ANNUAL REPORT 2022/23

METRO

METRO IN FIGURES

METRO in figures

Key financial figures (in € million)	2021/22	2022/23	Change	Change in %
Sales (net)	29,754	**30,551**	798	2.7
Adjusted EBITDA	1,389	**1,174**	−215	−15.5
EBIT	429	**598**	169	39.4
Earnings per share in € (basic = diluted)	−0.92	**1.21**	2.13	–
Dividend	0.00	**0.55**[1]	0.55	–

1 Subject to the resolution of the Annual General Meeting.

Network	2021/22	2022/23	Change	Change in %
Stores and delivery (number of countries)	31	**32**	1	–
Marketplace (number of countries)	3	**6**	3	–
DISH POS[1] (number of countries)	2	**4**	2	–
Stores (number of locations)	661	**625**[3]	−36	–
thereof delivery OOS[2] (number of locations)	(567)	**(529)**	(−38)	–
FSD depots (number of locations)	64	**76**	12	–

1 DISH POS is a cloud-based all-in-one POS system with solutions for the hospitality industry. The product was developed by POS provider Eijsink. The product has undergone further development and been integrated into the offering of digital DISH tools since it was acquired by DISH Digital Solutions (formerly Hospitality Digital) in March 2022. The system is called Booq in the Netherlands and Belgium.

2 OOS refers to the existing METRO location portfolio and includes METRO stores that deliver from the store on the one hand and stores that operate their own depot in the store on the other.

3 2 stores in Ukraine (Mariupol and Kharkiv) have been excluded from the consideration of locations, as they are temporarily not operating due to the war.

Multichannel development

Sales development (in € million)	2021/22	2022/23	Change in %	Ambition 2030
Store-based and other business	23,299	**23,342**	0	~1.2× vs. 2020/21
FSD	6,386	**7,099**	11	>3× vs. 2020/21
METRO MARKETS sales	69	**110**	60	
METRO MARKETS marketplace sales[1]	130	**172**	32	>€3 billion

[1] Total volume of METRO MARKETS platform (and third-party platforms) excluding VAT and after cancellations but before any deductions; includes seller sales in full.

sCore KPIs (%)	2021/22	2022/23	Change in percentage points	Ambition 2030
Strategic customer sales share	71	**74**	3	>80%
Own-brand sales share	19	**22**	2	>35%
Stock availability	95	**96**	1	>98%
FSD sales share	21	**23**	2	>33%
Digital sales share	9	**11**	3	40%

Medium-term ambition	2021/22	2022/23	Growth target	Ambition 2030
Sales development (%)[1]	21	**9**	5–10% CAGR	>€40 billion
EBITDA development (%)[2]	17	**–13**	5–7% CAGR	>€2 billion
Investments (% of sales)[3]	1.4	**1.8**		<1.5%
Free cash flow (€ million)	190	**–147**		>€0.6 billion
Net debt/EBITDA (0.0×)	2.3×	**2.0×**		<2.5×

[1] Exchange-rate-adjusted, stable portfolio.

[2] Adjusted EBITDA, exchange-rate-adjusted, stable portfolio.

[3] Investments without monetary assets and acquisitions of subsidiaries.

CONTENTS

In accordance with our view on integration and inclusion, we advocate a gender-sensitive understanding of language. For the sole purpose of better readability, we in some cases do not use gender-neutral terms or overtly inclusive multi-gender descriptions. When we use the generic masculine form in our corporate media and our social media channels, this is done solely for reasons of the comprehensibility and readability of the text. In all cases, this form includes all genders equally.

TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Dear Ladies and Gentlemen,

The financial year 2022/23 was overall successful. In a challenging environment, we made good progress with the implementation of sCore and defended the market shares we had gained. Our consistent focus paid off. We made significant progress in the strengthening of delivery and the online business as well as in the optimisation of the wholesale approach of our stores. We built upon the growth of the successful previous year. For the coming year, we have set our sights high: we will continue to invest in growth and capture market shares.

Growth is our priority. Markets are growing structurally and, at the same time, are highly fragmented. This offers an enormous opportunity. In this market environment, our combination of wholesale stores, delivery service and online marketplace is unique – and highly attractive for the customer. The channels fulfil different customer needs and that pays off: **multichannel customers buy significantly more.**

We reached many **milestones**:

- **Stores:** roll-out of volume-based **pricing model** (‘buy more, pay less’), 75,000 SKUs since October 2022.
- **Delivery:** further expansion of the sales force (~750 employees added), assortment reduced by 250,000 SKUs. Corresponding reduction of complexity and creation of attractive delivery space (20 locations added).
- **Digital:** opening of **METRO MARKETS** in Portugal, the Netherlands and France (a total of 6 countries; 60% of HoReCa sales). Roll-out of the **DISH POS** payment system in France and Germany (a total of 4 countries).
- **Sustainability:** exchange of cooling systems, 21 additional photovoltaic plants.
- **Portfolio: acquisition** of Johan i Hallen & Bergfalk (JHB), Swedish delivery specialist for meat and fish, among other products, and **sale** of the business in India.
- **Real estate transaction:** sale of parts of the METRO Campus for approximately €200 million in earnings.

Achieving the milestones above paid off: compared with a strong previous year and in spite of Russia's war in Ukraine and the cyberattack, we achieved 9%[1] growth in sales – placing us in the upper half of the outlook range. Adjusted EBITDA[1] declined by €170 million in line with expectations. The progress made regarding the strategic key performance indicators also speaks for itself:

- **Wholesale value proposition:** 74% strategic customers sales share, 22% own-brand sales share, 96% stock availability.
- **Multichannel growth:** 23% FSD sales share, 11% digital sales share.

The reported earnings per share (EPS) are €1.21 (2021/22: €−0.92). The increase particularly benefitted from a real estate transaction, the sale of the Indian business and positive non-cash currency effects in the financial result. In accordance with the attractive dividend policy (payout ratio of 45% to 55% of EPS), the Management Board and the Supervisory Board propose to the Annual General Meeting to pay a dividend in the amount of €0.55 per share for financial year 2022/23.

We have set ourselves ambitious goals for financial year **2023/24**. And we are following a clear path to achieve these goals. We will continue to optimise our stores and focus on wholesale. We will also expand the delivery and the digital business. Our sCore strategy sets our customers in the focus, without compromise. This helps us achieve a great added value for customers – and our ambitious goals for 2030. WE ARE ON TRACK!

We expect a total sales growth of 3% to 7% for financial year 2023/24. However, this is countered by noticeable cost inflation and rising cost for IT security. Accordingly, we expect a change in adjusted EBITDA between €−100 million to €50 million. We can see that our sCore strategy is working. However, as already described, we are faced with major cost-related challenges in this regard. Overall, we nevertheless still expect a good development in line with our 2030 sCore targets.

None of this would be possible without the tireless efforts of our employees. We are working with a great deal of commitment as **ONE METRO**. Together, we will achieve the targets we have set for ourselves by 2030. We are doing what we do best – multichannel wholesale. Dear shareholders, we sincerely thank you for your support.

Yours truly,

Dr Steffen Greubel
Chairman of the Management Board of METRO AG

1 Adjusted for portfolio changes and exchange rates.

THE MANAGEMENT BOARD

DR STEFFEN GREUBEL

Chairman of the Management Board

AREAS OF RESPONSIBILITY

Corporate Accounting & Controlling, Corporate Communications, Corporate Office, Corporate Responsibility & Public Policy, Corporate Risk Management, Corporate Tax, Corporate Treasury, Global Solution Center, Group Internal Audit, IT Security, M&A | Legal & Compliance, Strategy | Investor Relations, METRO Deutschland, DISH Digital Solutions, Hospitality Digital, METRO Financial Services, METRO Insurance Broker, METRO MARKETS, MIAG.

RAFAEL GASSET

Chief Operating Officer

AREAS OF RESPONSIBILITY

METRO Austria, METRO Bulgaria, METRO Croatia, MAKRO Czech Republic, METRO France, METRO Hungary, METRO Italy, METRO Kazakhstan, METRO Moldova, MAKRO Netherlands, METRO Pakistan, MAKRO Poland, MAKRO Portugal, MAKRO Spain, METRO Romania, METRO Russia, METRO Serbia, METRO Slovakia, METRO Turkey, METRO Ukraine.

CHRISTIANE GIESEN

Chief People & Culture Officer and Labour Director

AREAS OF RESPONSIBILITY

International People & Culture Business Partner, Global Employer Branding, Talent Acquisition & Onboarding, Global People & Culture Services, Global Talent Management and People & Culture Transformation, People & Culture Operations, METRO Campus Services, METRO PROPERTIES, METRO LOGISTICS.

CLAUDE SARRAILH

Chief Customer & Merchandise Officer

AREAS OF RESPONSIBILITY

Customer & Sales, Food Service Distribution (incl. Aviludo, Classic Fine Foods, Johan i Hallen & Bergfalk (JHB), Pro à Pro France, Pro a Pro Spain, R Express), Global Procurement, Global Quality Assurance, E2E Supply Chain Management, Multichannel Network Transformation, Retail Franchise, METRO ADVERTISING, METRO DIGITAL, METRO SOURCING International.

- **More information about the members of the Management Board (including curricula vitae and terms of appointment) can be found on the website www.metroag.de/en in the section About us – Management Board.**

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In financial year 2022/23, our focus remained on the implementation of the sCore corporate strategy, which was rolled out in the previous year. This paid off in the form of further growth. METRO was thus able to increase sales figures in all segments (except Russia) as well as all sales channels, thereby achieving total sales of €30.6 billion, which corresponds to sales growth of 8.8%[2]. Adjusted EBITDA[3] was €1,174 million, approximately 12.8% below the previous year. The business environment was influenced by persisting high inflation which nevertheless was in continuous decline. The positive sales development was offset on the earnings side in particular by the effects of general inflation, the impact of the cyberattack, the expiration of post-transaction effects and declining development in Russia.

In this financial year, the main drivers of business performance were the delivery (FSD) and online business and the optimisation of our product range, with the consistent expansion of the volume-based ‘buy more, pay less’ tiered pricing model.

With the approval of the Supervisory Board, METRO acquired Johan i Hallen & Bergfalk (JHB) – an FSD business in Scandinavia – in May 2023 as part of aligning its portfolio with the sCore strategy. This move was a complement to the existing FSD portfolio and opened up access to one of Europe’s largest food service markets. Another portfolio adjustment realised by METRO, also with the approval of the Supervisory Board, was the sale of METRO India to Reliance Retail Ventures Ltd. Due to the accelerated transformation of the industry and the increasing competition, the business in India would not have been in line with the sCore growth strategy going forward.

By extending the contract of our CEO Dr Steffen Greubel prior to its expiration, we have made a statement for the long-term and continuous strategic direction of the company as a pure food wholesaler. Our former CFO Christian Baier, who resigned from the company by mutual agreement, will be succeeded by Mr Eric Riegger. His office term is scheduled to begin on 1 February 2024 and, thanks to his previous professional experience, he is well qualified to support METRO in the implementation of sCore.

The Supervisory Board would like to take this opportunity to thank our Management Board and all employees for their hard work. Our sCore objectives can only be achieved through the shared dedication to our goals and a passion for our business. Last but not least, we also wish to thank you, our shareholders, for accompanying us on our journey to becoming a multichannel wholesaler.

We are headed in the right direction!

2 Exchange-rate- and portfolio-adjusted (that is, without Japan, Myanmar, Belgium, India and JHB).

3 Excluding real estate income and transformation costs; year-on-year comparison is exchange-rate- and portfolio-adjusted.

JÜRGEN STEINEMANN

Chairman of the Supervisory Board

- **More information about the Chairman of the Supervisory Board and the other members of the Supervisory Board can be found on the website www.metroag.de/en in the section About us – Supervisory Board.**

Advice and supervision in consultation with the Management Board

In financial year 2022/23, 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 has provided us with detailed written and verbal information on all significant matters within METRO at the Supervisory Board meetings and on other occasions in a timely manner and in accordance with the statutory requirements. Its reporting in particular included information on current business developments, on the intended business policies and other fundamental concerns relating to corporate planning as well as information about the situation of the company and the group (including the risk position, risk management and compliance). The Management Board provided explanations for any deviations from planned business performance. We have given our approval for individual business transactions, if it was required by law, the Articles of Association or internal regulations. Since no matters requiring clarification arose, we did not make use of the Supervisory Board's rights of inspection and audit pursuant to § 111 Section 2 Sentences 1 and 2 of the German Stock Corporation Act (AktG). Managers from the relevant departments or subsidiaries of METRO attended meetings to address particular agenda items.

As the Chairman of the Supervisory Board, I also worked especially closely with the Chief Executive Officer, Dr Steffen Greubel, but also the other members of the Management Board, outside of meetings and regularly exchanged information and ideas with regard to key issues and pending decisions. I was in contact with the members of the Supervisory Board outside of meetings. In our capacity as committee chairmen, Prof. Dr Edgar Ernst and I also reported on the work and recommendations of the respective committees at the subsequent Supervisory Board meeting.

The Supervisory Board held a total of 7 meetings in financial year 2022/23. The average attendance rate at meetings of the Supervisory Board and its committees in financial year 2022/23 was 88%. An individualised overview of the participation of each member of the Supervisory Board in office in financial year 2022/23 is contained in the section 'Meeting format and individual attendance at meetings' of this report. Moreover, 1 resolution was passed in a written procedure outside a Supervisory Board meeting. In so-called closed sessions, the members of the Supervisory Board regularly exchanged views without the participation of the members of the Management Board. As was customary in the past, both the shareholder and employee representatives on the Supervisory Board of METRO AG discussed relevant agenda items in separate pre-meetings.

Changes in the composition of the Supervisory Board and the Management Board

At the end of the Annual General Meeting of METRO AG on 24 February 2023, the terms of office for shareholder representatives Marco Arcelli, Gwyn Burr, Prof. Dr Edgar Ernst, Dr Fredy Raas and Dr Liliana Solomon as members of the Supervisory Board ended, as well as those of all employee representatives. By election of the Annual General Meeting, Marco Arcelli, Gwyn Burr and Prof. Dr Edgar Ernst started another term of office. Dr Fredy Raas and Dr Liliana Solomon were not available for another office term. By appointment by the Annual General Meeting, they were succeeded by Jana Cejpková and Georg Vomhof as new shareholder representatives on the Supervisory Board. The new employee representatives were appointed by the assembly of delegates. Michael Heider, Udo Höfer, Xaver Schiller, Manfred Wirsch and Silke Zimmer were reappointed to the Supervisory Board as employee representatives; Sabine Gatz, Arlind Idrizi, Paul Loyo, Heidi Müllenberg and Klaus Pollmann were newly appointed. At the conclusion of Annual General Meeting 2023, Stefanie Blaser, Friedhelm Bongard, Thomas Dommel, Manuela Wetzko and Angelika Will resigned from the Supervisory Board of METRO AG.

In June 2023, we extended the employment contract of CEO Dr Steffen Greubel on the Management Board for another 5 years, thereby reappointing him as Chief Executive Officer of METRO AG until 30 April 2029. By best mutual agreement, the Supervisory Board reached an understanding with Christian Baier on his resignation from the company effective on 30 September 2023. We thank him for his intensive and successful work over the last 12 years.

Main topics of the Supervisory Board meetings and resolutions

In every meeting, the Supervisory Board generally receives a detailed status update on the current business developments in the group, in particular on financial reporting during the year. As part of this, we are informed about the progress of implementation of the sCore corporate strategy. Moreover, the Management Board regularly reports on changes in top management. In addition to these regular topics, the Supervisory Board dealt with the following topics in the past financial year:

November 2022 – At this meeting, we were informed about the status of the cyberattack on METRO in October 2022 and the resulting measures and consequences for the group. We received an update on sustainability, discussed the annual report on governance functions in the group and determined the effectiveness of the internal control system, the risk management system and the internal audit system as outlined in § 107 Section 3 of the German Stock Corporation Act (AktG). We also discussed the fulfilment of the requirements to be made by the compliance function. We approved the sale of METRO Cash & Carry India to Reliance Retail Ventures Limited. Due to the accelerated transformation of the industry and the increasing level of competition, the Indian business would have been dropped form the sCore growth strategy. It was therefore the right time to seize the momentum and lead METRO India into the future at the side of a strong partner in this market environment. The sale was completed in May 2023. With regard to Management Board remuneration, we passed a resolution on the individual performance factors of the short-term incentive for financial year 2021/22 for the individual members of the Management Board as well as the amount of the variable remuneration components to be granted for financial year 2021/22. Furthermore, we passed resolutions on the declaration on corporate management and the 2021/22 report of the Supervisory Board.

December 2022 – At the beginning of the meeting, Jana Cejpková and Georg Vomhof – the 2 candidates recommended by the Nomination Committee for initial appointment to the Supervisory Board – introduced themselves. As part of the update on current business developments, one focal point was a report on the 2nd wave of the cyberattack and the countermeasures derived from it. Afterwards, the annual financial statements – which were completed on schedule in spite of the cyberattack – were reviewed and discussed. A resolution was passed on the acknowledgement or approval of the annual financial statements, the consolidated financial statements, the combined management report for METRO AG and the group, including the non-financial statement, the report of the Management Board on the company's relationships with affiliated companies (dependency report) and the corresponding audit reports of the auditor. For the first time, the remuneration report under stock corporation law was created together by the Management Board and the Supervisory Board. It was presented for approval to the Annual General Meeting in February 2023. Furthermore, we passed resolutions on the proposed resolutions for the Annual General Meeting of METRO AG on 24 February 2023. As a precautionary measure, we also passed a resolution to authorise a law firm, in particular with regard to potential legal challenges and/or actions for nullity against resolutions of the Annual General Meeting.

February 2023 – In the meeting the day before the Annual General Meeting, the Supervisory Board received an additional update on the cybersecurity situation. In addition, the new human resources strategy 'People & Culture Agenda' was presented to us, which is aligned with the sCore corporate strategy. Subject to the election of the auditor by Annual General Meeting 2023, the Supervisory Board passed a resolution on the audit assignments of the auditor for financial year 2022/23.

Another meeting of the Supervisory Board in its new composition took place immediately following the Annual General Meeting. The Supervisory Board once again elected Xaver Schiller as the Vice Chairman of the Supervisory Board and passed a resolution on the composition of the committees. The members of the Audit Committee once again elected Prof. Dr Edgar Ernst as the Chairman and Xaver Schiller as the Vice Chairman. In addition, the shareholder representatives on the Supervisory Board passed a resolution on the assessment of the independence of its members. The Supervisory Board then passed a resolution on the issue of the tranche 2022/23 of the long-term incentive and approved changes to the schedule of responsibilities of the Management Board.

May 2023 – In a written procedure, the Supervisory Board approved the acquisition of 100% of shares in the Swedish company JOHBECO AB, a specialist in meat and fish delivery and the market leader in fresh premium proteins in Sweden. In conjunction with a training event of the Supervisory Board in April, the Management Board had explained the transaction to us which it would submit for approval. With this acquisition, METRO is expanding its FSD portfolio and entering the food services market in Sweden and Finland. This is expected to further accelerate the achievement of METRO's sCore FSD sales ambitions.

June 2023 – The focus of the 2-day strategy meeting in Sofia was the confirmation of the sCore growth strategy, with a focus on the status of the transformation and the support from the Supervisory Board with regard to the short- and long-term financial effects. The management of METRO Bulgaria presented their transformation with a clear emphasis on Trader and HoReCa customers. We passed a resolution on the reappointment of Dr Steffen Greubel as a member of the Management Board and Chief Executive Officer, the cancellation of the appointment of Christian Baier and the resulting changes to the schedule of responsibilities of the Management Board. Furthermore, we received another update on the status of the cybersecurity situation and were informed about the current corporate projects, in particular with an update on the IT transformation project. In addition to receiving information about the annual review of the OTC derivatives and details about potential lease extensions of METRO Deutschland locations, we passed a resolution on the engagement of a consultant for the executive search for suitable candidates to succeed the CFO as well as the Chairman of the Audit Committee, who will be resigning next year.

August 2023 – National subsidiary management informed us on the course of business and the general situation in Russia. The Management Board then gave an update on its assessment of the options for the business there, which it reviews and evaluates on an ongoing basis. Furthermore, we reviewed the financial development of all investment projects in the field of delivery from recent years.

September 2023 – The scheduled topic of the meeting was the approval of the budget and medium-term planning. After determining the respective individual total target remuneration of the members of the Management Board for financial year 2023/24, we passed a resolution on the financial STI and LTI performance targets and discussed the strategic STI targets for financial year 2023/24. We then dealt with corporate governance topics: we passed a resolution on an adjustment of the diversity concepts for the Management Board and the Supervisory Board as well as a resulting change to the Code of Procedure of the Supervisory Board. In addition, we passed a resolution on the annual declaration of conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and approved an update of the schedule of responsibilities of the Management Board. In conclusion, we discussed the results of the self-assessment of the Supervisory Board, which we carried out in August in accordance with the recommendation of the German Corporate Governance Code.

