland – Board of Directors (President)
ARH Resort Holding AG, Zurich, Switzerland – Board of Directors (President)
Breda Consulting AG, Zurich, Switzerland – Board of Directors (President)
Cambiata Ltd, Road Town, Tortola, British Virgin Islands – Board of Directors
Cambiata Schweiz AG, Zurich, Switzerland – Board of Directors
Gebr. Schmidt GmbH & Co. KG – Advisory Council
Lake Zurich Fund Exempt Company, George Town, Grand Cayman, Cayman Islands – Board of Directors
Supra Holding AG, Zug, Switzerland – Board of Directors

Susanne Meister
Member of the General Works Council of Real GmbH
Employee representative
a) None
b) None

Dr Angela Pilkmann
Category Manager Food at Real GmbH
Employee representative
a) None
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG)
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG)
[1] Listed company
[2] Intra-group mandate

Dr Fredy Raas
Managing Director of Beisheim Holding GmbH, Baar, Switzerland and Beisheim Group GmbH & Co. KG
Shareholder representative
a) CECONOMY AG[1]
b) ARISCO Holding AG, Baar, Switzerland – Board of Directors
HUWA Finanz- und Beteiligungs AG, Au, Switzerland – Board of Directors (President), since 23 October 2018
Montana Capital Partners AG, Baar, Switzerland – Board of Directors, until 31 December 2018

Xaver Schiller
Chairman of the General Works Council of METRO Deutschland GmbH
Chairman of the Works Council of the METRO wholesale store Munich-Brunnthal
Employee representative
a) METRO Großhandelsgesellschaft mbH[2] (Vice Chairman)
b) None

Eva-Lotta Sjöstedt
Self-employed Business Consultant
Shareholder representative
a) None
b) None

Dr Liliana Solomon
Chief Financial Officer of Awaze Group Limited, London, United Kingdom
Shareholder representative
a) Scout24 AG[1] (Vice Chairwoman), until 30 August 2019
b) None

Alexandra Soto
Group Executive Director, Managing Director and Global Chief Operating Officer of Lazard Financial Advisory, Lazard & Co., Limited, London, United Kingdom
Shareholder representative
a) None
b) None

Angelika Will
Honorary Judge at the Federal Labour Court Secretary of the Regional Association Board North Rhine-Westphalia of DHV – Die Berufsgewerkschaft
e.V. (federal specialist group trade and logistics)
Employee representative
a) None
b) None

Manfred Wirsch
Secretary of the National Executive Board of Verdi Vereinte Dienstleistungsgewerkschaft e. V
Employee representatives
a) METRO Großhandelsgesellschaft mbH[2]
b) None

Silke Zimmer
Secretary of the National Executive Board of Verdi Vereinte Dienstleistungsgewerkschaft e. V.
Employee representative
a) None
b) None

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG)
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG)
[1] Listed company
[2] Intra-group mandate

Permanent Supervisory Board committees and their composition

(As of 3 December 2019)

Presidential Committee

Jürgen Steinemann (Chairman)
Werner Klockhaus (Vice Chairman)
Xaver Schiller
Dr Liliana Solomon

Audit Committee

Prof. Dr Edgar Ernst (Chairman)
Werner Klockhaus (Vice Chairman)
Thomas Dommel
Dr Florian Funck
Dr Fredy Raas
Xaver Schiller

Nomination Committee

Jürgen Steinemann (Chairman)
Gwyn Burr
Prof. Dr Edgar Ernst

Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act

Jürgen Steinemann (Chairman)
Werner Klockhaus (Vice Chairman)
Prof. Dr Edgar Ernst
Xaver Schiller

Members of the Management Board

(As of 3 December 2019)

Olaf Koch (Chairman)
a) Real GmbH[2] (Chairman)
METRO-NOM GmbH[2] (Chairman), since 1 November 2019
b) Hospitality Digital GmbH[2] – Advisory Board (Chairman)

Christian Baier (Chief Financial Officer)
a) METRO Großhandelsgesellschaft mbH[2]
METRO RE AG[2] – Supervisory Board (Chairman)
b) Hospitality Digital GmbH[2] – Advisory Board METRO Cash & Carry International Holding GmbH[2], Vösendorf, Austria – Supervisory Board (Chairman) METRO Holding France S. A.[2], Vitry-sur-Seine, France – Board of Directors

Andrea Euenheim
(Chief Human Resources Officer and Labour Director, since 1 November 2019)
Since 1 November 2019
METRO Großhandelsgesellschaft mbH[2], since 1 November 2019
Real GmbH[2], as of 1 January 2020
None

Heiko Hutmacher
(Chief Human Resources Officer and Labour Director, until 31 October 2019)
Until 31 December 2019
a) METRO Großhandelsgesellschaft mbH[2], until 31 October 2019
Real GmbH[2], until 31 December 2019
METRO-NOM GmbH[2] (Chairman), until 31 October 2019
b) None

Philippe Palazzi (Chief Operating Officer)
a) None
b) Hospitality Digital GmbH[2] – Advisory Board
METRO Holding France S. A.[2], Vitry-sur-Seine, France – Board of Directors (Chairman)
METRO FSD France S.A.S.[2], Rungis, France – Board of Directors (Chairman)
METRO Wholesale Myanmar Ltd.[2], Rangoon, Myanmar – Supervisory Board
Classic Fine Foods Netherlands B.V.[2], Amsterdam, Netherlands – Board of Directors

a) Memberships in other statutory supervisory boards within the meaning of § 125 Section 1 Sentence 5, 1st alt. of the German Stock Corporation Act (AktG)
b) Memberships in comparable German and international supervisory bodies of commercial enterprises within the meaning of § 125 Section 1 Sentence 5, 2nd alt. of the German Stock Corporation Act (AktG)
[2] Intra-group mandate

57. Affiliated companies of the group METRO AG as of 30 September 2019 pursuant to § 313 of the German Commercial Code

Name	Registered office	Country	Share in capital in %
Consolidated subsidiaries			
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf	Germany	100.00
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf	Germany	100.00
AIB Verwaltungs GmbH	Düsseldorf	Germany	100.00
ARKON Grundbesitzverwaltung GmbH	Düsseldorf	Germany	100.00
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf	Germany	100.00
ASSET Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
ASSET Köln-Kalk GmbH	Düsseldorf	Germany	100.00
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
Aubepine SARL	Châlette-sur-Loing	France	100.00
Avilo Marketing Gesellschaft m. b. H.	Vösendorf	Austria	100.00
BAUGRU Immobilien - Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf	Germany	100.00
Beijing Weifa Trading & Commerce Co. Ltd.	Beijing	China	100.00
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	94.00
cc delivery gmbh	Meckenheim	Germany	100.00
CCG DE GmbH	Kelsterbach	Germany	100.00
CJSC METRO Management Ukraine	Kiev	Ukraine	100.00
Classic Coffee & Beverage Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods (Hong Kong) Limited	Hong Kong	China	100.00
Classic Fine Foods (Macau) Ltd	Macao	China	99.80
Classic Fine Foods (Singapore) Private Limited	Singapore	Singapore	100.00
Classic Fine Foods (Thailand) Company Limited	Bangkok	Thailand	100.00
Classic Fine Foods (Thailand) Holding Company Limited	Bangkok	Thailand	49.00
Classic Fine Foods (Vietnam) Limited	Ho Chi Minh City	Vietnam	100.00
Classic Fine Foods China Holdings Limited	Hong Kong	China	100.00
Classic Fine Foods China Trading Limited	Hong Kong	China	100.00
Classic Fine Foods EM LLC	Abu Dhabi	United Arab Emirates	50.00
Classic Fine Foods Group Limited	London	United Kingdom	100.00
Classic Fine Foods Holdings Limited	London	United Kingdom	100.00
Classic Fine Foods Japan Holdings	Tokyo	Japan	100.00
Classic Fine Foods Macau Holding Limited	Hong Kong	China	100.00
Classic Fine Foods Netherlands BV	Rotterdam	Netherlands	100.00
Classic Fine Foods Philippines Inc.	Makati	Philippines	100.00
Classic Fine Foods Rungis SAS	Rungis	France	100.00
Classic Fine Foods Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods UK Limited	London	United Kingdom	100.00

Classic Fine Foodstuff Trading LLC	Abu Dhabi	United Arab Emirates	49.00
Concarneau Trading Office SAS	Concarneau	France	100.00
COOL CHAIN GROUP PL Sp. z o.o.	Cracow	Poland	100.00
Culinary Agents Italia s.r.l.	San Donato Milanese	Italy	100.00
Dalian METRO Warehouse Management Co., Ltd.	Dalian	China	100.00
DAYCONOMY GmbH	Düsseldorf	Germany	100.00
Deelnemingmaatschappij Arodema B.V.	Amsterdam	Netherlands	100.00
Deutsche SB-Kauf Beteiligungsverwaltung GmbH	Düsseldorf	Germany	100.00
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf	Germany	100.00
DFI Verwaltungs GmbH	Düsseldorf	Germany	100.00
Dinghao Foods (Shanghai) Co. Ltd.	Shanghai	China	100.00
DISH Plus GmbH	Düsseldorf	Germany	100.00
Doxa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach KG	Mainz	Germany	0.00[1]
Etablissements Blin SAS	Saint-Gilles	France	100.00
Fideco AG	Courgevaux	Switzerland	100.00
French F&B (Japan) Co., Ltd.	Tokyo	Japan	93.83
Freshly CR s.r.o.	Prague	Czech Republic	100.00
Fulltrade International GmbH	Düsseldorf	Germany	100.00
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf	Germany	100.00
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf	Germany	100.00

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Aachen SB-Warenhaus KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bitterfeld KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Krefeld KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Nettetal KG	Düsseldorf	Germany	94.90

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn 'Südring Center' KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Stralsund KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf	Germany	100.00
Goldhand Lebensmittel- u. Verbrauchsgüter-Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf	Germany	100.00
GrandPari Limited Liability Company	Moscow	Russia	100.00
Heim & Büro Versand GmbH	Nister	Germany	100.00
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf	Germany	3.26[1]
HoReCa Innovation I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf	Germany	0.67[1]
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf	Germany	3.32[1]
HoReCa Investment I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf	Germany	0.07[1]
HoReCa Investment Management GmbH	Düsseldorf	Germany	100.00
HoReCa Komplementär GmbH	Düsseldorf	Germany	100.00
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf	Germany	4.26[1]
HoReCa Strategic I GmbH & Co. KG	Düsseldorf	Germany	100.00
Horten Nürnberg GmbH	Düsseldorf	Germany	100.00
Hospitality Digital France SAS	Paris	France	100.00
Hospitality Digital GmbH	Düsseldorf	Germany	100.00
Hospitality Digital Services Austria GmbH	Vienna	Austria	100.00
Hospitality Digital Services Germany GmbH	Düsseldorf	Germany	100.00
hospitality.data GmbH	Düsseldorf	Germany	100.00
HOSPITALITY.digital, Inc.	Wilmington	USA	100.00
Hospitality.systems GmbH	Düsseldorf	Germany	100.00
ICS METRO Cash & Carry Moldova S.R.L.	Chișinău	Moldova	100.00
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf	Germany	90.24
Inpakcentrale ICN B.V.	Duiven	Netherlands	100.00
Johannes Berg GmbH, Weinkellerei	Düsseldorf	Germany	100.00
Kaufhalle GmbH	Düsseldorf	Germany	100.00
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf	Germany	100.00
Klassisk Group (S) Pte. Ltd.	Singapore	Singapore	100.00
Klassisk Investment Limited	Hong Kong	China	100.00

KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00
Liqueur & Wine Trade GmbH	Düsseldorf	Germany	100.00
LLC Ukrainian Wholesale Trade Company	Kiev	Ukraine	100.00
Makro Autoservicio Mayorista S. A. U.	Madrid	Spain	100.00
MAKRO Cash & Carry Belgium NV	Wommelgem	Belgium	100.00
MAKRO Cash & Carry CR s.r.o.	Prague	Czech Republic	100.00
Makro Cash & Carry Egypt LLC	Cairo	Egypt	100.00
Makro Cash & Carry Portugal S.A.	Lisbon	Portugal	100.00
Makro Cash & Carry UK Holding Limited	Manchester	United Kingdom	100.00
Makro Cash and Carry Polska S.A.	Warsaw	Poland	100.00
Makro Ltd.	Manchester	United Kingdom	100.00
Makro Pension Trustees Ltd.	Manchester	United Kingdom	100.00
Markthalle GmbH	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Augsburg KG	Düsseldorf	Germany	94.90
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf	Germany	100.00
MCC Trading Deutschland GmbH	Düsseldorf	Germany	100.00
MCC Trading International GmbH	Düsseldorf	Germany	100.00
MCC Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ludwigshafen KG	Düsseldorf	Germany	94.90
MCCAP Holding GmbH	Vienna	Austria	100.00
MCCI Asia Pte. Ltd.	Singapore	Singapore	100.00
MDH Secundus GmbH & Co. KG	Düsseldorf	Germany	100.00
Meister feines Fleisch - feine Wurst GmbH	Gäufelden	Germany	100.00
METRO (Changchun) Property Service Co. Ltd.	Changchun	China	100.00
METRO Advertising GmbH	Düsseldorf	Germany	100.00
METRO Advertising Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO Asset Management Services GmbH	Düsseldorf	Germany	100.00
METRO Białystok sp. z o.o.	Warsaw	Poland	100.00
METRO Bielsko-Biała sp. z o.o.	Warsaw	Poland	100.00
METRO Bydgoszcz sp. z o.o.	Warsaw	Poland	100.00
METRO Campus Services GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Cash & Carry Central Asia Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry d.o.o.	Zagreb	Croatia	100.00
METRO Cash & Carry d.o.o.	Belgrade	Serbia	100.00
METRO Cash & Carry Danmark ApS.	Glostrup	Denmark	100.00
METRO Cash & Carry France et Cie	Monaco	Monaco	100.00
METRO Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00