Work in the committees

For the purpose of effectively performing its duties, the Supervisory Board relies on the work of 4 committees: the Presidential Committee, the Audit Committee, the Nomination Committee and the Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG). The committees prepare the consultations and resolutions in the Supervisory Board meetings. 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 with regard to the work in the committees. Guests such as managers from the responsible departments and subsidiaries of METRO or the auditors were invited to the committee meetings to discuss specific topics.

Presidential Committee – The Presidential Committee is mainly concerned with the personnel and remuneration issues of the members of the Management Board and monitors compliance with legal regulations and the application of the German Corporate Governance Code. In addition, the Presidential Committee is responsible for urgent resolutions and issues that the Supervisory Board has delegated to it for resolution. The Presidential Committee held 6 meetings in financial year 2022/23; 2 of the meetings were convened as an extraordinary meeting.

The subjects of discussion and resolutions of the Presidential Committee in financial year 2022/23 were issues relating to the remuneration and contractual matters of the members of the Management Board as well as the preparation of the remuneration report. In addition, the Presidential Committee dealt with the contract extension of Dr Steffen Greubel as Chief Executive Officer, the cancellation by mutual agreement of the appointment of Christian Baier and the search for a successor for the position of Chief Financial Officer. 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). Long-term succession planning was one of the regular topics of discussion in the committee.

Audit Committee – The Audit Committee is in particular responsible for supervising the company's accounting, accounting processes, the effectiveness and development of the internal control systems, the risk management system, the internal audit system, the audit of the annual financial statements (in particular relating to the selection and independence of the auditor, the audit strategy and planning, the quality of the audit and any additional services provided by the auditor) and the financing strategy as well as compliance. In this financial year, there was also a focus on dealing with the impact of the cyberattack and the resulting consequences. In financial year 2022/23, the Audit Committee convened 6 meetings. Details of the Audit Committee's deliberations and resolutions can be found in the separate report of the Audit Committee.

Nomination Committee – The Nomination Committee prepares for the election of shareholder representatives to the Supervisory Board and proposes suitable candidates to the Supervisory Board for recommendation to the Annual General Meeting. In financial year 2022/23, a total of 3 committee meetings were held for the purpose of preparing election proposals to the Annual General Meeting for 2023 and 2024.

Mediation Committee – In financial year 2022/23, the Mediation Committee established in accordance with § 27 Section 3 of the German Co-determination Act (MitbestG) did not have to be convened.

Meeting format and individual attendance at meetings

In financial year 2022/23, all meetings of the Supervisory Board, the Presidential Committee and the Audit Committee were convened as face-to-face meetings. We also generally offer the option of virtual participation via telephone or video conference if physical participation is not possible for any of the members. Of the 3 Nomination Committee meetings in financial year 2022/23, 1 was held as a virtual meeting. Attendance of members of the Supervisory Board in office in financial year 2022/23 at meetings is disclosed in the following. Only those meetings that took place during the respective membership on the Supervisory Board or committee are listed.

Members	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Total in %
Jürgen Steinemann (Chairman)	7/7	6/6	6/6	3/3	100
Xaver Schiller (Vice Chairman)	6/7	4/6	4/6	–	74
Marco Arcelli	7/7	–	3/3	–	100
Stefanie Blaser, until 24/2/2023	3/3	–	3/3	–	100
Friedhelm Bongard, until 24/2/2023	3/3	–	–	–	100
Gwyn Burr	6/7	–	–	3/3	90
Jana Cejpková, since 24/2/2023	4/4	–	–	–	100
Thomas Dommel, until 24/2/2023	3/3	2/2	–	–	100
Prof. Dr Edgar Ernst	7/7	6/6	6/6	–	100
Sabine Gatz, since 24/2/2023	3/4	–	–	–	75
Michael Heider	7/7	–	3/3	–	100
Udo Höfer	7/7	–	–	–	100
Arlind Idrizi, since 24/2/2023	4/4	–	–	–	100
Paul Loyo, since 24/2/2023	4/4	4/4	3/3	_	100
Heidi Müllenberg, since 24/2/2023	3/4	–	–	–	75
Klaus Pollmann, since 24/2/2023	3/4	–	2/3	–	71
Dr Fredy Raas, until 24/2/2023	3/3	–	–	–	100

Members	Supervisory Board	Presidential Committee	Audit Committee	Nomination Committee	Total in %
Roman Šilha	7/7	5/6	2/3	3/3	89
Eva-Lotta Sjöstedt	6/7	–	–	–	86
Dr Liliana Solomon, until 24/2/2023	3/3	–	–	–	100
Marek Spurný	7/7	–	–	–	100
Stefan Tieben	7/7	–	6/6	–	100
Georg Vomhof, since 24/2/2023	4/4	–	–	–	100
Manuela Wetzko, until 24/2/2023	3/3	2/2	–	–	100
Angelika Will, until 24/2/2023	1/3	–	–	–	33
Manfred Wirsch	6/7	–	6/6	–	92
Silke Zimmer	6/7	3/4	–	–	82
Attendance rate (total)					**88**

Corporate governance

In September 2023, the Management Board and the Supervisory Board of METRO AG issued their annual 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). The declaration of conformity is permanently published on the website www.metroag.de/en in the section About us – Corporate Governance. Further information on METRO's corporate governance can be found in the declaration on corporate management, which has also been published on the website www.metroag.de/en in the section About us – Corporate Governance.

In financial year 2022/23, 3 training events were held for the entire Supervisory Board: in December 2022 on the topic of food service distribution, in April 2023 on the sCore corporate strategy with various theoretical and practical focus topics and in August 2023 on the digital tools of DISH Digital Solutions (formerly Hospitality Digital). In March 2023, 1 training event was held following the election of the employee representatives for the employee representatives on the Supervisory Board on questions of corporate governance as well as stock cooperation law, co-determination law and insider law. In addition, there were individual onboarding events for newly appointed members of the Supervisory Board, both with the Chairman of the Supervisory Board as well as with members of the Management Board and managers from departments relevant for the Supervisory Board.

The members of the Supervisory Board are required to disclose any conflicts of interest without delay. No such conflicts of interest arose in financial year 2022/23.

Annual and consolidated financial statements, report on relationships with affiliated companies 2022/23

The auditor 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 2022/23 as well as the remuneration report prepared by the Management Board and the Supervisory Board pursuant to § 162 of the German Stock Corporation Act (AktG) and issued an unqualified audit certificate. The auditor also issued an unqualified certificate about the combined non-financial statement contained in the combined management report as a result of his audit to provide limited assurance. The auditor provided a written report on these audits.

In accordance with § 312 of the German Stock Corporation Act (AktG), the Management Board of METRO AG has prepared a report on the company's relations to affiliated companies for financial year 2022/23. The auditor has also audited this report, reported the result of the audit in writing and issued the following opinion:

'Based on our statutory audit and assessment, we confirm that

1. the factual statements in the report are correct,
2. the Company´s consideration with respect to the legal transactions listed in the report was not inappropriately high.'

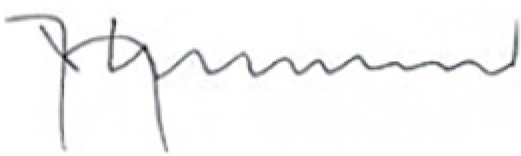
This report, the documents for the financial statements, including the combined non-financial statement, as well as the audit reports were discussed and reviewed in great detail during the meeting of the Audit Committee on 11 December 2023 and in the Supervisory Board meeting on 12 December 2023 in the presence of the auditor. The remuneration report was reviewed in a separate Presidential Committee meeting on 11 December 2023. The required documents were distributed to all members of the Audit Committee and the Presidential Committee as well as the Supervisory Board in due time prior to these meetings. In all mentioned meetings, the auditor reported about the key findings of his audits and was at the Supervisory Board's disposal to answer questions and provide additional information, even 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, including the combined non-financial statement, as well as the report of the Management Board on relationships with affiliated companies for financial year 2022/23, we had no objections and the Supervisory Board approved the result of the audit. As recommended by the Audit Committee, we approved the annual financial statements and the consolidated financial statements submitted by the Management Board. The Annual Financial Statements of METRO AG are thus adopted. After our own careful review and in consideration of the interests to be taken into account, we agree to the Management Board's proposal to Annual General Meeting 2024 on the appropriation of the balance sheet profit. As a result, we have also determined that there are no objections to be raised against the declaration of the Management Board at the end of the report on relationships with affiliated companies 2022/23.

Düsseldorf, 12 December 2023

The Supervisory Board



Jürgen Steinemann
Chairman

REPORT OF THE AUDIT COMMITTEE

Dear Ladies and Gentlemen,

As Chairman of the Audit Committee, I would like to use this opportunity to update you on the tasks and activities of this committee in financial year 2022/23.

PROF. DR EDGAR ERNST

Chairman of the Audit Committee

- **Information about the Chairman of the Audit Committee and the other members of the Supervisory Board can be found on the website www.metroag.de/en in the section About us – Supervisory Board.**

The Audit Committee is in particular responsible for supervising the company's accounting, accounting processes, the effectiveness and development of the internal control systems, the risk management system, the internal audit system, the audit of the annual financial statements (in particular relating to the selection and independence of the auditor, the audit strategy and planning, the quality of the audit and any additional services provided by the auditor) and the financing strategy as well as compliance. Further information on the work of the Audit Committee is defined in the Code of Procedure of the Audit Committee.

- **The Code of Procedure of the Audit Committee of the Supervisory Board of METRO AG can be found on the website www.metroag.de/en in the section About us – Corporate Governance.**

The Audit Committee is composed of equal numbers of representatives. The following members are part of the Audit Committee (as of 30 September 2023): Prof. Dr Edgar Ernst (Chairman), Xaver Schiller (Vice Chairman), Paul Loyo, Klaus Pollmann, Roman Šilha, Jürgen Steinemann, Stefan Tieben and Manfred Wirsch.

The Audit Committee held a total of 6 meetings in financial year 2022/23. In addition, the Audit Committee passed 1 resolution outside of a meeting. The Management Board was represented by the Chairman of the Management Board and the Chief Financial Officer. Representatives from the METRO departments were available at the meetings to discuss specific topics, in particular the Head of the Corporate Accounting & Controlling department following the resignation of Christian Baier as Chief Financial Officer. The auditor was present for each agenda item that was relevant to the audit of the financial statements. The Audit Committee also conducted additional reporting telephone calls with the Chairman of the Management Board and the Chief Financial Officer between the scheduled meetings to discuss the business development and the effects of the cyberattack at the beginning of financial year 2022/23 as well as the measures taken by the company.

As Chairman of the committee, I frequently communicated with Jürgen Steinemann as Chairman of the Supervisory Board and with the Management Board, especially with the Chief Financial Officer, outside the meetings to exchange information and ideas on important topics and upcoming decisions. The exchange of information was supported by frequent individual discussions with the auditor and heads of various METRO departments. I notified the Supervisory Board about the content of the discussions as well as about the work and recommendations of the Audit Committee in each of its subsequent meetings.

Main contents of the committee meetings

November 2022 – The committee was briefed on the status of work on the annual financial statements, which was able to proceed as planned in spite of interference by the cyberattack. We also focused on the effectiveness and functioning of the group's governance functions (internal control system, risk management system, internal audit and compliance) and received confirmation from our auditor regarding the results of the audit of our risk management system (RMS) in accordance with the auditing standard IDW AuS 981. In addition, we were informed about the status of implementation of the Act on Corporate Due Diligence Obligations in Supply Chains, discussed the audit depth of the non-financial statement and passed a resolution on the report of the Audit Committee for financial year 2021/22.

December 2022 – The Audit Committee routinely prepared the meeting of the Supervisory Board in December and reviewed the annual and consolidated financial statements for financial year 2021/22, the combined management report of METRO AG and the group for financial year 2021/22, including the combined non-financial statement contained in the combined management report, as well as the report of the Management Board on relationships with affiliated companies. The auditor reported on the results of the audits and was available to answer additional questions and provide information in the absence of the Management Board. In the presence of the auditor, the committee also discussed the results of the audit and recommended to the Supervisory Board to approve the annual and consolidated financial statements for financial year 2021/22. The Audit Committee also decided to recommend to the Supervisory Board that they should suggest to the Annual General Meeting 2023 to elect KPMG AG Wirtschaftsprüfungsgesellschaft as auditors for financial year 2022/23. Furthermore, the Management Board provided information about awarding of donations and presented to the committee countermeasures following the cyberattack.

January 2023 – As part of a resolution passed outside of one meeting, the Audit Committee decided to approve engaging KPMG with support services from the IT crisis management team in conjunction with the cyberattack. The resolution presented was explained in preparation during a routine informational call of the committee.

February 2023 – The meeting was focused on the quarterly statement Q1 2022/23. Moreover, we received another update on the status of cybersecurity. As part of this, the external consultants additionally hired by the company introduced themselves. They were tasked with using a detailed benchmark analysis with leading IT security practices to create a fact-based understanding of the security situation at METRO. Moreover, we passed a resolution to recommend to the Supervisory Board to accept the proposals of KPMG, which included the following tasks: the audit of the annual financial statements and the consolidated financial statements of METRO AG as of 30 September 2023 as well as the combined management report for METRO AG and the group for financial year 2022/23; the audit review of the condensed interim financial report as of 31 March 2023 as well as the interim group management report for the period from 1 October 2022 to 31 March 2023; the audit of the combined non-financial statement for financial year 2022/23 in the form of a limited assurance engagement; and the audit of the remuneration report in accordance with the auditing standard IDW AuS 490 for financial year 2022/23. As part of the recommendation for the auditor election in December 2022, no deficiencies in the audit-related services to date were identified that would argue against the election of KPMG as auditor. In addition, we were updated about the current status of the auditor's non-audit services and we passed a resolution to change the guideline on the engagement of the auditor for non-audit services. We were also given an overview of the current capital market outlook of METRO and were provided with information about awarding donations.

May 2023 – The focus of the meeting was the half-year financial report 2022/23 as well as the half-year report on the governance functions including a risk and compliance update. The committee received the final report of the external consultants on the assessment of the existing cybersecurity practices at METRO. The committee also routinely obtained information about the status of the auditor's approved non-audit services and the utilisation of the upper statutory cap. Furthermore, it was updated about the financing strategy and utilisation of the financing framework. The rest of the meeting dealt with the key points of the strategy/budget for 2023/24, in consideration of the validation of strategy implementation planning for the national subsidiaries, as well as information on the group tax planning.

August 2023 – With the participation of the members of the Presidential Committee, we discussed the current interim status of the budget planning for 2023/24 and subsequent years and received an outlook on the key figures relevant to remuneration. The quarterly statement Q3 2022/23 was routinely discussed. Furthermore, we dealt with the quality of the audit, which we discussed on the basis of a quality report from the auditor, an anonymised survey of the committee members and a survey of the METRO financial departments and which we consider to be very satisfactory. We also discussed the assessment of the audit risk, the audit strategy and the audit planning, including the key audit matters of 2022/23, with the auditor. Finally, we received details on updates and future amendments to the accounting standards and on the current cybersecurity situation. As part of this, we were also introduced to the new Chief Information Security Officer (CISO).

September 2023 – The resolution on the recommendation to approve the budget planning for 2023/24 and subsequent years was the focus of this meeting. The members of the Presidential Committee also participated in the discussion. Later in the meeting, the Head of the Group Internal Audit department presented his Internal Audit unit report including the internal audit planning for financial years 2023 to 2026. We also received information about the non-audit services provided by the auditor and approved the assignment of the auditor with the review or audit of the interim financial statements through June 2024, subject to the election of the auditor for financial year 2023/24 by Annual General Meeting 2024. Moreover, we worked on an amendment to the Code of Procedure of the Audit Committee. Finally, we evaluated the responses to the survey carried out in advance of the meeting on the self-assessment of the Audit Committee and discussed the results.

Annual and consolidated financial statements, report on relationships with affiliated companies 2022/23

At the meeting on 11 December 2023, the Audit Committee reviewed and discussed the following items in detail: the annual financial statements and the consolidated financial statements, each of which received an unqualified audit opinion from the auditor; the combined management report for METRO AG and the group for financial year 2022/23; the combined non-financial statement contained in the combined management report; the Management Board’s report on the company’s relations to affiliated companies for financial year 2022/23; as well as the corresponding audit reports. The required documents were distributed to all members of the Audit Committee in due time prior to these meetings. The auditor reported on the results of the audit and addressed the key audit matters as well as the accounting-related topics of the audit. He was also available to answer questions and provide additional information in the absence of the Management Board. After an intensive exchange of views, the Audit Committee recommended that the Supervisory Board take note of and approve the results of the audit of the annual financial statements and the consolidated financial statements of METRO AG as of 30 September 2023, the combined management report for METRO AG and the group for financial year 2022/23, the combined non-financial statement contained in the combined management report as well as the report of the Management Board on relations to affiliated companies for financial year 2022/23. The committee also recommended that the Supervisory Board should endorse the audit results of the auditor and join their determination that no objections are to be raised. Furthermore, the Audit Committee recommended that the annual financial statements and the consolidated financial statements of METRO AG as well as the combined management report for METRO AG and the group, including the non-financial statement contained in the combined management report, be approved. The committee added that the Annual Financial Statements of METRO AG should thus be adopted and that the Management Board’s proposal to Annual General Meeting 2024 on the appropriation of the balance sheet profit be endorsed.

On behalf of the entire Audit Committee, I would like to conclude by thanking the Chairman of the Supervisory Board, the auditor and the Management Board for their constructive and dependable collaboration in financial year 2022/23.

Düsseldorf, 12 December 2023

The Audit Committee

Prof. Dr Edgar Ernst
Chairman

METRO SHARE

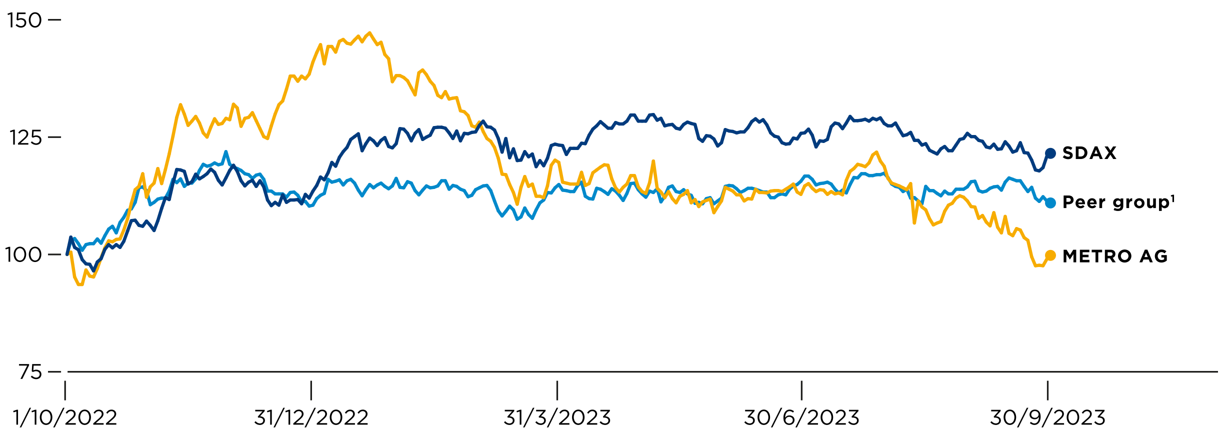
Performance of the METRO share

The stock markets underwent relatively positive development in financial year 2022/23 in spite of global challenges like Russia's war in Ukraine, continuing high levels of inflation and rising energy costs. The DAX rediscovered its old strength over the course of the financial year and exceeded the 16,000-point mark for the first time since January 2022.

In the course of the year, the performance of the METRO share experienced fluctuations due to various internal and external factors. The continuing successful implementation of the sCore strategy was positively received by the capital market, and the price of the ordinary share reached its high mark of €9.71 in January 2023. However, the financial year was also influenced by various challenges, such as a cyberattack in Q1 2022/23 in addition to external factors.

On 30 September 2023, the METRO ordinary share finished with a closing price of €6.53 in Xetra trading on the Frankfurt Stock Exchange. This corresponds to a decline of 9% compared to the previous year. The preference share traded at €6.70 on 30 September 2023.