METRO Cash & Carry Import Limited Liability Company	Noginsk	Russia	100.00
METRO Cash & Carry India Private Limited	Bengaluru	India	100.00
METRO Cash & Carry International GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry International Holding B. V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry International Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Japan KK	Tokyo	Japan	100.00
METRO Cash & Carry Myanmar Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Nederland B.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry OOO	Moscow	Russia	100.00
METRO Cash & Carry Österreich GmbH	Vösendorf	Austria	73.00
METRO CASH & CARRY ROMANIA SRL	Bucharest	Romania	100.00
METRO Cash & Carry Russia N.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Cash & Carry TOO	Almaty	Kazakhstan	100.00
METRO Cash & Carry Ukraine Ltd.	Kiev	Ukraine	100.00
METRO Cash & Carry Wines	Hyderabad	India	99.99
METRO Central East Europe GmbH	Vienna	Austria	100.00
METRO Częstochowa sp. z o.o.	Warsaw	Poland	100.00
METRO Delivery Service NV	Willebroek	Belgium	100.00
METRO Germany GmbH	Düsseldorf	Germany	100.00
METRO Dienstleistungs-Holding GmbH	Düsseldorf	Germany	100.00
METRO Distributie Nederland B. V.	Amsterdam	Netherlands	100.00
METRO DOLOMITI S.p.A.	San Donato Milanese	Italy	100.00
METRO Dritte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO FIM S.p.A.	Cinisello Balsamo	Italy	100.00
METRO Finanzdienstleistungs Pensionen GmbH	Düsseldorf	Germany	100.00
METRO France Immobiliere S. a. r. l.	Nanterre	France	100.00
METRO France S.A.S.	Nanterre	France	100.00
METRO FSD France S.A.S.	Montauban	France	100.00
METRO FSD Holding GmbH	Düsseldorf	Germany	100.00
METRO Fulfillment GmbH	Düsseldorf	Germany	100.00
METRO Fünfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Gdańsk-Przejazdowo sp. z o.o.	Warsaw	Poland	100.00
METRO Gdynia sp. z o.o.	Warsaw	Poland	100.00
METRO Global Business Services Private Limited	Pune	India	100.00
METRO Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul	Turkey	100.00
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf	Germany	100.00
METRO Großhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO GROUP Accounting Center GmbH	Wörrstadt	Germany	100.00
METRO Group Asset Management Ukraine, Limited Liability Company	Kiev	Ukraine	100.00
METRO Group Commerce (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO GROUP COMMERCE LIMITED	Hong Kong	China	100.00
METRO Group Properties SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Group Retail Real Estate Romania S.R.L.	Voluntari	Romania	100.00

METRO Group Wholesale Real Estate Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Holding France S. A.	Vitry-sur-Seine	France	100.00
METRO Hospitality Digital Holding GmbH	Düsseldorf	Germany	100.00
METRO Innovations Holding GmbH	Düsseldorf	Germany	100.00
METRO Insurance Broker GmbH	Düsseldorf	Germany	100.00
METRO International AG	Baar	Switzerland	100.00
METRO International Beteiligungs GmbH	Düsseldorf	Germany	100.00
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf	Germany	100.00
METRO Italia Cash and Carry S. p. A.	San Donato Milanese	Italy	100.00
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai	China	90.00
METRO Kalisz sp. z o.o.	Warsaw	Poland	100.00
METRO Kereskedelmi Kft.	Budaörs	Hungary	100.00
METRO Kielce sp. z o.o	Warsaw	Poland	100.00
METRO Kobierzyce sp. z o.o.	Warsaw	Poland	100.00
METRO Koszalin sp. z o.o.	Warsaw	Poland	100.00
METRO Kraków Jasnogórska sp. z o.o.	Warsaw	Poland	100.00
METRO Kraków Zakopiańska sp. z o.o.	Warsaw	Poland	100.00
METRO Leasing GmbH	Düsseldorf	Germany	100.00
METRO Leasing Objekt Schwerin GmbH	Düsseldorf	Germany	100.00
METRO Legnica sp. z o.o.	Warsaw	Poland	100.00
METRO Łódź sp. z o.o.	Warsaw	Poland	100.00
METRO LOGISTICS Germany GmbH	Düsseldorf	Germany	100.00
METRO Logistics Polska sp. z o.o.	Warsaw	Poland	100.00
METRO Logistics Polska spółka z ograniczoną odpowiedzialnością i Spółka spółka komandytowa	Warsaw	Poland	99.83
METRO Lublin sp. z o.o.	Warsaw	Poland	100.00
METRO Management EOOD	Sofia	Bulgaria	100.00
METRO Markets GmbH	Düsseldorf	Germany	100.00
METRO North Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
METRO Olsztyn sp. z o.o.	Warsaw	Poland	100.00
METRO Opole Sp. z o.o.	Warsaw	Poland	100.00
METRO Pakistan (Pvt.) Limited	Lahore	Pakistan	100.00
METRO Payment Services GmbH	Düsseldorf	Germany	100.00
METRO Poznań II sp. z o.o.	Warsaw	Poland	100.00
METRO Poznań sp. z o.o.	Warsaw	Poland	100.00
METRO Properties B.V.	Amsterdam	Netherlands	100.00
METRO Properties CR s.r.o.	Prague	Czech Republic	100.00
METRO Properties Enterprise Management Consulting (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO PROPERTIES France SAS	Nanterre	France	100.00
METRO Properties Gayrimenkul Yatirim A.Ş.	Istanbul	Turkey	100.00
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	92.90
METRO PROPERTIES Holding GmbH	Düsseldorf	Germany	100.00
METRO PROPERTIES Management GmbH	Düsseldorf	Germany	66.67
METRO Properties Real Estate Management Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO PROPERTIES Sp. z o.o.	Warsaw	Poland	100.00

METRO Property Management (Changsha) Co., Ltd.	Changsha	China	100.00
METRO Property Management (Changshu) Co. Ltd.	Changshu	China	100.00
METRO Property Management (Changzhou) Co. Ltd.	Changzhou	China	100.00
METRO Property Management (Cixi) Co., Limited	Cixi	China	100.00
METRO Property Management (Dongguan) Co. Ltd.	Dongguan	China	100.00
METRO Property Management (Hangzhou) Company Limited	Hangzhou	China	100.00
METRO Property Management (Harbin) Co. Ltd.	Harbin	China	100.00
METRO Property Management (Huai'an) Co., Ltd.	Huai'an	China	100.00
METRO Property Management (Jiangyin) Company Limited	Jiangyin	China	100.00
METRO Property Management (Jiaxing) Co. Ltd.	Jiaxing	China	100.00
METRO Property Management (Kunshan) Co. Ltd.	Suzhou	China	100.00
METRO Property Management (Nanchang Qingshanhu) Co. Ltd.	Nanchang	China	100.00
METRO Property Management (Nantong) Co. Ltd.	Nantong	China	100.00
METRO Property Management (Qingdao) Company Limited	Qingdao	China	100.00
METRO Property Management (Shenyang) Co. Ltd.	Shenyang	China	100.00
METRO Property Management (Shenzhen) Co. Ltd.	Shenzhen	China	100.00
METRO Property Management (Suzhou) Co., Ltd.	Suzhou	China	100.00
METRO Property Management (Tianjin Hongqiao) Co., Ltd.	Tianjin	China	100.00
METRO Property Management (Weifang) Co. Ltd.	Weifang	China	100.00
METRO Property Management (Wuhu) Co. Ltd.	Wuhu	China	100.00
METRO Property Management (Xi'an) Co., Ltd.	Xi'an	China	100.00
METRO Property Management (Xiamen) Co., Ltd.	Xiamen	China	100.00
METRO Property Management (Xiangyang) Co. Ltd.	Xiangyang	China	100.00
METRO Property Management (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	100.00
METRO Property Management (Zhengzhou) Co., Ltd.	Zhengzhou	China	100.00
METRO Property Management (Zhongshan) Co. Limited	Zhongshan	China	100.00
METRO Property Management Wuxi Co. Ltd.	Wuxi	China	100.00
METRO Re AG	Düsseldorf	Germany	100.00
METRO Real Estate Ltd.	Zagreb	Croatia	100.00
METRO Retail Real Estate GmbH	Düsseldorf	Germany	100.00
METRO Rybnik sp. z o.o.	Warsaw	Poland	100.00
METRO Rzeszów sp. z o.o.	Warsaw	Poland	100.00
METRO Rzgów sp. z o.o.	Warsaw	Poland	100.00
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar	Germany	100.00
METRO SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden	Germany	100.00
METRO Sechste Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Services PL spółka z ograniczoną odpowiedzialnością	Szczecin	Poland	100.00
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf	Germany	100.00
METRO Siebte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Sosnowiec sp. z o.o.	Warsaw	Poland	100.00
METRO Sourcing (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO Sourcing International Limited	Hong Kong	China	100.00
METRO South East Asia Holding GmbH	Vienna	Austria	100.00
METRO Systems Romania S.R.L.	Bucharest	Romania	100.00