Development of the METRO ordinary share (%)



[1] Bidcorp, Eurocash Group, Marr, Performance Food Group, Sligro, Sysco, US Foods

METRO share

			2021/22	2022/23
Closing price	Ordinary share	€	7.16	**6.53**
	Preference share	€	7.10	**6.70**
High	Ordinary share	€	11.67	**9.71**
	Preference share	€	12.20	**8.95**
Low	Ordinary share	€	6.90	**6.17**
	Preference share	€	7.10	**6.15**
Dividends	Ordinary share	€	0.00	**0.55**[1]
	Preference share	€	0.00	**0.55**[1]
Market capitalisation (billion)		€	2.6	**2.4**

Data based on Xetra closing prices.

Source: Bloomberg.

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

Dividend and dividend policy

The reported earnings per share (EPS) are €1.21 (2021/22: €−0.92). The increase was particularly supported by a real estate transaction, the sale of the Indian business and positive non-cash currency effects in the financial result. In accordance with the attractive dividend policy (payout ratio of 45% to 55% of EPS), the Management Board and the Supervisory Board propose to the Annual General Meeting to pay a dividend in the amount of €0.55 per share for financial year 2022/23.

- **For more information, see chapter 5 Takeover-related disclosures – composition of the subscribed capital.**

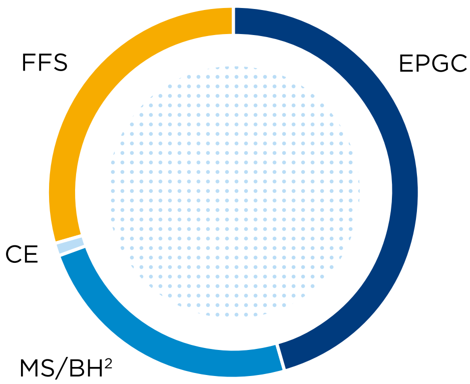
Shareholder structure of METRO AG

Based on a shareholder identification carried out pursuant to § 67d of the German Stock Corporation Act (AktG) as of 1 November 2022, EP Global Commerce GmbH holds 45.62% of the voting rights of METRO AG, while the Meridian Stiftung and the Beisheim Group jointly hold 24.00% and CECONOMY AG holds 0.99%. Under the terms of the 2016 demerger agreement, the latter was not allowed to be sold until 1 October 2023. The free-floating share is 29.39%. These percentages refer to the total number of voting rights from ordinary and preference shares. Notifications of voting rights in accordance with the German Securities Trading Act (WpHG) were not received for these figures.

- **For more information about details of the pooling agreement between Meridian Stiftung and Beisheim Holding, see chapter 5 takeover-related disclosures in the combined management report.**

The free-floating shares of METRO AG are held by a number of national and international investors. Internationally they are mainly held by investors from North America, continental Europe, the United Kingdom and Ireland.

Shareholder structure[1]



EPGC	45.62%	EP Global Commerce
MS/BH[2]	24.00%	Meridian Stiftung/Beisheim Holding
CE	0.99%	CECONOMY AG
FFS	29.39%	Free-floating shares
	100.00%	

[1] Shareholder identification pursuant to § 67d of the German Stock Corporation Act (AktG) as of the closing date on 1 November 2022.
[2] Vote on exercising voting rights under the pooling agreement.

Market capitalisation

The market capitalisation of METRO AG was €2.4 billion at the end of September 2023. In financial year 2022/23, a typical trading day at the Frankfurt Stock Exchange saw an average of around 162,000 of METRO's ordinary shares traded. On average, about 1,900 of the significantly fewer liquid preference shares were exchanged on each trading day.

Analysts' recommendations

11 analysts have regularly evaluated the METRO share in financial year 2022/23 and published their reports. The number of active analysts is above the SDAX average. 1 analyst recommends buying the share, 7 analysts rate the METRO share neutrally in the medium to long term and 3 analysts recommend selling the share. The median of share price targets, which usually only represent a short-term perspective for the next 6 to 12 months, was €8.00 at the end of September 2023 (end of September 2022: €8.60).

- **More information about the METRO share can be found on the website www.metroag.de/en in the section Investors – Shares.**

GOALS AND STRATEGY

METRO

- **sCore growth strategy:** Implementation of the long-term strategy with high growth ambitions through 2030 defined for the group as well as for the METRO countries and delivery specialists.[4]
- **Strategic value drivers:** Increasing customer value through clear wholesale alignment, multichannel and digitalisation for professional customers with a focus on HoReCa and Traders.
- **Strategy implementation:** Wholesale transformation as a significant key enabler for the successful implementation of sCore. Advance of multichannel business model and digitalisation.

sCore growth strategy

METRO is implementing its sCore growth strategy, which was defined in financial year 2020/21 and is geared towards 2030. sCore emphasises the group's exclusive focus on wholesale. The ambitious endeavour until 2030 encompasses more than €40 billion for sales and more than €2 billion for earnings (EBITDA).

Long-term growth in out-of-home consumtion and the highly fragmented competitive environment provide the external conditions for our sales and earnings targets. From an internal perspective, we see great growth potential in a strong expansion of our HoReCa delivery business, the digital sales share with goods and services and our traditional wholesale business. Our different channels and services are closely interwoven. With regard to sales and costs, they complement each other synergistically and do not compete with each other. By 2030, we want to grow our market share by significantly expanding our role as a leading international food wholesaler. To achieve this aspiration, we want to triple our delivery sales, increase sales in wholesale stores by more than 20% and grow the sales of our online

[4] In the remaining part of the chapter, the term 'countries' includes our delivery specialists (Classic Fine Foods, Pro à Pro, R Express, Aviludo and Pro a Pro Spain and Johan i Hallen & Bergfalk), unless the delivery specialists are explicitly differentiated.

marketplace METRO MARKETS to more than €3 billion compared to base financial year 2020/21.

Strategic value drivers

- **Wholesale value proposition:** The sCore strategy streamlines the goods and services business exclusively towards wholesale. HoReCa and Traders are our core customer groups. METRO has a wide reach in both customer groups and strives to maximise its customer potential through high customer retention. By 2030, we want to generate more than 80% of sales with our core customer groups. To achieve this goal, we are significantly improving our value proposition for our target customers as part of our sCore implementation in order to further differentiate ourselves from the competition. In addition to a product range explicitly tailored to professional customer needs with a focus on increasing the share of own brands, we use tiered pricing to reflect our wholesale focus even more strongly than today in our price positioning. We will also ensure the highest possible product quality and availability as well as product, quantity and delivery reliability for the delivery business. To increase our productivity, we are reducing the product range in specific product groups that do not address the needs of our core customers.
- **Multichannel:** The delivery business was our key growth driver in financial year 2022/23. We are continuing to strongly expand the delivery channel and our delivery expertise to continuously increase the delivery sales share. This will allow us to address the channel preferences of our customers better than before. Furthermore, we are opening up access to customer groups who only want delivery, such as in the communal catering sector. By combining the pick-up and delivery business, we serve the different needs of our customers in the best possible way. The online marketplace METRO MARKETS expands our delivery solution to include non-food products with a focus on the needs of HoReCa customers.
  In order to increase customer loyalty and to better tap into customer potential, we are further optimising our sales processes and expanding customer support through the sales force. In financial year 2022/23, we created ~750 new sales positions, thus enabling us to offer our customers the most efficient and best possible shopping experience across all channels. Similarly, we are continuing to improve the digital customer experience and strongly promoting the use of our digital ordering platform M-Shop as well as the METRO Companion app, which integrates our sales channels. The digital sales share is expected to grow to at least 40% by 2030. In addition to METRO MARKETS, the expansion of the range of digital solutions for the hospitality industry will contribute to this growth. This is not only highly significant in the sCore strategy in terms of increasing customer retention. The digital solutions also support the shift from a transactional to a service-oriented and partnership-based business relationship with our customers.
- **Network optimisation:** The Cash & Carry wholesale is the origin of our business and the root of our success. Wholesale stores continue to be pivotal. Their role is increasingly changing from a pure pick-up store to a multichannel fulfilment centre that ensures the fastest and most efficient fulfilment of needs across multiple channels. Accordingly, wholesale stores will be gradually integrated into the delivery network. Depending on the location as well as the market and customer structure, we are adding dedicated delivery-only locations to the existing network in order to realise our sales ambition in the delivery business.
- **New business models:** sCore also includes the development and scaling of new business models with the goal of acquiring additional segments as customers within our core customer groups HoReCa and Traders. For example, the focus in the Traders segment is on convenience solutions and the expansion of our franchise models. In the HoReCa segment, the focus is on business models tailored to internationally operating key account hospitality customers.

STRATEGY IMPLEMENTATION

Our countries continue to play a key role in the successful implementation of our strategy. All countries and delivery specialists have aligned their local strategy with the content and ambition of sCore until 2030. As part of a review process, the respective strategies were confirmed by the national subsidiaries in financial year 2022/23. In connection with the sCore implementation, we adjusted the portfolio to the exclusion of India, because the country is not prospectively aligned with the sCore strategy. With the acquisition of JHB in Scandinavia, we have undertaken a reinforcement of the portfolio towards delivery business in keeping with sCore.

The successful sCore implementation requires a cultural change, which we are supporting with a transformation programme. As part of this ‘wholesale transformation’, we are also reorganising the collaboration between the countries and the central functions. The objective of the transformation is to realise synergies wherever this is possible from a business and operational point of view. Responsibility for strategy implementation continues to be locally manifested.

In an effort to provide the best possible support for the local strategy implementation by the group headquarters, we have analysed the sCore strategies of the countries to identify common initiatives and priorities. The operationalisation of the strategy is continuously tracked through a key figure system that reflects the strategic value drivers (cf. table ‘sCore key figure system’).

To achieve our sCore multichannel ambition for the wholesale and delivery business, we have begun to implement the detailed network plan that all countries developed until 2030 as part of the strategy development. Except for the local sales ambition, the network target vision takes capacity requirements and productivity targets into account. Based on these parameters, we are able to target investments in wholesale stores, delivery depots and warehouses/transhipment points.

METRO MARKETS launched in the Netherlands and France in financial year 2022/23. The online marketplace is now available in 6 countries. The expansion highlights the strategic importance of METRO MARKETS for the multichannel approach as well as for digitalisation. The cloud-based point-of-sale (POS) system for the hospitality industry from DISH Digital Solutions (formerly Hospitality Digital) is available on the market in Germany and France, following the Netherlands. With the DISH POS system, DISH Digital Solutions not only expands its range of DISH solutions, but also establishes a connection to already-existing DISH solutions, such as DISH Order. METRO offers its HoReCa customers a comprehensive system consisting of various digital tools with the DISH product family.

sCore key figure system

Strategic value driver	Key figure	Ambition 2030
Wholesale value proposition	Strategic customer sales share (%)	>80%
Wholesale value proposition	Own-brand sales share (%)	>35%
Wholesale value proposition	Stock availability (%)	>98%
Multichannel/network optimisation	FSD sales share (%)	>33%
Multichannel	Digital sales share (%)	40%

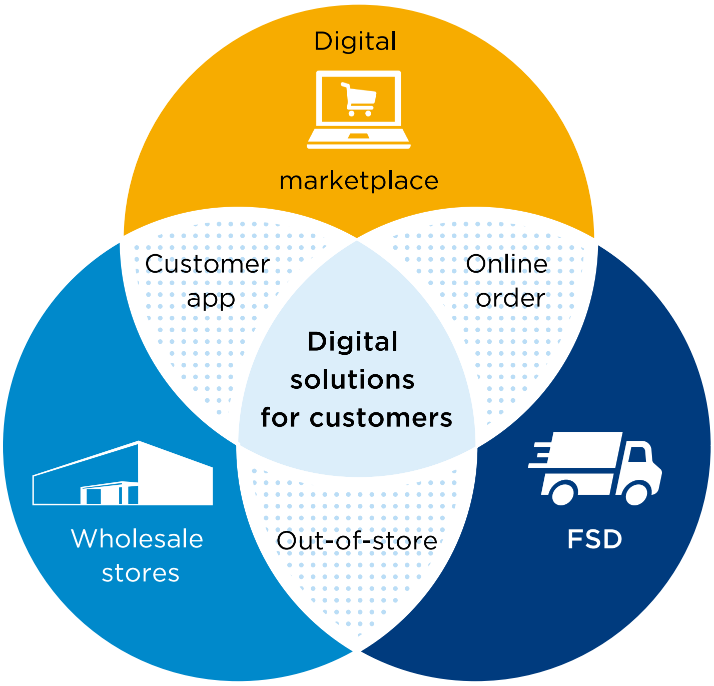
COMBINED MANAGEMENT REPORT

1 PRINCIPLES OF THE GROUP

1.1 Group business model

METRO is a leading international food wholesaler that does business in 32 countries. The group is headed by METRO AG, which acts as the central management holding company. It handles group management tasks and bundles central management and administrative functions for METRO.

The central element of the corporate strategy is the **multichannel approach,** which is reflected in the business model through dovetailing of the **bricks-and-mortar wholesale stores,** whose sales share of business still makes up around 80%, with the **delivery business** and **digital solutions.** This business model is consistently aimed at professional customers: HoReCa and Traders are core customer groups of METRO. The assortments comprise food and non-food items.



Under the brands **METRO** and **MAKRO,** the company operates in the segments Germany, West, Russia and East. In the area of Food Service Distribution (FSD), METRO maintains a strong presence with its METRO delivery service and the delivery companies (including Classic Fine Foods, Pro à Pro France, R Express, Johan i Hallen & Bergfalk [JHB], Aviludo and Pro a Pro Spain). Out-of-store delivery (OOS) refers to the existing METRO store network and includes METRO stores that supply from the store as well as wholesale stores that operate their own depot in the store.

The segment **Others** mainly includes the **DISH Digital Solutions** (formerly Hospitality Digital), **METRO MARKETS** and **METRO PROPERTIES** business units. In the digital business sector, METRO MARKETS plays a special role with its B2B online marketplace for professional equipment for HoReCa customers. Through this distribution channel, METRO offers non-food articles from its own product range as well as products from third parties. DISH Digital Solutions pools the group's digitalisation efforts for customers from the hospitality industry and offers innovative digital solutions under the DISH brand. METRO PROPERTIES develops, operates and markets an international real estate portfolio. This segment also includes companies providing services in logistics, IT, advertising and procurement.

Store network by country and segment

as of 30/9/2023

	Store-based business	Food Service Distribution (FSD)			METRO MARKETS	DISH POS
as of 30/9/2023	Stores	Out-of-store (OOS)[1]	Depots[2]	Delivery companies	Countries	Countries
Germany	**102**	**(73)**	**7**	**R Express[3]**	**x**	**x**
France	99	(94)	17	CFF, Pro à Pro	x	x
Italy	49	(49)	2		x	
Netherlands	17	(4)	1		x	x[7]
Austria	18	(18)	1	R Express		
Portugal	10	(8)	7	Aviludo	x	
Spain	37	(29)	4	Pro a Pro Spain	x	
West	**230**	**(202)**	**37**	**JHB[4]**		
Russia	**93**	**(85)**	**0**			
Bulgaria	11	(9)	1			
Kazakhstan	6	(6)	6			
Croatia	10	(7)	0			
Moldova	3	(1)	0			
Poland	29	(24)	2			
Romania	30	(26)	0			
Serbia	9	(9)	0			
Slovakia	6	(6)	0			
Czech Republic	13	(13)	0			
Turkey	34	(27)	1			
Ukraine	26[5]	(20)	0			
Hungary	13	(11)	0			
Pakistan	10	(10)	4			
East	**200**	**(169)**	**32**	**CFF[6]**		
Total	**625**	**(529)**	**76**		**6**	**4[8]**

1 OOS refers to the existing METRO store network and includes METRO stores that supply from the store as well as stores that operate their own depot in the store.

2 The 18 CFF depots (segment East) and 5 JHB depots (segment West) are included in the total number of depots.

3 Additional R Express location: Switzerland.

4 JHB locations: Sweden, Finland.

5 2 stores in Ukraine (Mariupol and Kharkiv) have been excluded from the consideration of locations, as they are temporarily not operating due to the war.

6 Additional CFF locations: China, Indonesia, Japan, Malaysia, United Arab Emirates, United Kingdom, Vietnam, Singapore.

7 The POS system is called Booq in the Netherlands.

8 Additional DISH POS country: Belgium; the system is called Booq.

1.2 Management system

As part of the sCore strategy, METRO is aligned towards long-term, profitable growth. Our primary objective here is to increase the company value permanently. In connection with sCore, METRO has also introduced specific key figures which are used to continuously measure and review the implementation status of the key strategic elements. At the top of the key figure system are core key figures, which are supplemented or operationalised at subsequent levels with other specific key figures. In addition to the management system, the remuneration system for the Management Board is also intended to support implementation of the business strategy through the value-oriented and long-term management of METRO which takes sustainability aspects into account. Specifically, METRO uses the key figures described in the following for the planning, management and control of our business activities as well as for the majority of Management Board remuneration:

Financial key performance indicators

In light of the focus on long-term, profitable growth, total sales growth and adjusted EBITDA are the most important key performance indicators for METRO. As such, they are crucial for internal management and the assessment of our business development and thus also the core of our outlook. To account for operating performance, **total sales growth** is adjusted for currency effects. In addition, we also consider total sales growth as a key figure adjusted for portfolio changes, that is, adjusted for significant acquisitions and/or divestments in the financial year. This perspective adjusted for portfolio changes also basically represents the starting point for the outlook.

With respect to earnings, **adjusted EBITDA,** that is, excluding earnings contributions from real estate transactions and transformation costs (+) or transformation gains (–), reflects the operating efficiency of METRO in a transparent format. Irrespective of it, the development of real estate assets and the proceeds from divestments remain core components of the group’s real estate strategy. Transformation costs generally only comprise non-regularly recurring expenses and gains from strategic portfolio adjustments.

Other important key performance indicators of METRO are the **profit or loss for the period** and the **earnings per share**. These key figures ensure that the tax and net financial result as well as impairment losses are given consideration in addition to the operational result. Thereby, they allow for a holistic assessment of METRO’s earnings position from the perspective of the shareholders.

The **strategic customer sales share,** the **FSD sales share,** the **digital sales share** and **the own-brand sales share** are further important sales-related key figures in connection with the strategy implementation.

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.

We regularly analyse the **net working capital** for the purpose of managing the operational business and capital deployment.

Additionally, with regard to the appropriation of funds, we separately consider the **investments** that form the foundation for METRO’s future growth and the long-term earnings performance as well as its digitalisation and decarbonisation. Investments are defined as additions to non-current assets (excluding financial instruments and deferred tax assets).

We use **net debt** and **free cash flow** as key figures to manage liquidity and capital structure. Free cash flow represents the unrestricted funds generated throughout the financial year, which are primarily available for redemption of borrowings, distribution of dividends or for M&A activities.

The **Return on Capital Employed (RoCE)** key figure is still used to assess the profitability of the operational business. It measures the Return on Capital Employed (RoCE = EBIT/average capital employed) in a certain period under review and allows for an assessment of the performance by comparing it to the cost of capital before taxes. The latter represents a minimum yield on the employed capital at market rates and is based on capital market models. It is determined annually at the end of the financial year.

Non-financial key performance indicators

In addition to the financial key figures presented, METRO factors selected non-financial key figures into its management system: **availability of goods, net promoter score (NPS)** of strategic customers and sustainability aspects, specifically the **reduction of CO_2 emissions** and the **reduction of food waste.** METRO has set long-term targets in this regard that are presented separately in the company's Corporate Responsibility Report 2022/23.

- **The specific definitions of the individual key figures are listed in the glossary of the annual report. The development of the key figures is presented in the economic report.**

1.3 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 to 289e of the German Commercial Code (HGB), and a non-financial group statement, pursuant to §§ 315b to 315c in conjunction with §§ 289c to 289e of the German Commercial Code (HGB), in the form of a combined non-financial statement. As a separate chapter, this declaration constitutes a part of the combined management report. Unless stated otherwise, the concepts described here apply to the entire group as well as the holding company.

The NFS was produced in consideration of the GRI standards for corporate responsibility reporting. The contents are not subject to statutory audits of the annual and consolidated financial statements, but are part of a limited assurance business audit according to ISAE 3000 by KPMG AG Wirtschaftsprüfungsgesellschaft.

- **The limited assurance report can be found at the end of the report after the independent auditor's report.**

Business model

- **For more information about METRO's business model, see chapter 1 principles of the group – 1.1 group business model.**

METRO ESG strategy

The METRO ESG strategy comprises aspects related to environmental, social and corporate governance topics which have a significant influence on our operations and which we can make a major impact on through our business activities.

Our ESG strategy sets out 3 sustainability priorities. Climate and carbon; ethics and trust; as well as diversity, equity and inclusion:

1. Climate and carbon: we reduce emissions and waste in our business operations and contribute to reducing CO_2 in the food sector, for example by using renewable energy and implementing measures to reduce food waste.
2. Ethics and trust: we hold safe and fair working conditions in our own business operations in high regard and promote supply chains in which business is conducted in an ethically appropriate and transparent manner with respect to human rights and environmental impact.
3. Diversity, equity and inclusion: in line with the inclusive ‘ONE METRO’ culture and based on the understanding that our employees are essential to our business, the focus is on promoting the health and well-being of employees.

METRO’s core objective is to drive the transformation towards responsible and sustainable business practices – within our own business operations, but also in our collaboration with our suppliers and customers.

We regularly carry out a review of the completeness of the material non-financial matters to be reported, the so-called materiality analysis. In doing so, we determine whether we cover the sustainability topics which are relevant to us. In addition, we ensure that we account for potentially changing business interests and impacts on the environment or society and that we illustrate these matters in our NFS.

The materiality analysis was revised in financial year 2022/23. Initially, a list of potentially material topics was compiled that feeds off the future requirements of the European Sustainability Reporting Standards (ESRS), additional topics from selected comparative companies and the topics which have been material for METRO to date.

In the next step, the members of the ESG Peer Group – METRO’s central ESG steering committee – along with selected CEOs from METRO national subsidiaries and service companies evaluated these topics with regard to their relevance to the understanding of business performance, business results and the situation of METRO, as well as with respect to the impact of the business activities on the non-financial aspects of environmental matters, employee interests, social matters, respect for human rights and combating corruption and bribery. This result was then validated by the Management Board of METRO AG. In addition, a derivation was made as to which of the identified issues from the perspective of the group are also material for the holding company, which is also subject to reporting requirements. The 2 final results of the materiality analysis were then presented to the Commercial Board and the Supervisory Board. The topics identified as part of the process described and the matters of the materiality analysis are the subject of this combined non-financial statement and meet the requirements of § 315c Section 2 of the HGB and § 289c Section 3 of the HGB.

ESG management

Sustainability management takes into account interdependencies between economic, environmental, social and corporate-governance-related aspects. The Management Board of METRO AG is involved in the work related to the topics presented here. As part of the Commercial Board, it is regularly informed about work progress and is involved in decision-making on a case-by-case basis. Since May 2023, these duties have been carried out by the ESG Peer Group, which functions as the replacement of the former Sustainability Committee. In addition, the long-term component of the remuneration system for the Management Board and senior management (below the Management Board) is coupled with the achievement of the sustainability targets of reducing CO_2 emissions and reducing food waste. The ESG Peer Group enables the top levels of management to engage in dialogue on topics related to sustainability. This body defines the strategic framework as well as objectives which apply throughout the group and submits them to the Commercial Board for informational purposes or for a decision. The ESG Peer Group is comprised of top representatives of the core functions of Corporate Responsibility, Corporate Legal Affairs & Compliance, Purchasing, Global Offer Processes & Master Data Management, Quality Assurance, Human Resources, Treasury, Accounting and Controlling, Investor Relations and Strategy, Internal Audit, Communication and Energy Management/Real Estate Sustainability, as well as representatives from METRO companies.

To adequately respond to the specific market and customer requirements, the METRO companies manage the operational implementation of overarching sustainable development goals within this framework. They are responsible for working on the relevant sustainability issues, for defining and implementing specific targets and measures and for monitoring their success.

METRO analyses non-financial risks along the material non-financial matters. In the reporting period, METRO focused in particular on risks in the areas of human rights as well as environmental and social issues in order to implement new regulatory requirements. In addition, sustainability risks are being gradually integrated in our opportunities and risk management. Due to the risk analyses carried out, the Management Board is able to identify, evaluate and control deviations from the sustainability goals and the associated opportunities and risks. An analysis of potentially reportable risks in connection with the non-financial aspects was carried out. After applying the net method and considering the risk mitigation measures, it did not reveal any material risks as defined in § 289c Section 3 Sentence 1 Nos. 3 and 4 of the German Commercial Code (HGB) with a likely or definitely serious negative impact on the aforementioned aspects. For more detailed descriptions of this system, we refer to the section on environmental and social risks in chapter 4 – opportunities and risk report.

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

Assessment in relevant sustainability indices and rankings

Index/ranking	Rating/points	Scale	Time of publication
CDP Climate Change	B	F to A	December 2022
CDP Water Security	B	F to A	December 2022
CDP Forests	B Palm oil B– Soy B– Paper C Cattle	F to A	December 2022
ISS ESG (Institutional Shareholder Services)	C+ Prime Status	D– to A+	October 2023
MSCI	AAA	CCC to AAA	July 2023
Sustainalytics	Low risk (19.7) Ranked 55 of 194 in the food retailers industry	0 to 40+	April 2023

Disclosures pursuant to the EU Taxonomy Regulation

Sustainable business is an important element in achieving the climate and energy goals of the European Union (EU). The EU Taxonomy Regulation[5] created a common classification system to identify sustainable economic activities in order for the EU to target investments in companies that operate sustainably. The EU Taxonomy defines which economic activities are considered environmentally sustainable.

The EU Taxonomy includes the following 6 environmental objectives:

1. climate change mitigation,
2. climate change adaptation,
3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control,
6. protection and restoration of biodiversity and ecosystems.

Companies that publish a non-financial statement must report on the extent to which their economic activities are environmentally sustainable. The assessment criteria of the 2 objectives ‘climate change mitigation’ and ‘climate change adaptation’ are specified by Annex I and Annex II of Commission Delegated Regulation (EU) 2021/2139. Economic activities which have been described in delegated acts are per se taxonomy-eligible. If the economic activities contribute substantially to the environmental objectives set out in the EU Taxonomy, do no significant harm to the other environmental objectives, meet requirements for minimum safeguards and fulfil the technical screening criteria set out in specific delegated acts, they are also taxonomy-aligned. The Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation [EU] 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation [EU] 2021/2178 as regards specific public disclosures for those economic activities was published in July 2022. Under the adopted amendment, certain atomic energy and natural gas activities are now, under certain conditions, classified as environmentally sustainable economic activities in accordance with the EU Taxonomy. The METRO group itself does not carry out any activities in the fields of nuclear energy and fossil gas generation.

5 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

METRO TAXONOMY REPORTING

In general terms, METRO's activities within the sustainability priority climate and carbon contribute to the achievement of the EU climate and energy targets at European as well as global level. METRO's climate protection target particularly addresses both climate change mitigation and climate change adaptation.

- **Further information can be found in the section on environmental matters.**

Once again in this financial year, METRO is reporting based on the requirements of Article 8 (1) and (2) of the EU Taxonomy and Article 10 (1) of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 ('Delegated Act to Article 8 on the content and presentation of information to be disclosed'). Accordingly, METRO, as a non-financial company, is required to disclose the share of taxonomy-eligible and taxonomy-non-eligible as well as taxonomy-aligned and not-taxonomy-aligned economic activities in total turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the 2 environmental objectives 'climate change mitigation' and 'climate change adaptation' in financial year 2022/23. This is the first financial year in which taxonomy-aligned and not-taxonomy-aligned values have to be reported. The determination of the values is based on the figures reported in the consolidated financial statements, which means that the corresponding accounting and measurement methods are applied here.

TURNOVER

The shares of taxonomy-eligible and taxonomy-aligned net turnover are determined as follows: net turnover from products or services related to taxonomy-eligible and taxonomy-aligned economic activities divided by total net turnover. Total net turnover for financial year 2022/23 forms the denominator of the turnover ratio and can be derived from the consolidated income statement. Allocation of the respective turnover to the taxonomy-eligible and taxonomy-aligned economic activities was examined through a detailed analysis of the items included in the turnover. The sums of the identified turnover revenues of the taxonomy-eligible and taxonomy-aligned economic activities for financial year 2022/23 form the numerator of the 2 key figures.

Based on the activities defined in Annex I and Annex II of the Delegated Act on the Climate Targets of the EU Taxonomy, the economic activities related to METRO's core business do not fall under the specific criteria. Accordingly, the turnover is taxonomy-non-eligible. Correspondingly, the ratio of the sales from taxonomy-eligible and taxonomy-aligned economic activities of a financial year to the turnover of that financial year is 0.

CAPITAL EXPENDITURE AND OPERATING EXPENDITURE

The share of capital or operating expenditure on assets or processes associated with economic activities that are classified as taxonomy-eligible and taxonomy-aligned is determined as follows:

Capital expenditure KPI = share of total capital expenditure that is taxonomy-eligible or taxonomy-aligned divided by total capital expenditure according to the EU Taxonomy Regulation.

Operating expenditure KPI = share of total operating expenditure that is taxonomy-eligible or taxonomy-aligned divided by total operating expenditure according to the EU Taxonomy Regulation.

Capital expenditure is based on the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any remeasurements; this also includes additions resulting from revaluation and impairments for the relevant financial year and excludes fair value changes. The denominator must also include additions to tangible and intangible assets resulting from business combinations (application of IFRS [IAS 16, 38, 40, IFRS 16]). Allocation of capital expenditure to the taxonomy-eligible and taxonomy-aligned economic activities was examined through a detailed analysis of the items included in capital expenditure. The sums of the identified capital expenditure of the taxonomy-eligible and taxonomy-aligned economic activities for financial year 2022/23 form the 2 numerators of the respective key figure.

The basis for operating expenses includes direct, non-capitalised costs related to research and development, building renovation measures, short-term leasing, maintenance and repair. It also includes any other direct expenses related to the day-to-day servicing of property, plant and equipment assets by the company or third parties to whom activities are outsourced that are necessary to ensure the continued and effective functioning of those assets. Allocation of the respective operating expenditures to the taxonomy-eligible and taxonomy-aligned economic activities was examined through an analysis of the items included in the operating expenditures.

The taxonomy distinguishes between 3 different types of taxonomy-aligned capital and operating expenditures (numerator) respectively. The numerator corresponds to the part of the capital expenditures or operating expenditures included in the denominator that

- relates to assets or processes associated with taxonomy-aligned economic activities, or
- is part of a plan to expand taxonomy-aligned economic activities or enables the transformation of taxonomy-eligible economic activities into taxonomy-aligned economic activities within a predefined period, or
- relates to the purchase of output from taxonomy-aligned economic activities or individual measures enabling the target activities to become low carbon or to lead to greenhouse gas reductions provided that these measures are implemented and operational within 18 months.

As explained in relation to turnover, METRO's core business and all related economic activities currently fall outside the scope of the EU Taxonomy with regard to the first 2 environmental targets. Accordingly, it is not possible to invest in assets or processes to expand taxonomy-aligned economic activities or to enable taxonomy-eligible economic activities within the core business. Therefore, only capital and operating expenditures which relate to the acquisition of products and services from taxonomy-eligible and taxonomy-aligned economic activities or to individual measures that lead to the target activity being carried out in a low-carbon manner or in a manner which reduces greenhouse gas emissions are considered for taxonomy eligibility or taxonomy alignment.

Taxonomy-eligible share of METRO's total operating expenditures: Currently, METRO's total operating expenses according to the EU Taxonomy definition amount to €273 million. With respect to METRO's total operating expenditure, only a small share of the expenditure can be attributed to the EU Taxonomy operating expenditure KPI. The main parts of the expenses included in the operating expenditure denominator, such as building maintenance and other maintenance expenses, are not related to METRO's core business activities. Therefore, we do not consider the operating expenses according to EU Taxonomy to be material to METRO's business model. Hence, we make use of the exemption clause in Annex I of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 by reporting the numerator of the operating expenditure KPI as 0.

SUBSTANTIAL CONTRIBUTION

For the identification of taxonomy-aligned capital expenditures, the economic activities must make a substantial contribution, as defined in the delegated acts on the environmental objectives of climate change mitigation and climate change adaptation. The environmental objective of climate change mitigation is relevant to the taxonomy-eligible economic activities of METRO in this regard, as these economic activities are aimed at reducing CO_2 emissions.

NO SIGNIFICANT HARM TO OTHER ENVIRONMENTAL OBJECTIVES

For all economic activities that contribute substantially to climate change mitigation, a further analysis reviews the ‘do no significant harm’ (DNSH) criteria. These criteria stipulate that an economic activity that fulfils the criterion of making a substantial contribution may not do significant harm to the other environmental objectives. A range of measures or analyses are to be carried out for the review, which generally begins with a consideration of the relevant locations at which the respective economic activity is performed.

A prerequisite for taxonomy alignment is to ensure that no significant harm is done to other environmental objectives. Because METRO’s economic activities contribute exclusively to the first environmental objective of climate change mitigation, environmental objectives 2 to 6 are to be reviewed regarding any significant harm.

Environmental objective 2: climate change adaptation

To achieve this objective, the physical climate risks which are material to the respective activity and which could impact it in the medium to long term must be identified. Identifying these risks requires the performance of a climate risk and vulnerability assessment pursuant to Appendix A of Annex I on climate change mitigation. The criteria and the scope of the analysis are defined in Annex I. If acute risks are determined, adaptation solutions need to be developed in the next step to minimise the climate risk.

Environmental objective 3: sustainable use and protection of water and marine resources

To achieve this objective, an environmental impact assessment pursuant to Directive 2011/92/EU of the European Parliament and of the Council must be performed. This includes the assessment of effects on bodies of water pursuant to Directive 2000/60/EC. No additional assessment of the effects on bodies of water is required if the risks identified have been remediated.

Environmental objective 4: transition to a circular economy

The transition to a circular economy requires a waste management plan, among other things. A waste management plan exists if contractual agreements with partners in waste management, reflection in financial projections and official project documents ensure that maximum reuse or recycling is carried out at the end of useful life in accordance with the waste hierarchy.

Environmental objective 5: pollution prevention and control

The DNSH criterion with respect to the objective of pollution prevention and control requires that the activity does not lead to the manufacture, placing on the market or use of substances listed in Appendix C of the Delegated Act on the Climate Targets of the EU Taxonomy.

Environmental objective 6: protection and restoration of biodiversity and ecosystems

Appendix D requires that an environmental impact assessment or a screening pursuant to Directive 2011/92/EU is performed.

MINIMUM SAFEGUARDS

The final step to achieving alignment within the meaning of the EU Taxonomy consists of complying with the minimum safeguards. Minimum safeguards include all procedures which ensure that the economic activities comply with:

- the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines);

- the UN Guiding Principles on Business and Human Rights (UNGPs), including the principles and rights set out in the 8 fundamental conventions of the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization; and
- the International Bill of Human Rights.

In the absence of further guidelines of the European Commission, we rely on the Final Report on Minimum Safeguards, which was published by the Platform on Sustainable Finance (PSF) in October 2022, for our assessment of human rights criteria.

The scope of minimum safeguards comprises the following 4 topics: human rights (including labour and consumer rights), corruption and bribery, taxation and fair competition.

We pursue a 2-dimensional assessment approach to evaluate compliance with the minimum safeguards. On the one hand, processes have been implemented to prevent negative impacts (process dimension). On the other hand, the results are monitored to review whether our processes are effective (results dimension).

A further investigation as to compliance with the minimum safeguards must only then be performed if the requirements for taxonomy alignment can already be demonstrated as part of the review of the technical screening criteria for one of METRO’s taxonomy-eligible economic activities.

At METRO AG, we are aware that the conduct of all employees and other actors along our value chain plays a central role in compliance with the minimum safeguards. As a globally active wholesale company, we take our responsibility seriously. We therefore set great store by ensuring that the principles of ethical conduct are adhered to within our business activities. These are set out in the business principles of the group, the code of conduct for business partners and METRO’s internal guidelines on human rights and environmental matters, as well as, with regard to our tax strategy, publicly available on the METRO website. Among other topics, they cover all 4 subjects of the minimum safeguards. The group-wide compliance management system (CMS) is the superordinate organisational tool for ensuring compliance with statutory obligations vis-à-vis the minimum safeguards.

Identification of taxonomy-eligible and taxonomy-aligned economic activities

TAXONOMY ELIGIBILITY

We have identified the following activities as taxonomy-eligible economic activities and thus as environmentally sustainable:

- Manufacturing
- 3.6 Manufacture of other low-carbon technologies[6]
- Energy
- 4.25 Production of heat/cool using waste heat
- Water supply, sewerage, waste management and remediation
- 5.5 Collection and transport of non-hazardous waste in source segregated fractions
- Transport
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- 6.6 Freight transport services by road
- Construction and real estate activities
- 7.2 Renovation of existing buildings
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- 7.6 Installation, maintenance and repair of renewable energy technologies
- 7.7 Acquisition and ownership of buildings

Currently, 54% of METRO’s capital expenditure is associated with taxonomy-eligible economic activities and 0% of METRO’s capital expenditure is associated with taxonomy-aligned economic activities.

The analysis of the technical screening criteria shows that, due to the sometimes demanding requirements, not all activities that are taxonomy-eligible meet the technical screening standards to allow them to be recognised as taxonomy-aligned. In the following, the activities are first examined individually with regard to their substantial contribution.

6 For the capital expenditure KPI, the purchase of output from taxonomy-eligible economic activities was added to this category of economic activities. We thus follow the interpretation that not only the manufacture of other low-carbon technologies can be counted as taxonomy-eligible at this point, but also the acquisition of such low-carbon technologies.

TAXONOMY ALIGNMENT

3.6 Manufacture of other low-carbon technologies

As part of the F-Gas Exit Programme, METRO acquires new cooling systems on an ongoing basis to meet the targets of the climate strategy. Although this activity aims to significantly reduce greenhouse gas emissions, the savings in GHG emissions over the entire life cycle cannot be compared with the most powerful alternative technologies or solutions available on the market. This is because the cooling systems are comprised of several components which are specific to the location and therefore no direct comparison with other systems is possible. Additionally, it was not possible to obtain corresponding documentation regarding the savings in life cycle GHG emissions from the manufacturers of the cooling systems in the financial year. For these reasons, the analysis already results in an impediment to achieving a substantial contribution here and the analysis can be concluded. Thus, no further investigation regarding the avoidance of significant harm to the other environmental objectives for activity 3.6 is carried out.

6.5 Transport by motorbikes, passenger cars and light commercial vehicles

The passenger cars leased by METRO partially fulfil the requirements of a substantial contribution to low-emission and emission-free light commercial vehicles. Because METRO interprets activity 6.5 as ‘acquisition of production’, only the manufacturer or the lessor of the vehicles can provide evidence of compliance with the avoidance of significant harm to the other environmental objectives. The primary lessors of METRO were therefore contacted and asked to provide a response as well as evidence to fulfil the technical screening criteria. Unfortunately, the lessors did not consider themselves in a position to provide the necessary information or were not able to make suitable evidence available in the financial year. For this reason, activity 6.5 cannot be classified as taxonomy-aligned.

6.6 Freight transport services by road

The internal analysis of the composition of our logistics fleet did show that, although there had been isolated investments in electric vehicles for goods transport, the proportion was so low in financial year 2022/23 that an examination of the technical screening criteria was dispensed with for reasons of materiality.

7.2 Renovation of existing buildings

For the renovation of existing buildings, neither the requirements of larger renovations in accordance with the applicable national and regional construction regulations are met, nor do the renovation measures reduce the primary energy need of the buildings by at least 30%. No substantial contribution to climate change mitigation can therefore be demonstrated for this activity.

7.3 Installation, maintenance and repair of energy efficiency equipment

The refurbishment measures to improve the energy efficiency of equipment, be it in the form of installation, maintenance or repair, were chiefly realised through the replacement of old light sources with energy-efficient light-emitting diodes (LEDs). The LEDs were reviewed via random sampling of METRO stores in various countries to ensure a comprehensive examination of different manufacturers and models. Our examination determined that the LEDs fall into lower efficiency classes than the classes A and B necessary to fulfil the requirement of substantial contribution, thus resulting in no substantial contribution to an environmental objective.

7.6 Installation, maintenance and repair of renewable energy technologies

The majority of capital expenditure in the field of renewable energy technologies falls into the categories of on-site installation, maintenance and repair of photovoltaic systems. The capital expenditure amount in this financial year is classified as immaterial relative to total capital expenditure.

A further consideration of the technical screening criteria has been dispensed with. A materiality review will be carried out again in the next financial year.

7.7 Acquisition and ownership of buildings

Activity 7.7 is relevant to both our stores and other properties such as warehouses and office buildings. As part of our review of the technical screening criteria pursuant to the requirements of the EU Taxonomy, we focused on 2 significant aspects: the Class A energy performance certificate (EPC) and the evaluation of energy efficiency.

First, we divided the stores and other buildings into clusters. Then an exclusion procedure – in consideration of renovations and the years their construction was completed – reviewed the newest and most modern properties in accordance with the aforementioned criteria. Due to the years their construction was completed and the other characteristics of the buildings, neither our stores nor other properties meet the strict energy standards of the EU Taxonomy. As a result of this, we are unable to report them as taxonomy-aligned in this reporting period and have dispensed with any further consideration of the DNSH criteria.