METRO Systems Ukraine LLC	Kiev	Ukraine	100.00
METRO Szczecin sp. z o.o.	Warsaw	Poland	100.00
METRO Toruń sp. z o.o.	Warsaw	Poland	100.00
METRO Travel Services GmbH	Düsseldorf	Germany	100.00
METRO Vierte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
METRO Warehouse Management (Hangzhou) Co. Ltd.	Hangzhou	China	100.00
METRO Warehouse Management (Suzhou) Co. Ltd.	Suzhou	China	100.00
METRO Warehouse Management (Taizhou) Co. Ltd	Taizhou	China	100.00
METRO Warehouse Management (Wuhan) Co. Ltd.	Wuhan	China	100.00
METRO Warehouse Management (Yantai) Co., Limited	Yantai	China	100.00
METRO Warehouse Management (Zibo) Co., Ltd.	Zibo	China	100.00
METRO Warehouse Noginsk Limited Liability Company	Noginsk	Russia	100.00
METRO Warszawa Jerozolimskie sp. z o.o.	Warsaw	Poland	100.00
METRO Warszawa Kolumbijska sp. z o.o.	Warsaw	Poland	100.00
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf	Germany	100.00
METRO Wholesale Myanmar Ltd.	Rangoon	Myanmar	85.00
METRO Wholesale Real Estate GmbH	Düsseldorf	Germany	100.00
METRO Zabki sp. z o.o.	Warsaw	Poland	100.00
METRO Zabrze sp. z o.o.	Warsaw	Poland	100.00
METRO Zielona Góra sp. z o.o.	Warsaw	Poland	100.00
METRO-nom GmbH	Düsseldorf	Germany	100.00
MGB METRO Group Buying RUS OOO	Moscow	Russia	100.00
MGC METRO Group Clearing GmbH	Düsseldorf	Germany	100.00
MGE Warenhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Bulgaria LTD	Sofia	Bulgaria	100.00
MGL METRO Group Logistics GmbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Limited Liability Company	Noginsk	Russia	100.00
MGL METRO GROUP LOGISTICS UKRAINE LLC	Kiev	Ukraine	100.00
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf	Germany	100.00
MIP METRO Holding Management GmbH	Düsseldorf	Germany	100.00
MP Gayrimenkul Yönetim Hizmetleri Anonim Şirketi	Istanbul	Turkey	100.00
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf	Germany	100.00
Multi-Center Warenvertriebs GmbH	Düsseldorf	Germany	100.00
My Mart (China) Trading Co., Ltd.	Guangzhou	China	100.00
My Mart (Shanghai) Trading Co. Ltd.	Shanghai	China	100.00
N & NF Trading GmbH	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf	Germany	100.00

NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf	Germany	100.00
NordRhein Trading GmbH	Düsseldorf	Germany	100.00
Petit RUNGIS express GmbH	Meckenheim	Germany	100.00
PIL Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
Pro à Pro Distribution Export SAS	Montauban	France	100.00
Pro à Pro Distribution Nord SAS	Châlette-sur-Loing	France	100.00
Pro à Pro Distribution Sud SAS	Montauban	France	100.00
PT Classic Fine Foods Indonesia	North Jakarta	Indonesia	100.00
Qingdao METRO Warehouse Management Co. Ltd.	Qingdao	China	100.00
real Digital Agency GmbH	Düsseldorf	Germany	100.00
real Digital Fulfillment CZ s.r.o.	Mariánské Lázně	Czech Republic	100.00
Real Estate Management Misr Limited Liability Company	Cairo	Egypt	100.00
real GmbH	Düsseldorf	Germany	100.00
real,- Digital Fulfillment GmbH	Düsseldorf	Germany	100.00
real,- Digital Services GmbH	Düsseldorf	Germany	100.00
real,- Handels GmbH	Düsseldorf	Germany	100.00
real,- Holding GmbH	Düsseldorf	Germany	100.00
real,- SB-Warenhaus GmbH	Düsseldorf	Germany	100.00
Remo Zaandam B.V.	Zaandam	Netherlands	100.00
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Restu s.r.o.	Prague	Czech Republic	100.00
Retail Property 5 Limited Liability Company	Moscow	Russia	100.00
Retail Property 6 Limited Liability Company	Moscow	Russia	100.00
R'express Alimentos, Unipessoal LDA	Lisbon	Portugal	100.00
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG	Düsseldorf	Germany	94.00[1]
Rotterdam Trading Office B.V.	Amsterdam	Netherlands	100.00
RUDU Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
RUNGIS express GmbH	Meckenheim	Germany	100.00
RUNGIS express SPAIN SL	Palma de Mallorca	Spain	100.00
RUNGIS express Suisse Holding AG	Courgevaux	Switzerland	100.00
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf	Germany	100.00
Schaper Beteiligungsverwaltung GmbH	Düsseldorf	Germany	100.00
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Sentinel GCC Holdings Limited	Tortola	British Virgin Islands	100.00
Servicios de Distribución a Horeca Organizada, S.L.	Madrid	Spain	100.00
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Warsaw	Poland	100.00
Shanghai Xinqing Property Management Co., Ltd.	Shanghai	China	90.00
Shenzhen Hemaijia Trading Co. Ltd.	Shenzhen	China	100.00
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf	Germany	100.00
Sinco Großhandelsgesellschaft m. b. H.	Vösendorf	Austria	73.00
Sodeger SAS	Château-Gontier	France	100.00
Star Farm (Shanghai) Agriculture Information Consulting Company Limited	Shanghai	China	100.00

Star Farm Pakistan Pvt. Ltd.	Lahore	Pakistan	100.00
STW Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
TIMUG GmbH & Co. Objekt Homburg KG	Düsseldorf	Germany	94.00
TIMUG Verwaltung GmbH	Düsseldorf	Germany	100.00
Transpro France SARL	Montauban	France	100.00
Transpro SAS	La Possession	France	100.00
VALENCIA TRADING OFFICE, S.L.	Madrid	Spain	100.00
Weinkellerei Thomas Rath GmbH	Düsseldorf	Germany	100.00
Western United Finance Company Limited	London	United Kingdom	100.00
Wholesale Real Estate Belgium N.V.	Wommelgem	Belgium	100.00
Wholesale Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.00
Wirichs Immobilien GmbH	Düsseldorf	Germany	100.00
Wolfgang Wirichs GmbH	Düsseldorf	Germany	100.00
WRE Real Estate Limited Liability Partnership	Almaty	Kazakhstan	100.00
Xi'an METRO Commercial and Trading Company Limited	Xi'an	China	100.00
Xinyan Property Management (Shanghai) Co., Ltd.	Shanghai	China	90.00
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf	Germany	100.00
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf	Germany	100.00

Joint ventures			
CABI-SFPK JV	Lahore	Pakistan	48.00
Intercompra LDA	Lisbon	Portugal	50.00
MAXXAM B.V.	Ede	Netherlands	16.67
MAXXAM C.V.	Ede	Netherlands	16.67
MEC METRO-ECE Centermanagement GmbH & Co. KG	Düsseldorf	Germany	50.00
MEC METRO-ECE Centermanagement Verwaltungs GmbH	Düsseldorf	Germany	50.00
METSPA Beszerzési és Kereskedelmi Kft.	Budaörs	Hungary	33.33
METSPA d.o.o. za trgovinu	Zagreb	Croatia	50.00

Investments accounted for using the equity method			
EKS Handelsgesellschaft mbH	Salzburg	Austria	15.00
EKS Handelsgesellschaft mbH & Co. KG	Salzburg	Austria	15.00
European EPC Competence Center GmbH	Cologne	Germany	30.00
Fachmarktzentrum Essen GmbH & Co. KG	Pullach im Isartal	Germany	94.00[2]
Gourmet F&B Korea Ltd.	Seoul	South Korea	28.00
Habib METRO Pakistan (Pvt) Ltd	Karachi	Pakistan	40.00
Helm Wohnpark Lahnblick GmbH	Aßlar	Germany	25.00
Horizon International Services Sàrl	Le Grand-Saconnex	Switzerland	25.00
Iniziative Methab s.r.l.	Bolzano	Italy	50.00
Kato Property GmbH	Berlin	Germany	5.10
Mayfair GP S.à r.l.	Luxembourg	Luxembourg	40.00
Mayfair Holding Company S.C.S.	Luxembourg	Luxembourg	39.99
Napier Property GmbH	Berlin	Germany	5.10
OPCI FRENCH WHOLESALE PROPERTIES - FWP	Paris	France	5.00
OPCI FRENCH WHOLESALE STORES - FWS	Paris	France	25.00
Peter Glinicke Grundstücks-GmbH & Co. KG	Pullach im Isartal	Germany	50.00

Quadrant Property GmbH	Berlin	Germany	5.10
Sabra Property GmbH	Berlin	Germany	5.10
Tatra Property GmbH	Berlin	Germany	5.10
Upton Property GmbH	Berlin	Germany	5.10
Wilcox Property GmbH	Berlin	Germany	5.10
Xiali Property GmbH	Berlin	Germany	5.10
Zagato Property GmbH	Berlin	Germany	5.10
Zender Property GmbH	Berlin	Germany	5.10
Investments			
BINARY SUBJECT, S.A.	Torres Vedras	Portugal	16.03
Culinary Agents Inc.	Wilmington	USA	18.33
Diehl & Brüser Handelskonzepte GmbH	Düsseldorf	Germany	100.00[3]
eVentures Growth, L.P.	Wilmington	USA	5.00
GREEN GRIZZLY GMBH	Berlin	Germany	15.21
Horizon Achats SARL	Paris	France	8.00
Horizon Appels d'Offres SARL	Paris	France	8.00
International Marketplace Network B.V.	Amsterdam	Netherlands	25.00[4]
MATSMART IN SCANDINAVIA AB	Stockholm	Sweden	13.98
METRO plus Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	Germany	20.00[4]
orderbird AG	Berlin	Germany	14.18
Patagona GmbH	Darmstadt	Germany	16.17
Planday A/S	Copenhagen	Denmark	11.74
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Schönefeld	Germany	6.00
real,- Digital Payment & Technology Services GmbH	Düsseldorf	Germany	100.00[3]
RTG Retail Trade Group GmbH	Hamburg	Germany	14.29
Shore GmbH	Munich	Germany	12.41
Verwaltungsgesellschaft Lebensmittelgesellschaft 'GLAWA' mbH & Co. KG	Hamburg	Germany	18.75
Yoyo Wallet Ltd.	London	United Kingdom	12.44

[1] Inclusion according to IFRS 10.

[2] No full consolidation due to minor materiality for the assets, financial and earnings position.

[3] No full consolidation and not accounted for using the equity method due to minor materiality for the asset, financial and earnings position.

[4] Not accounted for using the equity method due to minor materiality for the asset, financial and earnings position

3 December 2019

The Management Board

Olaf Koch Christian Baier Andrea Euenheim Heiko Hutmacher Philippe Palazzi

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the group, and the combined management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the significant opportunities and risks associated with the expected development of the group.

3 December 2019

The Management Board

Olaf Koch   Christian Baier   Andrea Euenheim   Heiko Hutmacher   Philippe Palazzi

INDEPENDENT AUDITOR'S REPORT

To METRO AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of METRO AG and its subsidiaries ('the Group' or 'METRO'), which comprise the income statement, the reconciliation of profit or loss for the period to total comprehensive income, the balance sheet as at 30 September 2019, the statement of changes in equity and the cash flow statement for the financial year from 1 October 2018 to 30 September 2019, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of METRO for the financial year from 1 October 2018 to 30 September 2019. In accordance with the German legal requirements we have not audited the content of the non-financial statement, which is included in the 'combined non-financial statement of METRO AG' section of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2019, and of its financial performance for the financial year from 1 October 2018 to 30 September 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the non-financial statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2018 to 30 September 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion there on, we do not provide a separate opinion on these matters.

- **The measurement and recognition of the hypermarket operations pursuant to IFRS 5**

  For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods". Disclosures on the discontinued operation of the hypermarket operations and the corresponding disposal group can be found in the notes to the consolidated financial statements under Note 43 ▶ page 266**.**

The financial statement risk

In an ad hoc announcement pursuant to Article 17 (1) of the EU Market Abuse Regulation [MAR] on 13 September 2018 the Management Board of METRO AG announced that it was starting the process of selling the Real retail business including the associated business activities. METRO assumed at that point in time that the sale could most likely be executed in the 2018/2019 financial year and thus classified the hypermarket operations as a discontinued operation pursuant to IFRS 5. The sale process was still ongoing as at 30 September 2019.

The assets held for sale amount to EUR 2,206 million as at the reporting date. The liabilities associated with the assets held for sale amount to EUR 1,746 million as at the reporting date. The carrying amount of the disposal group has been reduced by impairment losses of EUR 401 million. METRO reports an after-tax loss from discontinued operations of EUR -649 million for the 2018/2019 financial year.

To be classified as a discontinued operation, the operations must be available for sale in their current state, the sale must be highly probable and be expected within one year of classification. If these three conditions are met, the special presentation and measurement rules of IFRS 5 apply. The particularity of the matter at hand is that the sale has been delayed beyond the one-year period. METRO attributes the delay to various events and circumstances beyond METRO's control and assumes it is highly probable that the sale of the hypermarket operations will be concluded within a reasonable timeframe. The classification as a discontinued operation has thus been retained.

The decision to retain the classification of the hypermarket operations as a discontinued operation and the measurement of the corresponding disposal group pursuant to IFRS 5 are complex and require judgement.

There is the risk for the consolidated financial statements that the conclusion of the sale of the discontinued operation is not highly probable in the 2019/2020 financial year or that the other criteria for retaining the classification and presentation as a discontinued operation and the corresponding disposal group pursuant to IFRS 5 are not fulfilled. Furthermore, there is also the risk that the fair value less costs to sell is lower than the carrying amount of the assets held for sale less the liabilities associated with the assets held for sale. There is the risk that the disclosures in the notes to the consolidated financial statements regarding the discontinued operation are not appropriate.