No more detailed investigation into the remaining taxonomy-eligible economic activities was carried out, as the corresponding capital expenditures are immaterial, both individually and as a whole.

Shares of taxonomy-eligible and taxonomy-aligned net turnover[1]

				Substantial contribution criteria						DNSH criteria ('do no significant harm')										
	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022/23 (18)	Taxonomy-aligned proportion of turnover, year 2021/22 (19)	Category 'enabling activity' (20)	Category 'transitional activity' (21)
Economic activities (1)		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		0	0																	
Total (A.1 + A.2)		**0**	**0**														**0**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy-non-eligible activities (B)		30,551	100																	
Total (A + B)		**30,551**	**100**																	

[1] Rounding differences may occur.

Shares of taxonomy-eligible and taxonomy-aligned capital expenditure[1]

				Substantial contribution criteria						DNSH criteria ('do no significant harm')										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022/23 (18)	Taxonomy-aligned proportion of CapEx, year 2021/22 (19)	Category 'enabling activity' (20)	Category 'transitional activity' (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
Manufacture of other low-carbon technologies	3.6	87	8																	
Production of heat/cool using waste heat	4.25	0	0																	
Collection and transport of non-hazardous waste in source segregated fractions	5.5	1	0																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	52	5																	
Freight transport services by road	6.6	46	4																	
Renovation of existing buildings	7.2	9	1																	
Installation, maintenance and repair of energy efficiency equipment	7.3	21	2																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	2	0																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	2	0																	
Installation, maintenance and repair of renewable energy technologies	7.6	16	1																	
Acquisition and ownership of buildings	7.7	352	32																	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		589	54																	
Total (A.1 + A.2)		**589**	**54**														**0**			

1 Rounding differences may occur.

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ('do no significant harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022/23 (18)	Taxonomy-aligned proportion of CapEx, year 2021/22 (19)	Category 'enabling activity' (20)	Category 'transitional activity' (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of taxonomy-non-eligible activities (B)		494	46																	
Total (A + B)		**1,082**	**100**																	

[1] Rounding differences may occur.

Shares of taxonomy-eligible and taxonomy-aligned operating expenditure[1, 2]

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ('do no significant harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year 2022/23 (18)	Taxonomy-aligned proportion of OpEx, year 2021/22 (19)	Category 'enabling activity' (20)	Category 'transitional activity' (21)
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (taxonomy-aligned)																				
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																				
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0	0																	
Total (A.1 + A.2)		**0**	**0**														**0**			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of taxonomy-non-eligible activities (B)		5,374	100																	
Total (A + B)		**5,374**	100																	

1 With regard to the operating expenditures, METRO makes use of the exemption clause in Annex I of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 and does not report a key figure for operating expenses.

2 Rounding differences may occur.

Environmental matters[7]

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[8]. We do this by focusing on behavioural change (Energy Awareness Programme) and investment aimed at increasing our energy and resource efficiency. We also operate a global energy management system that identifies potential savings in our stores and monitors our overall savings targets. In financial year 2022/23, electricity consumption in our METRO stores per square metre of selling and delivery space[9] decreased by 3.5% in comparison to the previous year. Examples of measures in the overall area of environmental matters in the reporting period:

- As part of the Energy Saving Programme, we invested €17.3 million in energy-efficient lighting and building equipment. This will likely save us approximately €6.1 million in energy costs annually.
- We invest in energy-efficient cooling systems with natural refrigerants within the framework of the F-Gas Exit Programme. This reduces our emissions from loss of refrigerants as well as energy requirements and costs. In total, we invested €73.7 million to this end in the reporting period, for example in the Kyiv Teremki wholesale store.
- In the reporting period, 21 further photovoltaic plants were installed in Turkey, Spain and Romania with a total additional capacity of 24,374 kWp.
- Additional charging stations for electric vehicles of METRO customers were set up at wholesale stores in Turkey, Spain and Ukraine, among other locations. In Moldova, Poland, Portugal, Slovakia and Hungary, all METRO wholesale stores are now equipped with charging stations. We now have a total of 1,086 charging locations. In Germany, more than 400 employees already use electric vehicles as company cars, whose emissions are offset by certificates for hydroelectric power plants. In total, 861 company cars are powered by electricity or hydrogen, which is about 10% of our total vehicle fleet. We have integrated electric trucks into our own delivery fleet, for instance in France, Spain and Portugal, for the FSD delivery business.
- Water consumption in our markets decreased by 5.9% compared to the previous year. By 2030, specific water consumption in our own business operations is expected to be reduced by 10% per square metre of net operating area compared to the base year 2020/21.
- Other key topics in relation to resource-efficient business operations are the prevention of waste and the recovery and recycling of waste materials.
- Compared to the previous year, the volume of waste (excluding food waste) decreased by 9.3%.

METRO uses an internal CO_2 price of €50 per tonne of CO_2, mainly to approve energy-efficient projects with lower financial savings. METRO is a member of the Task Force on Carbon Pricing in Europe, which aims to put a price on all relevant carbon emissions and thus achieve market- and competition-based decarbonisation.

7 For some key figures with regard to climate and CO_2, as well as for the key figures related to electricity consumption, water consumption and waste volume, extrapolations and estimates are necessary for the consumption data if only partial primary data are available. Sustainability data management compiles the data from the various reporting systems.

8 Due to the business alignment, the aspects of food waste and resource-efficient business operations are only material in relation to the operating units of the METRO group, but not for the holding company METRO AG.

9 The square metres of selling and delivery space are annual average figures for all environmental key figures.

Reduction of food waste

Food waste[10] is a large-scale squandering of resources and makes a major contribution to our CO_2 emissions. As a wholesaler with a clear focus on food, we bear a great responsibility in this context.

In line with the Consumer Goods Forum (CGF) resolution on food waste, we are committed to reducing food waste in our operations (per square metre of sales and delivery area) by 50% by 2025 compared to the baseline year 2017/18. In 2022/23, we achieved a reduction of 23% in relation to the square metres of selling and delivery space compared to the baseline year. [11]

Our aspiration is to measure, monitor and report progress in line with the requirements of the Food Loss & Waste (FLW) Protocol. We are tackling food waste with a 5-pillar strategy from farm to table: (1) dedication to the upstream supply chain, (2) food waste reporting, (3) food waste solutions, (4) partner and customer engagement, and (5) stakeholder engagement.

Key initiatives are helping us achieve our goal:

- In 19 countries and service units, we work with food bank organisations to pass on unsold food to those in need.
- In 2 countries, we are working with Too Good To Go (TGTG) to accomplish this goal. In financial year 2022/23, the dedicated collaboration has ‘saved’ 82,469 meals, which corresponds to a reduction of 206 tonnes of CO_2. Moreover, we are promoting the TGTG platform in 2 countries as a solution to help our customers save food in their operations.
- METRO is a member of the World Resources Institute’s (WRI) ‘10x20x30’ initiative, which calls on the world’s 10 largest grocery store chains to commit at least 20 of their suppliers to cutting their food waste in half by 2030. METRO AG has integrated suppliers through its operating national subsidiary METRO Turkey.
- We work with various technical solutions to reduce food waste, depending on availability and demand. In Turkey, we use Fazla (formerly Whole Surplus) to analyse food waste hotspots and disposal routes.
- In addition, we were able to improve the quality of the data and the data collection process – both by means of a simplified user interface and by establishing automated control mechanisms in our IT system. We also carried out intensive training courses and individual measures, including revised training documents for the data collectors.

10 Food waste is food intended for human consumption, including inedible parts of that food, that is removed from the food supply chain for recovery or disposal. Food supplements and food donations are not reported under the food waste indicator.

11 Due to, among other factors, the availability of data and changes to the consolidation group both in the baseline year and in the reporting period, the KPI of food waste does not cover the following METRO companies or countries: Belgium, India, Pro à Pro France and Pro a Pro Spain, Aviludo, Classic Fine Foods, JHB, Austria (AGM) and METRO MARKETS. Additionally, the data from the baseline year 2017/18 have been adjusted for Germany, Bulgaria, Croatia and Romania. No adequate data have been available there to date; a flat recalculation was made on the basis of the sales development, among other things, or adjusted based on a retrospective quality review.

Climate protection target 2040[12]

We plan to make our global business operations climate-neutral by 2040, largely through our own initiatives. With the 39.7% savings we have achieved so far compared to the baseline year 2011, we are on the right track. From October 2022 to September 2023, METRO generated 232.4 kg of CO_2-equivalents per square metre of selling and delivery space. This compares to 243.1 kg in the same period last year.

In 2019, METRO expanded the climate target to the supply chain and as the first German wholesale company set a recognised science-based target for itself. In it, METRO AG undertakes to reduce its Scope 1 and Scope 2 CO_2 emissions by 60% per square metre of selling and delivery space by 2030 compared to 2011. A reduction of 31.4% has been achieved in this area since 2011. Furthermore, METRO AG is committed to reducing absolute Scope 3 CO_2 emissions[13] (supply chain) by 15% by 2030 compared to 2018. Our goals for Scope 1 and Scope 2 are thus in line with the reductions required to keep global warming well below 2°C by 2100 compared to pre-industrial levels. The SBTi targets are currently being revised.

Packaging and plastics

Plastic is one of the most used materials for packaging food and non-food products, and the improper disposal of plastic waste has a negative impact on the ecosystem and the earth. METRO is taking responsibility and attempting to limit plastic pollution and to improve the environmental footprint of its own-brand packaging. To this end, we support the recovery of resources through recycling and strive to reduce the environmental impact throughout a product's life cycle, including by seeking alternatives to traditional plastics.

In doing so, we focus on the METRO/MAKRO countries as well as our central purchasing companies. This approach contributes to mitigating the risk of future depletion of natural resources and a loss of biodiversity. To reduce the amount of plastic used and to increase the use of alternative sustainable materials, we work with various stakeholders on the development of corresponding solutions.

A team of packaging specialists from METRO AG and a project team from various METRO national subsidiaries and from central purchasing companies are working:

1. On the 100% withdrawal from the use of polyvinyl chloride (PVC)/polyvinylidene chloride (PVDC) in own-brand packaging at all packaging levels (primary, secondary and tertiary)
2. On the 100% withdrawal from the use of expanded polystyrene (EPS) in own-brand packaging at all packaging levels (primary, secondary and tertiary)
3. To ensure that all packaging made of paper, cardboard and wood of our own-brand products is certified in accordance with the Forest Stewardship Council® (FSC®)/Programme for the Endorsement of Forest Certification Schemes (PEFC), or that at least 70% of packaging at the primary and secondary packaging levels is made from recycled materials
4. To reduce plastic packaging (new and recycled) for our own-brand products by a total of 2,000 tonnes compared to the baseline value from 1 October 2018

We are unable to guarantee plastic-free or recycled, compostable or reusable plastic packaging for the brands that do not belong to METRO. In future, we will place greater emphasis on reducing plastic packaging for our own brands, as this approach has the largest direct influence on the reduction of our ecological footprint with regard to packaging. In the reporting period,

[12] The emissions factors from the previous year were used; no update took place. In addition, the key figure of CO_2 equivalents per square metre of selling and delivery space does not cover the following METRO companies due to, among other factors, the availability of data and changes to the consolidation group: Belgium, India, Pro a Pro Spain, Aviludo, Classic Fine Foods, JHB, Austria (AGM) and METRO MARKETS.

[13] The calculation of Scope 3 CO_2 emissions is based on recognised extrapolation methods in order to approximate the emissions generated within the supply chain.

METRO successfully achieved this by means of the METRO Cash & Carry Own Brand Packaging Policy for its own brands in METRO/MAKRO countries, common sourcing and ITOs. In future, all packaging and plastics data will be collected regularly in accordance with the same scheme. The data collected will also be prepared and disclosed for external reporting purposes in the next reporting period. In addition, we are currently working on new packaging and plastics targets to update the above-mentioned targets. An exception to this is the target of replacing conventional disposable plastic products with reusable, recyclable or compostable alternatives by the end of 2025. We will carry out internal controls regularly to monitor progress, with the aim of supporting target achievement. Regular reports on the status of target achievement in the ESG Peer Group ensure the involvement of the Management Board in matters concerning plastics and packaging.

Employee interests

People & Culture strategy

Our company's sCore growth strategy, which consistently aligns METRO towards multichannel wholesale business, is concomitant with a cultural transformation. Within this transformation process, the motivation of our employees is of essential importance, because they are the ones who actively support the change and whose dedication is necessary to achieve the company's stated objectives. To demonstrate this understanding both internally and externally, the Human Resources department was renamed People & Culture. The department pursues a consistent operational agenda that is clearly aligned with the implementation of sCore and is intended to contribute to company growth. At the same time, our employer value proposition – 'Shape the M' – underscores for the labour market the high value METRO places on the mutual development and growth of employees and the company.

It is therefore important to us to invest in the skills and abilities of our employees and to maintain an inclusive, attractive, open-minded, inspiring work environment that is focused on performance and success. Our holistic HR approach with customised initiatives and programmes spans the entire employee experience life cycle – from recruitment across various career and life stages to retirement models. The global standard and country-specific models, for example, form the foundation for this.

METRO's personnel strategy makes clear the global priorities for People & Culture. In addition, thanks to the involvement of the Management Board and/or the management of the respective national subsidiaries and service companies, it ensures a balance between adaptation to specific country circumstances and a degree of group-wide standardisation, which is nevertheless necessary.

Our new company values, the METRO Fundamentals, represent the foundation for this and are a guide for the conduct and decisions of our employees. The METRO Fundamentals align the company even more towards wholesale and highlight the importance of the feeling of 'us'. In order to integrate our corporate values even more strongly into our daily work, we have created occasions that allow our METRO culture to be experienced. For example, ONE METRO Day was celebrated around the world in financial year 2022/23.

Our consistently high level of commitment is proof that our employees feel a connection with the company and are doing their best every day to jointly achieve the goals of the group. At the same time, the biannual survey provides us with important insights for continuous improvement directly from the workforce.

In a nutshell, our sustainable HR strategy focuses on the following key areas:

- Promoting the ONE METRO culture as well as diversity and inclusion globally as a driver for sustainable business success

- Developing the skills and capabilities of all employees in our headquarters, stores and sales aligned with the requirements of the sCore strategy and supporting its implementation
- Long-term and comprehensive talent management and investments in our employer brand in order to fill positions in our company with the most talented employees for the future
- Increase productivity through targeted use of our resources, continuous improvement and simplification of our processes and digitalisation

Employee attraction

Our goal is to position METRO as an attractive employer and to attract qualified, talented people to our company. Through various activities in the field of talent acquisition, we identify and recruit suitable professionals and managers for METRO to sustainably fill critical roles for the business in order to strengthen the company's own workforce.

Our main activities:

- Development of professionals and managers from our own ranks: we recruit and train junior employees by offering various internship, trainee and apprenticeship programmes to develop them into qualified employees.
- Recruiting experienced professionals and managers: we use direct sourcing activities (using the internal candidate pool to fill positions), talent pools and candidate relationship management (shaping relationships with potential candidates) to identify and attract specialised professionals.
- Target-group-oriented communication: we position METRO as an attractive employer through targeted communication at career fairs, on social networks and by means of strategic collaborations.
- Strengthening the employer brand: we make our employer brand more visible and tangible with the elaborated employer value proposition and the associated value platform. 21 METRO national subsidiaries have been provided with materials (brand manual, activation concept and open files) to use the employer brand concept to effectively increase perception of us as an attractive employer at a local level. Furthermore, HR employees from 13 countries successfully took part in this year's Employer Branding Academy.
- Distinction as a top employer in 2023: being certified as a top employer once again in 8 METRO companies underscores our attractiveness as an employer.
- Digital recruiting platform: the introduction of a new applicant management system with an upstream careers website supports the effective recruitment of employees in now 17 METRO national subsidiaries and 11 other subsidiaries. The platform is an important step in the implementation of our growth strategy.

Talent management and succession planning

Through comprehensive talent and performance management, targeted succession planning and numerous career development opportunities, we continuously develop our employees. This way, we offer them attractive career opportunities within our company, thus creating the basis for sustainable success.

The processes of the performance and potential assessment are guided by the METRO Fundamentals and the sCore strategy. Managers are tasked with evaluating their employees with regard to their performance and their potential and – together with the respective management team and supported by the People & Culture department – with defining individual measures for the employee during the annual development meetings. Employees have an opportunity to introduce their own development ambitions into the process.

Succession planning takes place locally for all levels as well as across countries for the first and second management levels. Regarding filling positions with professionals and managers, we make a point of ensuring that they are not only suitable for their current position, but also have potential to develop beyond it. Therefore, with regard to filling management positions, we also look at the second and third management level and measure what proportion of employees can be assessed as having medium or high development potential and thus be given special consideration for succession planning.

We also pay increased attention to the proportion of women in management positions in our succession planning. METRO therefore aims to further increase the proportion of women in managerial positions. The objective is for 25% of employees on the first management level below the Management Board and 40% of employees on the second management level below the Management Board of METRO AG to be women by September 2025. At the end of financial year 2022/23, the share of women employed on the first management level below the Management Board was 25.8%, and on the second management level below the Management Board 22.4%. Furthermore, we voluntarily set a target for the share of women in executive positions in our wholesale business: the share of women in executive positions at levels 1 to 3 (including store management) of global METRO locations is supposed to be 30% by September 2025. At the end of financial year 2022/23, this percentage of women was 26.4%. In addition, pursuant to the German Stock Corporation Act (AktG), the Management Board of METRO AG must include at least 1 woman and at least 1 man (so-called participation requirement). METRO AG met these requirements in the reporting period.

The processes described above are supported by an integrated talent management and learning system. The learning module with its many opportunities for personal development is available to around 87,000 employees. The talent and performance module is currently available to around 46,500 employees. The broader roll-out to the entire organisation is planned for 2024.

Performance-based remuneration

Our aspiration is to provide our employees with competitive, performance-based and fair remuneration. Our remuneration system ‘Perform & Reward’ for executives (with the exception of the members of the Management Board) comprises a monthly fixed salary as well as a variable annual remuneration component; the payment amount essentially depends on the economic development of the respective company in which the executive works.

With a clear focus on the economic development of METRO, our managers also receive a multi-year variable remuneration component that sustainably anchors our sCore strategy in our remuneration system.

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

- **For more information about the remuneration of the Management Board, see the remuneration report.**

Career development and retention of talent

With regard to talent and organisational development, the in-house training academy House of Learning and the Global Leadership & Culture team continuously adapt their Learning & Development portfolios to the needs of the employees as well as the strategic alignment of the company.

The department thus supports the development and retention of employees and managers – both at METRO AG and its national subsidiaries. The Learning & Development portfolios focus on 2 fundamental core areas:

- Function-specific and cross-functional learning programmes: this offer is developed for target groups whose roles are in the focus of or are undergoing change as part of the sCore strategy (for example training of sales force team leaders to become sales coaches as part of the commercial transformation). A portfolio of learning solutions for professional skills development and mandatory compliance training is also offered across all functions. These offers are available to all employees.
- International talent and leadership development programmes in the form of programme modules lasting several months: this offer is reserved for high-potential employees with vertical growth potential. This potential is calibrated and validated through frequent talent management and succession planning processes at METRO. Identified talent and leaders are therefore prepared for the challenges of future management roles in the wholesale business. This offer also ensures long-term succession planning.

The Learning & Development portfolios are mapped in the global learning management system MPower, to which employees of METRO AG as well as of the national subsidiaries have access.

Training courses

	METRO national subsidiaries[1]			METRO AG		
	Individual learning (e.g. e-learning, videos, materials)	Instructor-guided learning (face-to-face and virtual training)	**Total**	Individual learning (e.g. e-learning, videos, materials)	Instructor-guided learning (face-to-face and virtual training)	**Total**
Participants	925,993	114,557	**1,040,550**	4,513	603	**5,116**
Participant hours	426,421	481,401	**907,822**	3,375	4,116	**7,491**

1 Excluding METRO India.

Occupational safety and health management

The purpose of our Occupational Safety Management System (OSMS), based on the principles of ISO 45001, is to create a safe and secure environment for our employees, suppliers and customers. We have launched the #BeSafeAtWork programme as part of the annual group-wide campaign to make safety a personal matter for every employee. The programme places a strong emphasis on behaviour-based occupational safety. We encourage our employees to watch out for unsafe conditions and remedy them immediately, regardless of whether they are operating the equipment or working in the vicinity.

Occupational safety reporting

Safety is always a top priority for METRO. Our operational safety strategy aims to raise awareness among employees that each individual bears responsibility for operational safety. This is supported by a transparent group-wide reporting system in which we document all incidents, near misses and non-conformities. Our incident management process is designed to ensure that each case is reported in a timely manner. The reports are analysed and action is taken based on the findings.

KPIs for occupational safety and health

The Lost Time Injury Frequency Rate (LTIFR), that is, the total number of lost-time injuries per 1 million working hours, for the METRO companies in financial year 2022/23[14] was 6.62 (2021/22[15]: 7.18; 2020/21[16]: 6.90). Furthermore, incidents are investigated according to a risk-based approach. Designated employees in the company are responsible for making sure that the causes are identified and measures are implemented promptly. We learn from our experiences on an ongoing basis: the focus is placed on significant incidents as part of the development of group-wide safety campaigns. Safety audits were conducted to measure compliance with the group-wide safety guidelines (Operational Safety Management System).

Health and well-being

Our aspiration is to promote the physical, mental, social and financial well-being as well as the health of our employees. At METRO AG, the following measures serve this purpose:

- Mental Health First Aid is a training course that teaches laypeople how to help other people who are in a mental crisis or who develop psychological health problems until the individual receives professional help or the crisis subsides; the training is not about diagnosing or treating psychological problems
- The topics of maintaining health, dealing with stress and resilience are components of our talent programmes
- E-learning modules on the topics of resilience, avoiding burnout and dealing with finances
- Yoga/fitness offers in the METRO Activity Center at the campus location
- Company doctor
- Psychological counselling
- Employee support programmes via external partners to help manage crisis situations

The national subsidiaries develop their own measures on the subject of the well-being of their employees. METRO Pakistan, for example, initiated a mental-health month in November 2022 for employees in their stores and at the head office, with events on healthy nutrition, physical health and fitness. METRO Turkey analysed its existing measures on well-being and supplemented them with measures on nutrition, fitness and relaxation, as well as social activities such as exercise festivals and sporting competitions.

Fair working conditions and social partnership

The METRO AG Declaration of Values on Human Rights and Environmental Concerns is crucial in shaping our employee–employer relations. The declaration anchors the prohibition of child labour, the prohibition of forced labour, occupational health and safety, freedom of association, the prohibition of discrimination in employment and compliance with the respective minimum-wage requirements in the structure of the company. A binding group guideline provides for the establishment of the resulting specific rights and obligations. As a responsible company, we have designed a risk management concept that is intended to effectively ensure that risks to the protected legal positions are discovered and mitigated.

On a national and international level, METRO maintains constant communication with works councils and unions and encourages management to engage in constructive and mutually informative dialogue with our employees and their representatives. This dialogue results in

14 The key figure excludes the METRO national subsidiaries in Belgium due to changes to the consolidation group.

15 The key figure does not cover the METRO national subsidiary in Belgium due to changes to the consolidation group and therefore deviates from the presentation of this key figure in the previous year's report.

16 The key figure does not cover the METRO national subsidiaries in Japan and Belgium due to changes to the consolidation group and therefore deviates from the presentation of this key figure in the previous year's report.

several collective employment agreements at the level of business units, countries or individual stores – depending on local laws and customary practices. There is also the METRO Euro Forum (MEF), our European Works Council.

Also, in a periodic social dialogue with the international trade union organisation UNI Global at the global level, discussions include the commitment to fair working conditions and social partnership.

Development of employee numbers

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

Development of employee numbers by segment

	Full-time equivalents, average		Full-time equivalents, as of 30/9	
	2021/22	**2022/23**	2022	**2023**
METRO	87,509	**84,336**	86,910	**81,834**
Germany	11,320	**11,425**	11,401	**11,350**
West	25,245	**24,748**	24,676	**24,616**
Russia	10,492	**9,414**	10,361	**9,003**
East	34,234	**32,376**	34,144	**30,474**
Others	5,522	**5,696**	5,646	**5,699**
METRO AG	696	**677**	682	**692**

Social matters

Respect for human rights

The principles of METRO include respect of all human rights, as set out in the United Nations' Universal Declaration of Human Rights, the International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). This is manifested in our Declaration of Values on Human Rights and Environmental Concerns, which applies to our own employees and to our business partners within our supply chain. An attitude with similar values is also important to us on the part of our business partners. Our goal is to identify and prevent violations of human rights in our own business operations and in our supply chain. We also strive to systematically improve working conditions in our supply chain. In the reporting period, we reviewed our management approach with regard to respecting human rights and began the implementation of the requirements of the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), which entered into force in Germany in January 2023, for the METRO companies that are directly affected by the LkSG. This includes, among other things, the social compliance risk management system for supplier relationships with a differentiated risk analysis.

To align with the requirements of the LkSG, METRO Deutschland revised the content of its Code of Conduct and made it a part of the contractual relationship with relevant suppliers. Furthermore, all of our own-brand and framework agreements for brand suppliers and the international standard logistics contracts contain a clause on the social standards. Service provider contracts contain corresponding obligations related to labour, company and safety laws. As a responsible company, we have implemented corresponding processes and measures that help us to enforce our requirements accordingly.

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, internal and external individuals, including stakeholders of our suppliers, can report incidents and violations. It is important for us that our suppliers also are familiar with the METRO complaint mechanism and provide information about it along the rest of the supply chain. Corresponding measures to ensure that this is also implemented by our suppliers have not been established. Reported incidents affecting our company will be promptly investigated and processed by our experts to take appropriate action, if necessary. We are also committed to working with our suppliers and within the group to remedy the effects of the grievances, utilising joint initiatives and collaborating with stakeholders, and not obstructing access to other legal remedies. Therefore, we have developed a catalogue of preventive measures and remedies aligned with the requirements of the LkSG. Depending on the application, it will need to be posted and tracked during risk classification of a supplier or, at the latest, when a confirmed incident is reported.

Global labour and social standards in the supply chain

In order to contribute to ensuring socially acceptable working conditions within our procurement channels and to prevent potential infringements, the application of social-standard systems in our own-brand supply chain is a key part of the purchasing process. We pursue the approach of requiring our producers to be audited by a third party, for example in accordance with the supply chain management set out by the amfori BSCI, the Sedex audit according to SMETA or equivalent social-standard systems. These audits may be initiated by us, or we access audits initiated by other companies that are released to us for our evaluation. This applies to all producers of certain typically human-rights-critical food categories and industries, and to all producers in defined risk countries (based on the amfori BSCI assessment) in which METRO SOURCING International (MSI) and METRO Food Sourcing (MFS) have imported goods manufactured. It also applies to all above-referenced risky producers who manufacture own brands or own imports for METRO. This risk assessment did not have to be adjusted in connection with the Russian war in Ukraine, as it is universally applicable. Under normal circumstances, we have audits regularly carried out on-site by external auditors in accordance with the audit cycles of the social standards accepted by METRO. For many years now, we have been working on the basis of a corresponding process for our non-food producers[17]. We are gradually establishing this process analogously for all food and near-food producers in the own-brand sector. To date, MFS and the national subsidiaries METRO Deutschland and METRO France have fully implemented the process. The national subsidiary METRO Turkey continuously expands its producer portfolio in the food and near-food process, and our purchasing company Rotterdam Trading Office (RTO) has begun introducing the process for its meat suppliers. Other purchasing companies and national subsidiaries are preparing for implementation. Our goal is to include our entire own-brand supply chain in this process by 2030, insofar as it is considered risky in terms of potential human rights violations. The national subsidiaries are trained and gradually integrated into the programme. During the reporting period, 8 national subsidiaries refreshed their proficiency of the programme and/or trained new colleagues via online training sessions. The Covid-19 pandemic and the war in Ukraine had or are having an effect on our supply chain. Taking the experience gained from these supply chain disruptions into account, we particularly consider responsible procurement practices as the key to strengthening business relationships, ensuring business continuity and protecting human rights in global value chains.

As of 30 September 2023, 454 of 492 reported active risky own-brand non-food producers[18] and 118 of 186 corresponding food/near-food producers[19] had undergone the audit process[20]. Within this group, 100% (454) of non-food producers and 98% (116) of food/near-food producers have passed the audit successfully. Effective 1 January 2019, non-food producers who fail the audit can only be commissioned as METRO contracting parties if they achieve an acceptable audit result. In other words, they have to receive an A, B or C for the amfori BSCI assessment or successfully pass an audit that is acknowledged as equivalent. Until further notice, all food/near-food suppliers with amfori BSCI D (and in exceptional cases also E) audit results (and corresponding equivalents of other standards recognised by METRO) also qualify to be commissioned by METRO.

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

17 This includes producers of commercial goods (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.

18 High-risk non-food producers are assessed using the following criteria, among others: inherent risk (producers located in a high-risk country according to amfori BSCI) as well as fact-based risk (critical incidents).

19 High-risk near-food producers are assessed using the following criteria, among others: inherent risk (producers located in a high-risk country according to amfori BSCI) as well as fact-based risk (critical incidents). High-risk food producers are assessed using the following criteria, among others: I. inherent risk: a) producers located in a high-risk country, b) producers that make products from certain high-risk categories of goods and/or sectors/industries, regardless of the risk status of the production country or c) governance and organisational structures: staff made up primarily of women or migrant workers or seasonal/temporary workers, or workers without fixed or regular contracts or II. fact-based risk (critical incidents).

20 Due to the availability of data and changes to the consolidation group, among other factors, the auditing process of the key figure does not include the following METRO subsidiaries and countries: Belgium, India, Japan, Portugal, Russia and Ukraine.

In order to contribute to the improvement of the social requirements in the production facilities of our own brands and thus to further increase the proportion of valid social audits, MSI, MFS and METRO Turkey work together with our local producers and support them with training courses that serve to teach understanding and compliance with the social standards. By training our own-brand suppliers on the implementation of fair labour conditions, we sensitise them to comply with conditions and to avoid violations.

Corporate ethics and transparency

The Management Board of METRO AG sets high standards for itself and its employees with regard to integrity and ethical behaviour, as well as compliance with regulations and laws, in order to achieve a trusting relationship with customers, shareholders, business partners and the public by means of responsible corporate conduct. The strategic cornerstone of responsible corporate action is the compliance management system, which is overseen by the Management Board of METRO AG as an indispensable element of good corporate governance. It provides a structure for permanent avoidance, detection and sanctioning of violations in the main risk areas and is part of the governance, risk and compliance system (GRC system) alongside the risk management system, the internal control system and Internal Audit. The group’s Governance, Risk and Compliance Committee (GRCC) is chaired by the Chief Financial Officer of METRO AG and regularly discusses methods and further developments of the GRC subsystems. The GRC Committee also reports to and strategically involves the Management Board of METRO AG at least every 6 months.

Compliance – including the fight against corruption and bribery as well as antitrust violations

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 as well as antitrust violations. The aim of the CMS is to systematically and permanently prevent, detect and sanction violations within the company and to take measures to achieve future compliance.

The METRO Business Principles are at the heart of our compliance initiatives and are firmly anchored throughout the group particularly by ongoing training measures. The CMS is based on the METRO Business Principles. Business Principle no. 2, for example, explicitly prohibits corruption and bribery in dealing with business partners and authorities. Business Principle no. 5 clarifies that the rules of fair competition must be respected. When setting up the CMS, METRO was guided by the basic elements of such a system described in the IDW AuS 980 auditing standard (Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems). It operationalises the 7 CMS elements on a risk basis applying a wealth of organisational, structural, procedural and individual measures for all major group companies.

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

Generally, the CMS compliance risks control is risk-based. As part of regular risk audits in the respective units based on a standardised audit process, 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, number of employees 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, these are guidelines for dealing with business partners, public officials and external consultants, including guidelines for a business partner assessment. With regard to avoiding antitrust violations, this is an antitrust guideline, which includes guidelines for conduct in the context of association activities and other encounters with competitors.

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

An IT-based whistle-blower system and separate report-processing offices in each relevant group company provide employees and external third parties with an opportunity to provide information (under the protection of anonymity, if preferred) on suspected or actual misconduct and risks in the business segment of METRO and its direct and indirect suppliers. All reported regulatory infringements, irrespective of whether the measures for ensuring compliance with these rules fall within the area of responsibility of the compliance organisation, are investigated and (where appropriate and necessary) sanctioned systematically by the CMS, which relies on the compliance incident handling system operated by the compliance organisation.

Compliance topics and measures are systematically communicated to the workforce through a variety of channels in the company in a targeted manner. A core tool is compulsory compliance training, which is either carried out in person or through e-training. In financial year 2022/23, compliance training was executed in all group companies. The selection of employee groups to be trained is risk-based. Practical content is taught in the training courses. A variety of other communication formats are used in addition to training, such as compliance talks, posters, flyers, intranet, department visits, function and leadership conferences as well as personnel development events.

The METRO companies collaborate with a large number of external business partners. Before entering into contractual relationships, a risk-based examination is performed to determine whether there are reasons from a compliance perspective not to engage that 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. A digital tool for compliance auditing is available to all group companies for this purpose. The audit approach is risk-based and the audit can be carried out in various degrees of intensity, for example in the form of self-disclosure or by using 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. Based on KPI reporting, a compliance maturity level is determined annually, which in turn is incorporated into risk classification and definition of measures. The efficacy of our internal compliance controls is regularly assessed by our Internal

Audit unit. As part of METRO's GRC approach, the Group Audit department evaluates the effectiveness of the group-wide CMS every year. This assessment is presented to the Management Board and the Supervisory Board as part of the regular reporting on compliance issues.

Overall, METRO has implemented far-reaching processes and measures that are meant to ensure an appropriate level of compliance maturity.

Protection of personal data[21]

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

METRO always undertakes to comply with the respective data protection laws of the countries in which METRO is active. In addition, METRO has a group-wide data protection organisation with various responsibilities as well as a binding privacy policy that contains uniform standards for the handling of personal data and is binding for all group companies. In addition, national laws apply. For companies operating in Europe, this includes, in particular, provisions for dealing with the General Data Protection Regulation (GDPR). This is intended to ensure the continuous and comprehensive monitoring of compliance with data protection regulations within the group. In the financial year, follow-up measures were initiated in response to the cyberattack of October 2022 as required under data protection regulations, such as informing the affected parties. Additionally, the internal review process for compliance with data protection regulations by the group companies was developed further.

21 METRO fell victim to a cyberattack in October 2022, which led to a partial breakdown of the IT systems. Detailed explanations of the circumstances are included in the combined management report (including chapter 1 principles of the group).

Customers

In the interest of our customers, we – as a wholesaler – are responsible for compliance with recognised product safety and quality standards. In this regard, the main focus is on our own brands, which comprise food, non-food and near-food items, because this is where we have the greatest influence. This is also reflected in our sCore strategy, which aims to increase the proportion of our own brands to more than 35% by 2030.

Product quality and safety

The foundation for ensuring perfect product safety and quality is our METRO Quality Policy along with our global METRO Quality Approach, which was introduced in all METRO companies. A management system has been established to monitor the above-mentioned processes and to ensure the effectiveness of implementation of the global METRO quality standards. All METRO units must be audited on the basis of a risk assessment with an acceptable result of at least 75% or, alternatively, undergo an intensive development plan monitored by the Quality Assurance department.

Top management is involved in the processes. For example, the Management Board is informed once per year by means of a quality assurance report, which contains all KPIs and measurements relevant for product quality and safety.

We take various measures to ensure a uniform level of product quality and safety. To ensure that our own-brand products meet the needs and requirements of our customers, we continuously enhance, for instance, our range of own-brand products together with professional chefs.

Furthermore, we collaborate with selected suppliers to offer safe, compliant and high-quality own-brand products. All METRO own-brand suppliers must be certified in accordance with one of the internationally recognised standards, for example GFSI or ISO, or pass the METRO Food Safety and Quality Audit based on our METRO Assessment Solution (MAS) checklist. In addition, all relevant quality and legal requirements are set out in detailed product specifications.

The quality assurance process for our own-brand products, including the development and approval of specifications, is handled by means of a tailored METRO IT tool (MQuality). The IT tool helps us optimise our processes and appropriately monitor the implementation of the quality system. To this end, the employees of the Quality Assurance department also receive regular training via special communication channels on current issues related to product quality and safety.

For the avoidance of product safety and quality risks, we work with renowned laboratories and certification authorities to review and evaluate our own-brand products as well as to ensure improvements on an ongoing basis.

2 ECONOMIC REPORT

2.1 Macroeconomic and sector-specific parameters[22]

In financial year 2022/23, the global economy was shaped by geopolitical tensions, which were largely characterised by Russia's war in Ukraine. The global economy developed significantly less dynamically compared to the previous year (cf. table 'Development of gross domestic product by region'). Germany fell into a recession over the course of the year, and the German economy declined slightly overall. Economic development in many countries of the region West was similarly weak to that of Germany. Compared to the previous year, however, gross domestic product grew slightly in real terms. Economic performance was varied in the region East. The growth rate for the region East fell short of the previous year. The Russian economy, on the other hand, underwent slightly more positive development.

Private consumption was significantly weaker than the previous year in the regions Germany, West and East. Performance remained below the real gross domestic product. Private consumption was therefore nearly absent as a growth driver for Germany and the region West. High inflation continued to contribute to this development.

Inflation exceeded its high mark in the first half of the financial year. However, the price rises for food persisted and there was a delayed weakening reaction. Food inflation remains at a very high level, above the level of inflation as a whole, in many countries.

One factor that contributed to the decline in inflation was the significant slowdown in energy price rises, which is attributable to economic policy measures in many countries. The other factor was that the central banks took fiscal policy measures to dampen inflation. For example, the European Central Bank (ECB) carried out 8 interest rate hikes over the course of the reporting period. The positive impact of countering price increases is offset by the downside of restrictive monetary policy, which generally does not stimulate growth.

From its historically low levels, consumer confidence initially underwent a steady recovery in the members states of the European Union. The figure declined once again in the last 2 months of the financial year, however. Consumer confidence was well below the long-term average throughout the entire financial year.

Regardless of the difficult economic parameters, sales in the hospitality industry once again delivered a positive performance. In Germany and many other countries in Western and Eastern Europe, the hospitality industry saw double-digit growth rates for the year as a whole. However, this growth dynamic weakened during the year, at times significantly. Nominal revenue consistently returned to at least the level of the last year before the pandemic. Adjusted for price rises, the hospitality industry has not yet reached pre-pandemic levels everywhere. According to data from the Federal Statistical Office, in Germany real hospitality sales have only reached around 90% of that figure, for example.

The following table shows the development of GDP by METRO region.

22 The underlying data was collected as of the closing date on 9 October 2023. The reliability of statistics for Russia is limited because, on the one hand, the effects of the war and the associated sanctions are difficult to assess, even in the past financial year, and, on the other hand, data from the Russian authorities is only released selectively.

Development of gross domestic product by region

Change in % compared to the previous year

	2021/22[1]	**2022/23[2]**
World	3.8	**2.4**
Germany	2.1	**−0.1**
West	5.0	**1.3**
Russia	0.2	**0.8**
East	4.7	**2.2**

Real GDP growth based on USD and adjusted for purchasing power – except for 'World'. The values are based on the financial year. Source: Oxford Economics.

1 The previous year's figures may slightly deviate from Annual Report 2021/22, since retrospective corrections are being made by the data provider.

2 Outlook.

2.2 Asset, financial and earnings position

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

The Management Board looks back on an overall successful financial year within the framework of expectations. In a challenging environment, the implementation of the sCore growth strategy continued and the company defended its market shares. The consistent focus on the implementation of the sCore strategy paid off and we made significant progress in the strengthening of delivery, in the online business and in the optimisation of the wholesale approach of our stores.

Financial year 2022/23 was characterised by a challenging environment due to the continued inflation, rising costs and the cyberattack in Q1 2022/23. With the acquisition of JHB in Scandinavia, METRO has undertaken a reinforcement of its portfolio towards delivery business. In connection with the sCore implementation, the company adjusted the portfolio to the exclusion of India, because the country is not prospectively aligned with the sCore strategy.

Sales reached the upper half of the outlook range. Adjusted EBITDA declined as expected, and decreased within the lower half of the outlook range. The reported earnings per share (EPS) are €1.21 (2021/22: €−0.92).

The increase was strongly impacted by the sale of parts of the METRO Campus and the sale of the Indian business. In addition, there were positive non-cash currency effects in the net financial result.

METRO has a successful business model, and the company intends to share this success with its shareholders in the form of an attractive dividend. The regular payout ratio is 45% to 55% of EPS. Accordingly, the Management Board and the Supervisory Board are proposing to the Annual General Meeting a dividend in the amount of €0.55 per ordinary and preference share[23] for financial year 2022/23.

23 Preference share plus the deferred payment of the preliminary dividend of €0.17 per preference share for the financial years 2020/21 and 2021/22.