Our audit approach

The main focus of our audit was the analysis of whether the classification and presentation of the hypermarket operations as a discontinued operation and of the corresponding disposal group can be maintained. One condition for this is that the delays in the sale process relate to events and circumstances beyond the entity's control. Another condition is that there is sufficient evidence that the entity remains committed to its plan to sell the disposal group concerned. An indication of this includes regular adjustment of price expectations taking into account the current status of negotiations. In this regard, we intensively and regularly questioned the Management Board and the specialist departments with project responsibility regarding the status of the sale process, inspected available documents on the status of negotiations and assessed internal and external reporting. Furthermore, we assessed whether the allocation of income and expenses to the discontinued operation was correct.

We assessed the appropriateness and the key assumptions made to determine the fair value less costs to sell of the assets and liabilities held for sale. To this end, we analysed the purchase price offer and determined a potential and probable range of agreement. In addition, we discussed the selling price expected by METRO AG with the Management Board and the responsible employees in the specialist departments.

Furthermore, we also evaluated whether the explanations in the notes to the consolidated financial statements on the discontinued operation are appropriate.

Our observations
The decision to retain the classification and presentation of the hypermarket operations as discontinued operation and of the corresponding disposal group pursuant to IFRS 5 is appropriate. The judgements exercised in relation to the measurement are within an acceptable range and are balanced on the whole. The explanations in the notes to the consolidated financial statements on the discontinued operation are appropriate.

- **Impairment testing of goodwill**

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods". Disclosures on the development of goodwill as well as impairment testing can be found in **Note 19 ▶ page 212** **to the consolidated financial statements.**

The financial statement risk
Goodwill in the amount of EUR 785 million was reported in the consolidated financial statements of METRO AG as at 30 September 2019. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. These units are the organisational units 'sales line per country' for METRO.

Goodwill is tested for impairment annually and as required. The starting point for identifying any impairment loss is the recoverable amount, which at METRO generally corresponds to fair value less the costs to sell and is compared with the respective carrying amount of the group of cash-generating units. In doing so, fair value is measured according to the discounted cash flow method. The reporting date for impairment testing is 30 June 2019.

Impairment testing is based on cash flow planning, the starting point of which is the multi-year plan prepared by METRO. Future cash flows are discounted using the weighted average cost of capital of the groups of respective cash-generating units.

The result of this impairment testing is highly dependent upon estimates of future cash flows as well as the cost of capital used and therefore subject to considerable uncertainty. There is a risk for the financial statements that impairment losses are recognised too late or not at all.

In addition, IAS 36 requires extensive disclosures in the notes to the financial statements, particularly also in terms of METRO's consideration of the potential sensitivity of material measurement assumptions and parameters. There is the risk that the disclosures in the notes are not complete and adequate.

Our audit approach
Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation model underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy.

We confirmed the appropriateness of the future cash flows used in the calculation, among others, by comparing this information to the current budget figures in the multi-year plan prepared by METRO as well as through comparison with general and industry-specific market expectations. In this regard, we also confirmed the appropriateness of METRO's budget process. Furthermore, we assessed the appropriateness of the long-term growth rates assumed and the sustainable write-down and reinvestment amounts. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO. We also discussed the multi-year plan with those responsible for the budget, paying particular regard to improvements in operating profitability in the detailed planning period.

In view of the very high sensitivity of the calculated fair values to changes in the cost of capital, we rigorously examined – by taking into account country-specific particulars – the underlying assumptions and parameters for the cost of capital, especially the risk-free rate, market risk premium and beta coefficient, and assessed the calculation formula for computational and formal accuracy. Based on the sensitivity analyses carried out by METRO, we examined to what extent a reasonably possible change to the assumptions underlying the calculation could require recognising an impairment loss.

We also audited the completeness and adequacy of the disclosures in the notes to the consolidated financial statements pursuant to IAS 36.

Our observations

The valuation model used for impairment testing is appropriate and in line with applicable IFRS accounting policies. Moreover, the measurement assumptions and parameters used by METRO are within an appropriate range and are reasonable. The disclosures in the notes are accurate.

- **Impairment testing of land and buildings**

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods". Disclosures on movements in property, plant and equipment are provided under Note 21 ▶ page 218 in the notes. We also refer to Note 15 ▶ page 209 in the notes on depreciation of property, plant and equipment.

The financial statement risk

Land and buildings with a carrying amount of EUR 3,432 million were reported in the consolidated financial statements of METRO AG as at 30 September 2019. In the year under review, impairment losses of EUR 7 million were recognised.

In accordance with IAS 36, real estate must be tested for impairment if there are any indications of potential impairment. Operating performance and the real estate market are relevant indicators of potential impairment. Pursuant to IAS 36, the carrying amount of the affected cash-generating unit must be compared with its recoverable amount for impairment testing purposes. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. METRO regularly carries out impairment tests based on fair value less costs to sell. The basis for measurement is the present value of the future cash flows of the cash-generating unit, which is determined using the discounted cash flow method. Impairment testing is based on the cash flow planning of the cash-generating unit.

This measurement is highly dependent upon the estimates of future cash flows as well as the interest rates used and therefore subject to considerable uncertainty. There is the risk that necessary impairment losses are recognised too late or not at all.

Our audit approach

The starting point for our audit were the indications of impairment of land and buildings identified by METRO We initially assessed which land and buildings indicated impairment using information obtained in the course of our audit.

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation models underlying impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy. We confirmed the appropriateness of the future cash flows and market rents used in the calculation, among others, by comparing this information with the current budget figures as well as through comparison with general and use-specific market data. In addition, we addressed the cost of capital as well as real-estate-specific discount and capitalisation rates. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO.

Our observations

Indications of impairment of land and buildings were appropriately identified. The valuation models used for impairment testing are appropriate and in line with the applicable accounting policies. Moreover, the measurement assumptions and parameters used are appropriate and reasonable.

- **Impairment testing of deferred tax assets**

For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods". Please see Note 25 ▸ page 227 in the notes for disclosures on deferred tax assets and liabilities.

The financial statement risk

EUR 191 million in deferred tax assets after netting is recognised in METRO's consolidated financial statements as at 30 September 2019; EUR 65 million is attributable to loss carryforwards before netting.

For the measurement of deferred tax assets, METRO has to assess to what extent it is probable that current deferred tax assets can be utilised in subsequent reporting periods. Utilising these deferred tax assets requires that sufficient taxable income is generated in future periods. If, on the other hand, there is reasonable doubt about the future usability of the deferred tax assets determined, these are not recognised, or if deferred tax assets have already been recognised, they are written down. The recognition of deferred tax assets and liabilities depends heavily on estimates and assumptions about the operating performance of country units and the Group's tax planning and, thus, is subject to significant uncertainty. Moreover, utilising deferred tax assets also depends on the respective tax environment. The risk for the consolidated financial statements is that deferred tax assets are recognised that then cannot be realised in the future due to insufficient taxable income.

Our audit approach

We involved our own tax specialists in the audit to assess tax matters. We initially critically examined the temporary differences between the IFRS carrying amounts and the respective tax base. We also reconciled the tax losses carried forward for the German reporting entity with the tax assessment notices and the tax calculations for the current financial year and assessed off-balance sheet corrections. In the process, we tested the deferred tax assets for impairment on the basis of internal forecasts prepared by METRO on the future tax income situation, and critically assessed the underlying assumptions. Furthermore, we compared the planned future taxable income with the multi-year plan prepared by the METRO and checked it for consistency.