Financial and asset position

Financial management

Principles and objectives of financial activities

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

- **For more information about the risks stemming from financial instruments and hedging relationships, see the notes to the consolidated financial statements in no. 39 – management of financial risks.**

Rating

METRO AG has an investment grade rating (long term: BBB−/short term: A-3) from Standard & Poor's that was confirmed on 17 March 2023 with a stable outlook. The rating ensures access to the international financial and capital markets, which is particularly utilised within the scope of the Euro Commercial Paper Programme and the ongoing capital market bond programme as needed. Frequent dialogue with credit investors and analysts takes place.

Financing measures

The company's medium-term and long-term financing needs are covered by a bond issuance programme. As of 30 September 2023, the utilised bond issuance programme amounted to a total of €701 million.

Short-term financing requirements are primarily covered through the Euro Commercial Paper Programme as well as bilateral credit lines. As of 30 September 2023, utilisation of the Commercial Paper Programme was €225 million (30/9/2022: €0 million) and that of the bilateral credit lines €112 million.

As a cash reserve, METRO AG concluded a syndicated credit facility of €1,000 million and additional bilateral credit facilities of €150 million. There was no drawdown during the reporting period.

- **For more information about financing programmes and credit facilities, see the notes to the consolidated financial statements in no. 32 – financial liabilities (excluding liabilities from leases).**

Investments/divestments

In financial year 2022/23, METRO invested €1,147 million and is thus €212 million above the previous year's investment volume of €935 million.

The increase in investments resulted largely from lease extensions for numerous locations in the portfolio, in particular in France and Italy. In addition, the acquisition of FSD company Johan i Hallen & Bergfalk (JHB), a leading Swedish speciality provider of meat, fish and seafood, is reflected in the segment West.

As a significant pillar of the sCore strategy, investments were also made in the delivery business and the transformation of wholesale stores to so-called multichannel fulfilment centres in financial year 2022/23. The conversions will expand delivery capacities in a targeted manner and ensure the efficient dovetailing of the sales channels.

We also maintained our focus on sustainability in financial year 2022/23 and increased investments compared with the previous year. In addition, we continued to invest heavily in digitalisation.

In financial year 2022/23, the number of wholesale stores declined by 36 to a total of 625 locations. The decline is attributable to the market exit in India (31 locations), 2 temporarily non-operational wholesale stores in Ukraine, sale of 2 former AGM locations due to antitrust requirements and the conversion of 1 AGM wholesale store to a depot.

Proceeds from divestments amount to €317 million and mainly relate to real estate disposals.

- **For more information about divestments, see the cash flow statement in the consolidated financial statements as well as the notes to the consolidated financial statements under no. 37 – notes to the cash flow statement.**

METRO investments

€ million	2021/22	2022/23	Change	
			absolute	%
Germany	107	**91**	−16	−15.3
West	343	**562**	219	63.9
Russia	41	**60**	19	47.5
East	169	**237**	69	40.7
Others	275	**197**	−78	−28.4
METRO	**935**	**1,147**	**212**	**22.7**

Liquidity (cash flow statement)

Cash inflow from operating activities amounted to €721 million in financial year 2022/23 (2021/22: cash inflow of €931 million). The change is mainly attributable to the decline in adjusted EBITDA.

Investing activities led to cash outflow of €46 million (2021/22: cash outflow of €320 million). Higher payment outflows for investments are offset by higher inflows from disposals of subsidiaries and other divestments, which are mainly related to real estate disposals.

Cash flow from financing activities exhibited a cash outflow of €820 million (2021/22: cash outflow of €1,308 million). This includes a reduction of borrowings in the amount of €179 million and lease payments in the amount of €591 million.

Total cash flows amount to €−145 million (2021/22: €−696 million).

- **For more information, see the cash flow statement in the consolidated financial statements as well as no. 37 – notes to the cash flow statement.**

The **free cash flow** is derived from the cash flow statement according to the following overview. METRO has introduced this key figure to show the funds generated in a period, which are primarily available for the repayment of debt, payment of dividends and for company transactions.

Free cash flow

€ million	2021/22	2022/23
Cash flow from operating activities	**931**	**721**
Investments without (investments in) monetary assets	−414	**−550**
Divestments	272	**317**
Lease payments	−572	**−591**
Interest paid and received	−34	**−26**
Other financing activities	7	**−17**
Free cash flow	**190**	**−147**

Capital structure

As of 30 September 2023, the METRO balance sheet reports equity in the amount of €2.0 billion (30/9/2022: €2.4 billion).

Equity decreased mainly due to the development of currency translation differences in the amount of €−768 million, to which the development of the Russian rouble's value contributed significantly. The profit or loss for the period had an opposite positive effect of €439 million on equity.

The equity ratio stands at 17.4% (30/9/2022: 18.4%).

- **For more information about our equity, see the notes to the consolidated financial statements in no. 27 – equity.**

Net debt developed as follows:

€ million	30/9/2022	30/9/2023
Cash and cash equivalents	825	**591**
Current financial investments[1]	19	**21**
Financial liabilities (including liabilities from leases)	4,124	**3,663**
Net debt	**3,281**	**3,051**

[1] Shown in the balance sheet under other financial assets (current).

- **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. 32 – financial liabilities (excluding liabilities from leases) as well as no. 37 – notes to the cash flow statement.**

Financial liabilities decreased since some of were paid back and on account of the sale of METRO India. Trade liabilities decreased by €0.2 billion, primarily for currency-related reasons.

Compared to 30 September 2022, the debt ratio increased from 81.6% by 1.0 percentage points to 82.6%.

€ million	Note no.	30/9/2022	30/9/2023
Non-current liabilities		**3,813**	**3,526**
Provisions for post-employment benefits plans and similar obligations	28	360	**351**
Other provisions	29	163	**166**
Financial liabilities	30, 32, 34	3,065	**2,838**
Other financial and other non-financial liabilities	30, 33	71	**80**
Deferred tax liabilities	21	153	**90**

€ million	Note no.	30/9/2022	30/9/2023
Current liabilities		**6,677**	**6,100**
Trade liabilities	30, 31	3,855	**3,667**
Provisions	29	316	**305**
Financial liabilities	30, 32, 34	1,059	**825**
Other financial and other non-financial liabilities	30, 33	1,180	**1,098**
Income tax liabilities	30	267	**205**

- **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. 40 – contingent liabilities and no. 41 – other financial commitments.**

Asset position

In financial year 2022/23, METRO's total assets declined by €1.2 billion to €11.6 billion (30/9/2022: €12.9 billion).

The increase in goodwill and other intangible assets primarily results from the acquisition of Johan i Hallen & Bergfalk.

In particular the exchange rate development of the Russian rouble and the disposal of METRO India contributed to the decline of €0.6 billion in property, plant and equipment. Inventories were also substantially impacted by the exchange rate development of the rouble. Cash and cash equivalents decreased by €0.2 billion in a closing date comparison as part of the repayment of bonds.

€ million	Note no.	30/9/2022	30/9/2023
Non-current assets		**7,722**	**6,929**
Goodwill	17	647	**712**
Other intangible assets	17	572	**623**
Property, plant and equipment	18	5,735	**5,091**
Investment properties	19	172	**106**
Financial assets		84	**71**
Investments accounted for using the equity method		108	**97**
Other financial and other non-financial assets	20	117	**78**
Deferred tax assets	21	287	**151**

€ million	Note no.	30/9/2022	30/9/2023
Current assets		**5,132**	**4,718**
Inventories	22	2,455	**2,242**
Trade receivables	23	601	**674**
Financial assets		3	**1**
Other financial and other non-financial assets	20	928	**938**
Income tax assets		102	**92**
Cash and cash equivalents	25	825	**591**
Assets held for sale	26	219	**180**

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

Earnings position

Overview of group business development

In financial year 2022/23, **sales** in local currency grew by 5.6% in spite of the sales lost during the cyberattack in Q1 2022/23 (low 3-digit million-euro amount). The segments East, West and Germany contributed to the growth in particular. Sales in Russia declined due to the war, as the previous year was supported by increased stock-up purchases in connection with the Russian invasion of Ukraine, among other factors. In addition, the financial year is being compared with a very strong previous year, which was attributable to a combination of rising inflation and strong momentum in the HoReCa sector. Furthermore, as a consequence of the business being sold, sales from the Indian business are only included until April 2023. Reported sales increased by 2.7% to €30.6 billion. There were negative exchange rate effects in particular in Turkey, Russia, Ukraine and Pakistan. All sales channels contributed to the growth: sales in store-based business rose to €23.3 billion (+0.2%), delivery sales to €7.1 billion (+11.2%) and METRO MARKETS sales to €0.1 billion (+60.1%).

The **adjusted EBITDA** declined to €1,174 million in financial year 2022/23 (2021/22: €1,389 million). The sales growth from sCore generally led to EBITDA growth. In financial year 2022/23, however, this was countered by measurable cost inflation, the expiration of post-transaction effects (Real and China) and the declining development in Russia. The impacts from the cyberattack (mid to high 2-digit million-euro amount) in Q1 2022/23 were not fully offset by insurance compensation in the mid 2-digit million-euro amount. Adapted for exchange rates, adjusted EBITDA declined by €172 million compared to the previous year's period. There were negative exchange rate effects primarily in Turkey and in Russia.

Transformation gains of €153 million (2021/22: transformation costs of €123 million) were generated in financial year 2022/23, in particular from the sale of the business in India.

Earnings contributions from real estate transactions amounted to €208 million (2021/22: €137 million) and were primarily the result of the sale of parts of the METRO Campus. The EBITDA reached a total of €1,534 million (2021/22: €1,403 million).

€ million	2021/22	**2022/23**	Change
Sales	29,754	**30,551**	2.7%
Adjusted EBITDA	1,389	**1,174**	–15.5%
Transformation costs (+)/transformation gains (–)	123	**–153**	-
Earnings contributions (+) from real estate transactions	137	**208**	51.7%
EBITDA	1,403	**1,534**	9.3%

In financial year 2022/23, METRO made good progress with the implementation of the strategy in the countries. This is also reflected in the **strategic KPIs** that METRO uses to measure the implementation of the sCore strategy:

Multichannel sales development (in € million)	2021/22	**2022/23**
Store-based and other business	23,299	**23,342**
FSD	6,386	**7,099**
METRO MARKETS sales	69	**110**

sCore KPIs (%)	2021/22	**2022/23**
Strategic customer sales share	71	**74**
Own-brand sales share	19	**22**
Stock availability	95	**96**
FSD sales share	21	**23**
Digital sales share	9	**11**

Comparison of outlook with actual business developments

For financial year 2022/23, METRO had forecast sales growth compared to the previous year of around 5% to 10% (2021/22: 21.4%[24]) and an adjusted EBITDA decline of €75 million to €225 million. The outlook was based on the assumption of stable exchange rates and no further adjustments to the portfolio. Segment expectations were adjusted slightly in Q3 2022/23 due to changes in inflation and a slight change in the trend in Germany. The overall outlook was left unchanged. A gradual decrease of inflation (originally: measurable decrease) compared to the previous year was assumed. We expected growth to be driven by strategic customers and all channels. All strategic KPIs underwent positive development. For the segment West, sales growth within the outlook range was expected, and growth slightly below the outlook range (originally: within the outlook range) for the segment Germany. Growth noticealby above the outlook range (originally: within the outlook range) was assumed for the segment East, partially supported by higher rates of inflation. Sales in Russia were expected to decrease compared to the previous year. Sales in the segment Others were expected to grow significantly above the outlook range as METRO MARKETS and DISH Digital Solutions (formerly Hospitality Digital) products continue to be rolled out. With **total sales** growth in local currency of 8.8%[24], METRO achieved this target in the upper half of the outlook range (5% to 10%). At segment level, the slightly adjusted outlook was also achieved.

The **adjusted EBITDA** decreased by €170 million[24] in financial year 2022/23 in the outlook view and thus reached the lower half of the outlook range (decline of €75 million to €225 million). As forecast, the sales growth from sCore generally led to EBITDA growth. In financial year 2022/23, however, this was countered by measurable cost inflation and impacts from the cyberattack, hence leading to the expected decline on group level. In the segment West, adjusted EBITDA grew moderately as forecast. In the segment East, adjusted EBITDA was at the level of the previous year as forecast. As forecast, adjusted EBITDA noticeably declined (originally: forecast expected roughly at previous year's level) in the segment Germany, while also declining stongly in Russia as forecast. In the segment Others, adjusted EBITDA also declined strongly as forecast due to the expiration of post-transaction effects (mainly China and Real) and further investments in digitalisation.

METRO achieved the sales and EBITDA targets for financial year 2022/23 within the outlook range.

Sales and earnings development of the segments

In **Germany,** sales in local currency increased by 3.5% in financial year 2022/23. The implementation of the sCore strategy made good progress, and this is reflected in the sales development with HoReCa customers. We defended the market shares we gained. Reported sales increased to €4.9 billion.

Sales in the segment **West** increased by 4.4% in financial year 2022/23. The countries France, Spain and Italy contributed to this increase in particular. In addition, delivery specialists Pro à Pro France, Pro a Pro Spain and Aviludo achieved double-digit growth rates. Sales from the Belgian business have no longer been included since the sale in May 2022. Since May 2023, sales from the delivery specialist JHB have contributed to sales. The HoReCa business in France, Spain and Italy performed well and we we defended market shares we had gained. Reported sales increased to €12.6 billion.

In **Russia**, sales in local currency in financial year 2022/23 declined significantly by 7.9%. Russia's war in the Ukraine and the related reluctance to buy had a negative impact. Furthermore, business was signigicantly affected by the cyberattack. In addition, the previous

24 Exchange-rate-adjusted, without Japan and Myanmar, with Aviludo and Pro a Pro Spain. Belgium up to and including May 2022.

year was supported by stock-up purchases in connection with Russia's war in Ukraine. Due to negative exchange rate effects, reported sales declined by 13.6% to €2.5 billion.

In the segment **East**, sales in local currency increased noticeably by 11.2%. Almost all countries contributed to this positive development, driven primarily by the clearly positive development of the HoReCa business. The largest increase in sales was recorded in Turkey, which was heavily supported by inflation. Sales underwent positive development in Ukraine, rising by 10.2% in spite of the war. Due to the sale of the Indian business, sales are only included until April 2023. Reported sales in the segment East increased by 4.1% to €10.4 billion. This was attributable to negative exchange rate effects, in particular in Turkey, as well as in Ukraine and Pakistan.

In the segment **Others**, sales increased by €91 million to €213 million and include in particular METRO MARKETS sales of €110 million (2021/22: €69 million). This increase was driven by the growth of the marketplace in Germany, Spain and Italy as well as the expansion to Portugal, the Netherlands and France. Sales of POS provider Eijsink (initial consolidation in March 2022) and the Günther group (initial consolidation in August 2022) also contributed to the increase.

As of 30 September 2023, the **store network** comprised 625 stores, of which 529 were out-of-store (OOS)[25] locations, and 76 depots.

- **Detailed information on the store network can be found in chapter 1.1 group business model.**

METRO key sales figures 2022/23

In year-on-year comparison

	Sales (in € million)		Change in % compared with the previous year's period		
	2021/22	**2022/23**	in group currency (€)	Currency effects in percentage points	in local currency
METRO	**29,754**	**30,551**	**2.7%**	**−2.9%**	**5.6%**
Germany	4,732	**4,897**	3.5%	0.0%	3.5%
West	12,042	**12,573**	4.4%	0.0%	4.4%
Russia	2,904	**2,510**	−13.6%	−5.7%	−7.9%
East	9,955	**10,359**	4.1%	−7.1%	11.2%
Others	122	**213**	–	–	–

In **Germany**, the adjusted EBITDA in financial year 2022/23 decreased to €135 million (2021/22: €167 million). This was due to already-expected cost inflation, continued investments in price positioning in a declining inflation environment and selective assortment and stock rationalization adjustments.

In the segment **West**, the adjusted EBITDA in financial year 2022/23 increased to €614 million (2021/22: €576 million). The increase is particularly attributable to the strong sales development compared to the same period of the previous year. The already-expected cost inflation had the opposite effect. Transformation gains of €1 million (2021/22: transformation costs of €125 million) were incurred as part of the sale of the Belgian business. EBITDA increased to €620 million (2021/22: €453 million).

The adjusted EBITDA in **Russia** amounted to €152 million in financial year 2022/23 (2021/22: €231 million). Adjusted for currency effects, EBITDA decreased by €65 million. The decrease is primarily attributable to the difficult macroeconomic environment and an associated decline in sales and margins.

25 OOS refers to the existing METRO store network and includes METRO stores that supply from the store as well as stores that operate their own depot in the store.

In the segment **East**, the adjusted EBITDA in financial year 2022/23 decreased to €394 million (2021/22: €417 million). Adjusted for currency effects, EBITDA increased by €7 million. Transformation gains of €150 million (2021/22: €0 million) were incurred, in particular from the sale of the business in India. There were no earnings contributions from real estate transactions. In the prior year, the earnings contributions in the amount of €132 million resulted primarily from the sale of the remaining real estate portfolio in Japan after the market exit. EBITDA decreased to €544 million (2021/22: €548 million).

The adjusted EBITDA in the segment **Others** amounted to €–131 million in financial year 2022/23 (2021/22: €–1 million). While the adjusted EBITDA in the previous year still fully benefited from licensing income from the partnership with Wumei, this income only accrued through April 2023 for the current financial year. In addition, the decrease in sales and earnings is due to the expiration of post-transaction effects (Real and China). Earnings contributions from real estate transactions amounted to €203 million (2021/22: €3 million) and were primarily the result of the sale of parts of the METRO Campus. Transformation gains of €2 million (2021/22: €2 million) were incurred. EBITDA reached €74 million (2021/22: €5 million).

	Adjusted EBITDA			Transformation costs (+)/transformation gains (–)		Earnings contributions (+) from real estate transactions		EBITDA	
€ million	2021/22	**2022/23**	Change	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**
Total	**1,389**	**1,174**	**–215**	**123**	**–153**	**137**	**208**	**1,403**	**1,534**
Germany	167	**135**	–32	0	**0**	0	**0**	167	**135**
West	576	**614**	38	125	**–1**	1	**5**	453	**620**
Russia	231	**152**	–79	0	**0**	1	**0**	232	**152**
East	417	**394**	–23	0	**–150**	132	**0**	548	**544**
Others	–1	**–131**	–130	–2	**–2**	3	**203**	5	**74**
Consolidation	–2	**10**	11	0	**0**	0	**0**	–2	**10**

Depreciation, financial result and taxes

€ million	Note no.	2021/22	2022/23
EBITDA		**1,403**	**1,534**
Depreciation	14	977	**939**
Reversals of impairment losses		2	**3**
Earnings before interest and taxes (EBIT)		**429**	**598**
Other investment result	8	15	**−38**
Interest income/expenses (interest result)	9	−157	**−160**
Other financial result	10	−421	**209**
Net financial result		**−563**	**11**
Earnings before taxes (EBT)		**−134**	**609**
Income taxes	12	−196	**−170**
Profit or loss for the period		**−331**	**439**

Depreciation

Of the impairments of €100 million included in depreciation, €88 million are attributable to property, plant and equipment and are mainly related to the reduced sales and earnings expectations as a result of the sanctions imposed on Russia on account of the persisting war in Ukraine.

Net financial result

The main reason for the positive development of the other financial result is the exchange rate development of the Russian rouble. As a result, clearly positive – in the previous year clearly negative – primarily non-cash income arose from intra-group items.

Taxes

The low tax expenses in financial year 2022/23 compared to the increased pre-tax result are attributable to currency effects of the Russian rouble, as well as to the sale of parts of the METRO Campus and the business in India, which were only subject to a low tax burden.

Profit or loss for the period and earnings per share

The profit or loss for the period in financial year 2022/23 was €439 million, €770 million higher than the profit or loss for the period of the previous year (2021/22: €−331 million).

After deduction of the profit shares attributable to non-controlling interests, the profit or loss for the period attributable to the shareholders of METRO AG is €439 million (2021/22: €−334 million).

On this basis, METRO achieved earnings per share of €1.21 in financial year 2022/23 (2021/22: €−0.92). 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 2022/23 or in the previous year.

3 OUTLOOK REPORT

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 for early detection which are derived from expert assessments. Strong deviations from these assumptions can lead to significant changes. Accordingly, all forecasts are subject to a high degree of uncertainties. The statements made for this report relate to the closing date at the end of October 2023. They may have become obsolete due to recent developments since then.

Macroeconomic parameters

The **global economy** has once again lost growth momentum over the course of financial year 2022/23. The trajectory and costs of potential crises associated with the current geopolitical tensions are not yet fully foreseeable. This means that all forecasts on the development of economic conditions are subject to an extraordinarily high degree of uncertainty. We expect the global economy to undergo weak growth in financial year 2023/24, similar to the previous year.