In addition, we incorporated our findings from the critical analysis of previous adherence to the budget on the basis of past target/actual deviations prepared by METRO as well as our assessment of further substantial supporting documents to achieve the budgeted taxable income.

Our observations

The assumptions for the measurement of deferred tax assets are appropriate.

- **Recognising compensation from suppliers**

  For the accounting policies applied, we refer to the disclosures in the notes in the section "Notes to the group accounting principles and methods" under "Other **page 196****". In addition, we refer to Note 24** **page 226** **in the notes on other financial assets.**

The financial statement risk

The Group's balance sheet as at 30 September 2019 presents receivables from suppliers in the amount of EUR 316 million under Other financial assets.

The companies of METRO conclude agreements with suppliers on purchasing terms and conditions. These include, among others, agreements on subsequent discounts, rebates and other compensation from suppliers to METRO. Presentation of these agreements in the balance sheet and the income statement requires some judgements and assumptions, such as on achieving calendar year targets, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements. There is the risk for the consolidated financial statements that the level of compensation realised from suppliers was estimated inaccurately so that the amount recognised for receivables from suppliers is too high.

Our audit approach

We examined the process for recognising and documenting supplier agreements and the establishment and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount and accuracy of supplier compensation.

We confirmed the underlying supplier agreements for a deliberate selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the balance sheet and income statement by evaluating the contractual arrangements. To that end, we scrutinised factors such as the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

Our observations

The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

On the whole, the assumptions used to assess the level of realisation of suppliers' compensation not yet invoiced are appropriate.

Other Information

The Management Board is responsible for the other information. The other information comprises:

- the non-financial statement and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Management Board is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. Furthermore, the Management Board is responsible for disclosing, as applicable, matters related to going concern. In addition, the Management Board is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of a combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable requirements of German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 15 February 2019 and engaged by the Supervisory Board on the same date. We have been the group auditor of METRO AG without interruption since the 2016/2017 financial year.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee referred to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Dr Thorsten Hain.

Düsseldorf, 3 December 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

Dr Hain	**Klaaßen**
Auditor	Auditor

SERVICE

GLOSSARY

A

Accelerator

Initiative that supports start-ups, for example with coaching, thus accelerating the development and implementation of their business ideas. METRO has launched the METRO Accelerator powered by Techstars to support start-ups with innovative technologies for use in the food service, hospitality, catering and retail sectors.

Amfori Business Social Compliance Initiative (Amfori BSCI)

Founded in 2003, this global business association for open and sustainable trade works to ensure that production in all supplier countries complies with minimum social standards. The initiative aligns its standards with the UN's Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO).

Auditing

Also audit. A procedure that assesses an organisation's processes and structures according to previously formulated standards and guidelines. Audits shed light on the effectiveness of process optimisation measures. If an audit is conducted by an external auditor, the certificate issued after the review can be used as evidence of adherence to standards.

C

Carbon Disclosure Project (CDP)

The unaffiliated organisation was founded in London in 2000 by companies. It aims to disclose companies' CO_2 emissions as well as their climate and reduction risks, thereby contributing to the transparency of their corporate financial reporting on climate-relevant data. Each year, the CDP conducts standardised company surveys on a voluntary basis.

Commercial Paper Programme

Ongoing capital market programme typical of money markets that covers short-term financing needs. It facilitates the issuance of commercial papers (CP) as discounted, unsecured bearer bonds without standardised terms of maturity.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

US-based private-sector organisation that developed and published a standard for internal controls in 1992 that is recognised by the U.S. Securities and Exchange Commission. In 2004, this standard was updated and the COSO ERM (Enterprise Risk Management – Integrated Framework), also known as COSO II, was published.

Compliance

All measures specifying a company's and its employees' behaviour in accordance with legislation, established social guidelines and values.

Cost of capital

See Weighted Average Cost of Capital (WACC).

Currency effects

Currency effects result from situations where the same amount of currency units is translated into another currency at differing exchange rates.

D

Delivery

The delivery segment includes sales from transactions without customer contact with a METRO store. This definition also forms the basis for the operational management of the delivery business. The previous annual reports included additional revenues from transactions with delivery-related services of the METRO stores. It includes commissioning products for later pick-up or delivery of the commissioned products to the customer's location.

Diversity management

A central element of HR policy that harnesses the diversity of employees for corporate success in terms of gender, age, ethnicity, beliefs, sexual identities and potential disabilities.

Dow Jones Sustainability Index (DJSI)

An index family that measures the sustainability of the company. The measurement is comprised of economic, environmental and social criteria. The measured criteria for listed companies include, among others, corporate management, workforce policy, transparency, human rights and risk management. Among all sustainability indices, the DJSI family carries a particular cachet in terms of quality.

E

Earn-out

Conditional purchase price (part) payment in the context of an acquisition of subsidiaries, usually tied to a performance target.

EBIT (Earnings Before Interest and Taxes)

Profit or loss before financial result and (income) taxes. Due to its independence from different forms of financing and tax systems, this key figure can also be used for international comparison with other companies.

EBITaC (Earnings Before Interest and Taxes after Cost of Capital)

EBIT after the costs of the employed capital. This indicator shows whether a company successfully uses its business assets and achieves value added that exceeds the cost of capital.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)

Profit or loss before interest result, income taxes, depreciation/amortisation/impairment losses/reversals of impairment losses on property, plant and equipment, intangible assets and investment properties. This key figure serves the purpose of comparing companies with accounting systems that follow different accounting rules.

EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent)

EBITDAR is defined as the EBITDA before expenses or income from rent.

EBT (Earnings Before Taxes)

Profit or loss before (income) taxes. This indicator is used to compare companies, although different taxation systems may exist.

Earnings per share (basic/diluted)

The earnings per share (basic) are calculated by dividing the profit or loss attributable to the shareholders of METRO AG by the weighted average of shares in circulation. The earnings per share (diluted) give additional consideration to the effect of so-called potential shares, such as those issued in the context of stock options.

EVA (Economic Value Added)

Value-oriented key figure that depicts the absolute value contribution of a company created in a single period under consideration of a risk-adjusted interest rate. It is derived from the difference between the company profit after tax and the cost of capital on the average capital employed.

F

Fair value

Recognised fair value. Amount that would have been received in return for the disposal of an asset or paid for the assignment of a debt in an ordinary transaction conducted between market participants on the assessment date.

Food, non-food

Under the global term food, METRO summarises the following categories of goods: fresh foods, durable foods, nutrients, frozen foods and drinks of all kinds, as well as luxury foods, dietary supplements and pet food, but also detergents, cleansers and cleaning agents, which are sometimes also labelled as near-food. All other goods are considered non-food items.

Free cash flow

Free cash flow = reported EBITDA – investments excluding finance lease extensions and mergers and acquisitions +/- changes in net working capital

Free cash flow conversion

Free cash flow conversion = (reported EBITDA – investments excluding finance lease extensions and mergers and acquisitions +/- changes in net working capital) / reported EBITDA

Franchising

Also licence sales or franchising system. Contractually regulated form of organisation: the franchisor grants independent franchisees the right to offer certain goods or services using a franchisor's name or trademark.

G

Global Food Safety Initiative (GFSI)

The initiative was established in 2000 by retail companies. It is the world's largest organisation for the improvement of food safety. The initiative promotes the establishment of international audits that reduce food-related risks and evaluate food suppliers within that context.

GLOBALGAP

A private sector organisation that certifies agricultural and aquacultural products. The standard for 'good agricultural practice' (GAP) resulted from an initiative of European retail companies.

Governance

Statutory and factual regulatory framework for the management and supervision of a company.

Governance management system

System for controlling all management and monitoring processes of a company. The METRO governance management system comprises the risk management system, the internal control system, the compliance management system and the internal auditing system.

H

HoReCa

Short for hotel, restaurant and catering businesses. The HoReCa segment is an important customer group for METRO Wholesale.

Hospitality industry sector

Summary term for hotels, restaurants and catering companies, often referred to as HoReCa industry sector.

I

IASB (International Accounting Standards Board)

An independent international body with its registered office in London, UK, that develops and continually revises the International Financial Reporting Standards (IFRS).

IFRIC

Interpretation on IFRS prepared by the IFRS Interpretations Committee (or its predecessor) and approved by the IASB.

IFRS (International Financial Reporting Standards)

Internationally applicable rules for financial reporting developed by the IASB. Contrary to the accounting rules under the German Commercial Code, the IFRS emphasise the informational function.

IFRS Interpretations Committee

Committee appointed by the IFRS Foundation and tasked with the development of guidelines for the interpretation questions concerning the practical implementation of the IFRS. Until 2010, the committee traded under the name IFRIC (International Financial Reporting Interpretations Committee).

ISAE 3402 (International Standard on Assurance Engagements)

A globally applicable standard for the preparation of assurance reports for control systems in service companies.

L

Like-for-like sales growth, like-for-like sales development

Like-for-like sales growth, reflecting sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as online retail and delivery. The figure only includes sales of locations with a comparable history of at least 1 year. This means that locations affected by openings, closures or material refurbishments during the reporting period or comparison year are excluded.

M

Mark-to-market valuation

Calculation of the fair value of financial instruments on the basis of market prices at a particular assessment date.

METRO Wholesale Operating Model

Organisational and management model introduced at METRO Wholesale in 2015. It is supposed to foster an entrepreneurial spirit within the organisation by transferring greater responsibility and creative freedom to the national subsidiaries. At the same time, measures geared towards specific customer groups (for example for hotels, restaurants and catering firms) are cross-nationally coordinated.

Mobile commerce

A specific type of e-commerce. In this case, the electronic marketing and retail of merchandise and services are conducted on a mobile device, such as a smartphone.

N

Net Promoter Score (NPS)

Key figure that is used to provide information regarding the performance and customer satisfaction of a company. A standardised customer survey provides rating and feedback from customers that can be used to calculate a comparable cross-company measured value.

Net working capital

The net working capital includes inventories, trade receivables and receivables due from suppliers included in the item other financial and non-financial assets. Trade liabilities are deducted from the total amount of these items.

Net debt

The net debt results from the balance of the financial liabilities (including liabilities from finance leases), cash and cash equivalents less financial investments. Financial investments include short-term bank deposits and short-term liquid debt instruments.

Non-financial declaration

Includes statements concerning environmental, social and employee affairs, as well as statements concerning respect for human rights and the combat against corruption and bribery and is prepared for the parent company as well as for the group.

O

Omnichannel retail, omnichannel distribution

A development in multichannel marketing. Combination of traditional store-based retail with e-commerce, social media and applications for smartphones and tablets. Integrating all channels offers consumers a flexible and seamless shopping experience as the channels are holistically linked in all purchasing phases.

Own brands

Trademark-protected brand-name products developed by a retail company with an attractive best price/performance ratio.

P

Performance share

Performance-based investment. A performance share entitles its owner to a cash payment matching the share price.

Portfolio effect

Adjustments to group structures are referred to as portfolio measures or portfolio effects.

Previous year

Period of 12 months, usually cited as reference for statements in an annual report.

Process chain

Different processes that contribute to the added value of a company. At METRO, these include logistics, marketing and sales.

R

Rating

In the financial sector, ratings represent the systematic, qualitative measurement of creditworthiness. Ratings are expressed in various grades of creditworthiness. Renowned agencies that issue ratings are Standard & Poor’s, Moody’s and Fitch.

Retail brand

Companies with a completely independent market presence.

Return on Capital Employed (RoCE)

RoCE is a key figure that indicates the rate at which the employed capital (less liquid funds and short-term debt capital) is bearing interest at METRO.

S

Sales line

Part of a retail company that operates outlets or stores with a specific merchandising concept.

SCO (Service Companies and Offices)

SCO customers are one of METRO's 3 core customer groups. Service Companies and Offices (SCO) are professional service companies and organisations, such as offices and institutions.

Sedex audit according to SMETA

Sedex, a data platform for transparency in the sustainability commitment of companies, provides SMETA (Sedex Members Ethical Trade Audit), one of the world's most frequently used concepts for social audits. The audit is focused on working conditions, occupational safety, environmental management and business ethics as well as respect for human rights and temporary employment.

Share unit

Unit for performance shares.

SME services

Abbreviation for Small and Medium-Sized Enterprise Services: Services for small and medium-sized enterprises. SME services stands for METRO's strategic approach of offering customers customised solutions for the challenges of their business. In addition to food and non-food items, it includes professional services and digital solutions. By intertwining services and product ranges, METRO will be able to offer its customers a more comprehensive assortment in the future and respond more specifically to their needs.

Social compliance

The adherence to laws, guidelines, standards, codes and/or social conventions by which an organisation ensures socially responsible operations within its value and supply chains. The aim is to protect the safety, health and basic rights of employees in their own company as well as among its suppliers.

Special items

Business transactions or a number of uniform business transactions that do not recur regularly, that are reflected in the income statement and that have a significant impact on business activities are classified as special items. As a result, the presentation of special items better reflects ordinary business performance and contributes to a better understanding of the earnings position.

Start-up company

Newly founded company characterised by an outstanding business idea and a high degree of innovation.

Sustainable Development Goals (SDGs)

Under the title 'Transforming our world: the 2030 Agenda for Sustainable Development', the United Nations established political goals that are aimed at the entire international community, companies and private individuals. The agenda has formulated 17 main objectives that take into account all 3 dimensions of sustainability: economic, social and environmental. METRO is aware of its responsibility and contributes to the achievement of the goals.

T

Task Force on Climate-related Financial Disclosures (TCFD)

Task force set up by the Financial Stability Board (FSB) in 2015 with the objective of consistently disclosing climate-related financial risks in order to provide different stakeholders with consistent information. The task force's recommendations are intended to help companies customise their climate-related risk reporting to the needs of investors. Information is published on a voluntary basis.

Total shareholder return (TSR)

TSR is a key figure that indicates the performance of an investment in shares under inclusion of capital gains and dividends.

Traders

The term 'Traders' at METRO Wholesale refers to the customer group of independent resellers such as operators of small grocery stores and kiosks, street food vendors, gas stations and wholesalers.

W

Weighted average cost of capital (WACC)

Weighted average (total) cost of capital. The WACC results from the weighted average of the cost rate for equity and debt capital on the capital markets. The weighting is based on the equity and debt capital components of METRO measured at market prices.

Wholesale, METRO Wholesale

The METRO Wholesale segment comprises the METRO Wholesale sales line of METRO AG with 678 wholesale stores across 34 countries worldwide. This also includes the delivery business (Food Service Distribution) with the METRO delivery service and companies like the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express.

FINANCIAL CALENDAR 2019/20

15 January 2020

Sales report for the Christmas quarter 2019

13 February 2020

Quarterly statement Q1 2019/20

14 February 2020

Annual General Meeting 2020

7 May 2020

Half-year financial report H1/Q2 2019/20

7 August 2020

Quarterly statement 9M/Q3 2019/20

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