The **German economy** is still on the threshold of recession at the beginning of financial year 2023/24. There is no significant economic recovery on the horizon in spite of slightly negative growth in financial year 2022/23. We assume that the German economy will record no growth in financial year 2023/24, with slightly positive development expected over the course of the year. Overall, weak growth is expected for the **region West** over financial year 2023/24. According to current forecasts, no country in the region is expected to have stronger growth than in the previous year. Slightly positive development is also forecasted for the **region East**. The growth though will be significantly lower than in financial year 2022/23. Because the countries in the region East are directly impacted by Russia's war in Ukraine to varying degrees, development on a country level will continue to be very different. For **Russia**, current forecasts expect stronger economic growth with a moderate dynamic overall. In light of existing sanctions against Russia, goods in demand are being produced by the country itself on the one hand, and, on the other, a portion of the growth is attributable to wartime production. The forecasts are based on the assumption that there will neither be an expansion of the war in Ukraine nor an energy crisis accompanied by a rationing of gas or energy for industry and consumers.

Inflation remains a significantly influential factor. We assume that it will weaken markedly over the course of financial year 2023/24. Inflation rates are expected to fluctuate between low and medium ranges. High rates of inflation in the double-digit range are still expected in Turkey and in Pakistan. Overall, we anticipate a significant decline in price rises for food, similar to energy prices in the previous financial year. In certain countries, there will likely be temporary deflation in the prices for food. Declining prices should have a positive effect on disposable income and therefore on the consumers' propensity to buy. The restrictive monetary policy should be loosened, provided that price development remains stably within the target corridor of the central banks, for example below 2% for the European Central Bank (ECB). Dropping interest rates and, as a result, lower costs for credit will have a positive and stimulating effect on the economy and private consumption.

Private consumption will develop differently in the different regions reported on in financial year 2023/24. Based on the weak figures from the previous year, we anticipate a revitalisation of private consumption in Germany and the region West over the course of the year. Altogether, growth will remain at a low level. In the region East, private consumption could develop negatively when adjusted for price. It is worth highlighting Turkey once again in this regard; due to the persisting high inflation, current forecasts predict a more pronounced decline in private consumption. By contrast, growth in private consumption of approximately the level of the previous year is expected for Russia.

The table below shows our GDP outlook by our regions.

Outlook development of gross domestic product by region[1]

Change in % compared to the previous year

	2023/24	2024/25
World	1.9	2.6
Germany	0.1	1.7
West	0.6	1.4
Russia	2.4	1.3
East	1.5	2.6

Real GDP growth. The values are based on the financial year. Source: own assumptions, based on Oxford Economics, among others.

[1] Outlook as of October 2023.

Outlook of METRO

The outlook is based on the assumption of stable exchange rates and no further adjustments to the portfolio. The geopolitical situation is expected to remain unchanged. The expectations for the further macroeconomic development are explained in the chapter on macroeconomic parameters. The relevant opportunities and risks that could influence the outlook are explained in the opportunities and risk report. In the financial year 2022/23 some adjustments to the portfolio have been made: Due to the completed disposal of the Indian business in 2022/23, these figures are excluded for financial years 2022/23 and 2023/24 for the outlook. Johan i Hallen & Bergfalk as a strategic acquisition is included in the financial years.

Sales

The Management Board expects a total sales growth of 3% to 7% (2022/23: 9%, absolute sales €30.1 billion)[26] for financial year 2023/24. Growth will be driven by all segments except Russia and all channels. Sales in the segment Russia is expected to be around previous year's level. The segment Germany is expected to grow below the guidance range. The segment West is expected to grow within the guidance range while the segments East and Others are expected to grow above the guidance range.

Earnings

The Management Board also expects a change in adjusted EBITDA of between €−100 million and €50 million (2022/23: €1,163 million[26]) compared to the financial year 2022/23. The sales growth from sCore generally leads to EBITDA growth. In financial year 2023/24, however, this is countered by noticeable cost inflation, expiration of post transaction effects (Segment Others), rising costs for cybersecurity and a further decline in the development in Russia. In the segment Others, adjusted EBITDA will strongly decline while in the segments Russia and Germany, adjusted EBITDA will decline moderatley. In the segments West and East, adjusted EBITDA will grow moderately.

26 Exchange rate-adjusted, excl. India, incl. JHB.

4 OPPORTUNITIES AND RISK REPORT

Risk management system and internal control system

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

The Management Board of METRO AG bears overall responsibility for an effective risk management system (RMS) and an effective internal control system (ICS).

The RMS and the ICS of METRO are implemented by the Group Governance department based on the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the requirements of the audit standards 981, 340 and 982 of the Institut der Wirtschaftsprüfer in Deutschland e. V. (IDW, Institute of Public Auditors in Germany). The management systems consist of the elements described in the following:

Risk management system and internal control system

Objectives of the RMS and ICS

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

Organisation of the RMS and ICS

Group-wide RMS and ICS tasks and responsibilities are clearly defined and reflect our corporate structure. We combine centralised business management by the management holding company METRO AG with the decentralised responsibility of the METRO national subsidiaries and the service companies that support the operational business. The group's Governance, Risk and Compliance Committee (GRC Committee) coordinates the risk management system, the internal control system, the compliance management system (CMS) as well as Internal Audit. 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 GRC Committee is chaired by the Chief Financial Officer of METRO AG and regularly discusses methods and further developments of the aforementioned management systems. The structural and procedural organisation of the RMS and the ICS are clearly defined in the relevant guidelines and implemented throughout the group.

- **Details on the description of the main features of the CMS can be found in chapter 2 principles of the group – 1.3 combined non-financial statement of METRO AG.**

Risk management process

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

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

We classify all risks according to standard criteria using quantitative and qualitative scales. One part of the assessment focuses on the loss potential, which includes negative effects on our business objectives. The key indicator in this regard is EBITDA. The other part of the assessment focuses on the probability of occurrence.

All risks are assessed with their potential impact at the time of the risk analysis and before potential mitigating measures (presentation of gross risks) as well as after deduction of the previously implemented measures (presentation of net risks). The central IT tool myGRC is used to identify and assess risks and to document key response measures. We generally assess risks over a prospective 1-year period; strategic risks cover at least the medium-term planning horizon of 3 years.

After the risks are identified and assessed by the companies, they are allocated by topic to the various functions within METRO and validated by the respective corporate process owners, usually the divisional managers; if necessary, they are then adjusted and supplemented. Longer-term risks, for example related to climate change or political risks, are also taken into account by the relevant functional experts. These so-called functional risks are aggregated into consolidated risks using a scenario analysis based on statistical simulation techniques. In a further step, statistical simulation techniques are used to determine the risk aggregate on the basis of all the consolidated risks and compare the risk aggregate with the equity of METRO AG to then derive the risk-bearing capacity. Before the proposal is submitted to the Management Board of METRO AG for authorisation, the consolidated risks as well as the risk aggregate are first validated and approved by the GRC Committee.

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

For this purpose, we conduct macroeconomic analyses, study relevant trends and evaluate market, competition and location 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. The consolidated opportunities and risks are presented jointly to the GRC Committee and the Management Board.

Internal control system for financial and operational processes

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

IFRS accounting guideline, financial reporting processes and IT security

In the following, we describe the significant characteristics of our internal control and risk management systems pursuant to § 289 Section 4 and § 315 Section 4 of the HGB with regard to financial reporting processes. The IFRS accounting guideline, which is applicable throughout the group and regularly updated, ensures uniform accounting procedures for the entire METRO group. The management of each major group company must submit a declaration for each quarterly and annual financial statement that confirms compliance with the guideline.

The separate financial statements of the group entities are primarily prepared using SAP-based accounting systems (SAP FI). Access authorisations in the IT systems and clearly assigned competencies and roles, with the involvement of the METRO Global Solution Center, ensure the appropriate functional separation for the recognition of ongoing transactions and the preparation of financial statements. A majority of group companies prepare their separate financial statements on the basis of standardised processes. Management of the respective company bears responsibility for shaping the financial processes and the specific design and performance of internal controls in consideration of the minimum requirements that apply throughout the group.

METRO consolidates accounting-related data for the purpose of group reporting via the centralised consolidation system (CCH Tagetik). All consolidated group companies are integrated in this system. These companies use a uniform accounts table in accordance with the IFRS accounting guideline. Once the data have been transmitted from the separate financial statements to the consolidation system, they are subjected to an automated plausibility review in relation to typical contexts and dependencies. Furthermore, processes and controls are used in the preparation of the consolidated financial statements that ensure the completeness and verify the punctual, complete and correct submission of data. They also avoid undesirable data changes and ensure the error-free execution of consolidation steps. To warrant data security in general, access to the accounting-related systems is regulated and the Internal Audit unit takes a risk-oriented approach to monitoring compliance with the general IT security guideline.

Reporting on RMS and ICS

All insights gained in the context of RMS, ICS and CMS reporting are included in the GRC reporting. It provides an overall view of the opportunity and risk situation of the group and an assessment of the effectiveness of the aforementioned management systems. The GRC report includes:

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

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

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

Monitoring and improvement of the RMS and ICS

The Supervisory Board of METRO AG is responsible for monitoring the governance management systems in accordance with § 107 Section 3 of the German Stock Corporation Act (AktG). GRC reporting in particular enables the Supervisory Board to fulfil its duties. In accordance with the requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG) as well as the provisions of § 317 Section 4 of the German Commercial Code (HGB), the external auditor periodically assesses the company's early-warning system. The results of this audit are presented to the Management Board and the Supervisory Board.

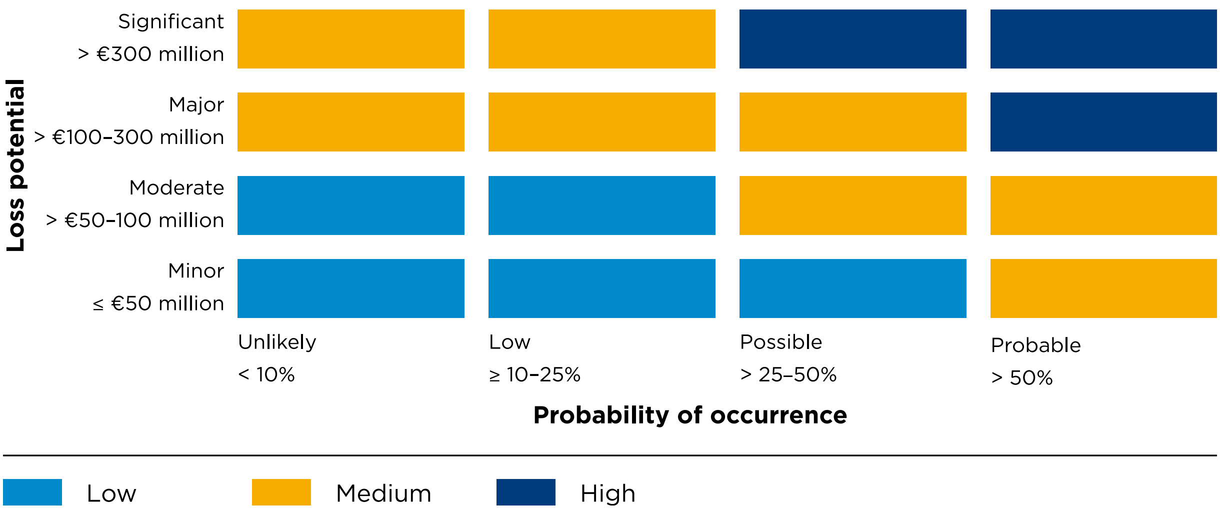
Key elements of internal monitoring include effectiveness checks performed by Internal Audit based on risk-oriented annual audit planning as well as self-assessments of the management systems by the Management Board based on GRC reporting. Taking into account the audits of the RMS and ICS performed during the financial year, no matters have come to the attention of the Management Board of METRO AG that cause it to believe that the RMS or ICS were not adequate and effective in all material aspects during the period from 1 October 2022 to 30 September 2023.[27]

The Group Governance department has implemented monitoring controls for RMS and ICS, which are performed by Group Governance and documented in the central IT tool myGRC.

Description of the opportunity and risk situation

Each consolidated risk analysis is based on a 4x4 matrix with regard to loss potential and probability of occurrence. Based on the loss potential and the probability of occurrence, a risk classification (low, medium, high) is derived for each consolidated risk:

Risk matrix



27 This statement by the Management Board is an (unaudited) disclosure required by GCGC 2022 and is not subject to the audit, as it is not part of the management report.

The stable portfolio of consolidated risks contains a total of 16 risks for financial year 2022/23. All risks are listed in the following overview:

Subject group	No.	Consolidated risks 2022/23	Loss potential	Probability of occurrence	Risk classification
Environment	#1	Strategic risks	Moderate	Low	Low
	#2	Macroeconomic and political risks	Significant	Possible	High
	#3	Interruption of business activities	Major	Possible	Medium
	#4	Security and safety risks	Minor	Possible	Low
Corporate responsibility	#5	Environmental and social risks	Major	Possible	Medium
Wholesale business	#6	Store operations and FSD risks	Major	Low	Medium
Real estate	#7	Real estate risks	Major	Possible	Medium
Suppliers and products	#8	Procurement risks	Major	Low	Medium
	#9	Quality risks	Minor	Unlikely	Low
Supply chain	#10	Supply chain risks	Minor	Low	Low
Financials	#11	Financial risks	Major	Low	Medium
Transactions	#12	Transaction risks	Minor	Low	Low
IT	#13	Data risks	Minor	Possible	Low
Human resources	#14	Human resources risks	Minor	Low	Low
Tax, legal and compliance	#15	Tax risks	Minor	Possible	Low
	#16	Legal and compliance risks	Minor	Low	Low

The changes in risks compared to Annual Report 2021/22 are presented in the net consideration.

As can be seen in the table, 1 of the 16 consolidated risks as of the reporting date was classified as high, 6 risks as medium and 9 risks as low. In the following, we go into detail about the opportunities and risks. We focus on those risks that are classified as high and medium, as well as on the changes during the reporting period.

Environment

Opportunities from a global and diversified business model

METRO's diversified country portfolio, which excludes excessive individual dependencies on specific countries, offers a competitive edge in the current economic situation compared to other, locally positioned market participants. The global positioning also allows METRO to react flexibly to changes in global supply chains, for example through the use of regional trading offices.

Likewise, the diversified multichannel business model is optimally positioned in the competitive context to meet customer demand. The increased cost-consciousness of customers is contrasted by the own-brand and price strategy for the store-based business.

Strategic risks (#1)

Strategic risks include risks related to the group's business model, competitiveness and digitalisation. Missing significant trends in new sales formats and channels, as well as in our assortment and own-brand strategy, can represent additional risks.

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 countries where we could potentially benefit from these developments. Opportunities could arise from a sustained positive geopolitical and macroeconomic development.

Macroeconomic and political risks (#2)

As a company with global operations, METRO depends on the political and economic situations in the countries in which the group operates. Changes in political leadership or economic imbalances can jeopardise METRO's business. The war in Ukraine continues to affect the safety of employees and customers as well as the integrity of the business and supply chains. METRO's ongoing presence in Russia results in political and reputational risks. With regard to the business in Russia, risks arise from sanctions, counter-sanctions and government intervention in business operations to the point of potential expropriation as a result of the development of the war.

Current political measures to mitigate inflation and energy costs can have an impact on the operations of METRO through price caps for basic food items or margin caps.

Regulations of national VAT systems are also under discussion with the aim of stabilising budgets. A possible consequence would be an increase of tax rates, including for the hospitality industry with tangible price increases and a potential decline in demand, which would directly impact METRO.

The proposal currently under discussion for a regulation of the European Parliament and the Council on combatting payment delays in commercial transactions would, in its current version, negatively affect our liquidity by capping payment terms at 30 days, thereby leading to increased interest expenses and a shift from supplier debt to financial debt. We are engaging in dialogue with political decision makers at the national and EU levels, in particular through associations, to raise awareness of the described impact of regulation.

Continuous monitoring of the economic and political developments and a review of our strategic objectives allow us to respond to these challenges in a timely and appropriate fashion.

- **For more information about our assessment of the development of the economic environment, see chapter 3 outlook.**

Interruption of business activities (#3)

Our business may be affected or interrupted by natural disasters or failure of our IT systems. Potential cyberattacks receive particular attention in this regard. Depending on the severity of the attack, important business processes such as purchasing, sales and communication between different METRO entities could be impaired. IT systems for online retailing must be continuously available, as these systems are a prerequisite for unlimited access outside normal store opening times.

Due to the severity of the cyberattack in autumn 2022 and the insights from the recovery measures, this risk has increased from 'moderate' (>€50–100 million) to 'major' (>€100–300 million) in terms of the loss potential. Following the cyberattack, further measures were implemented to safeguard against cyberattacks in general, which is why the probability of occurrence has been reduced from 'probable' (>50%) to 'possible' (>25–50%). For all IT security measures, the overriding goal is to ensure operational reliability at all times, or to restore it as quickly as possible.

Professional crisis management, for example by means of business continuity management, allows for a rapid crisis response and thereby ensures the protection of our employees and customers. This includes communication and evacuation plans, training measures and specific instructions. We insure ourselves against the loss of tangible assets and any impending loss of sales or profits resultant from business interruptions wherever it is possible and reasonable.

Security and safety risks (#4)

Security risks include criminal activities, terror and unrest, as well as the issue of operational safety or danger to life and limb due to lacking or inadequate safety measures. The impact of the war in Ukraine is discussed under risk #2 'Macroeconomic and political risks'.

Corporate responsibility

Opportunities from sustainable business practices

Our company is more exposed than ever to economic, environmental, social and cultural challenges. Similarly, we experience that sustainability is the key to transforming these challenges into opportunities. METRO operates an active sustainability management system in order to enshrine sustainability systematically in its core business. Our greatest leverages lie in reducing our CO_2 emissions and food waste, which we are advancing by, among other things, expanding energy-saving infrastructure and logistics, by adapting the assortment and packaging and by taking operational measures to prevent food waste. By ensuring environmental and social standards through the use of responsible supply chain management, we strengthen the resilience of our supply chains and, at the same time, promote local structures. Our sustainability efforts are assessed as part of ratings to create transparency for investors and other interested parties.

Environmental and social risks (#5)

Regulatory and social regulations regarding compliance with human rights and environmental due diligence are becoming more stringent.

Achieving environmental and climate objectives remains a challenge due to continued uncertainty in the supply of raw materials and the resulting potential interruptions in supply chains. It could also be demanding for our suppliers to meet their commitments, such as emission reduction targets. At the same time, our operational business generates greenhouse gas emissions that can have a negative impact on the environment.

New statutory obligations, such as those from the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), result in risks from the violation of national and, prospectively, European supply chain regulations due to possible non-compliance with social and environmental aspects in the supply chain or in our own business operations. In addition to fines and damage to reputation, falling short of social and environmental targets and obligations can also lead to limited access to financing instruments. The new due diligence obligations can also make an impact on the range of suppliers, if this is indicated as a measure to mitigate risks in the supply chain. This results in potential risks to the stability of our supply chains.

Further risks result from increasing regulations on traceability and transparency in the supply chain; again, non-compliance with these regulations may lead to potential fines or a ban on the sale of the goods in question. METRO has taken comprehensive measures to counteract the risks. For example, METRO established an appropriate social standards programme and traceability concept, introduced energy efficiency and awareness-raising measures to reduce emissions and increased the corporate budget for country initiatives to implement new environmentally friendly technologies.

- **For more information about our social responsibility and environmental protection activities, see chapter 1 principles of the group – 1.3 combined non-financial statement of METRO AG.**

Wholesale business

Opportunities from digitalisation and innovation

METRO is focused on identifying and addressing future challenges of its customers at an early stage in a volatile environment. Innovations and digitalisation are areas with excellent potential for realising increases in value. We are convinced that progressing digitalisation will increasingly shape the future of the retail and wholesale industry as well as business processes. This may give rise to new business models, which in turn may present a variety of opportunities.

As part of our sCore strategy, we have defined a clear digitalisation ambition in the form of a 40% digital sales share. In this context, our focus is on digitalisation initiatives that are geared towards our core customer groups HoReCa and Traders. We partner with the company DISH Digital Solutions to provide our customers with digital solutions, such as the DISH (Digital Innovations and Solutions Hospitality) platform. With DISH Digital Solutions, we see significant opportunities to benefit from faster digitalisation in the HoReCa and Traders sectors as well as in other business areas. With our METRO DIGITAL business unit, we continue to digitalise our core business. METRO DIGITAL develops, optimises and supports all digital solutions used by our customers and us, such as our apps METRO Companion or M-Shop. These digital solutions provide opportunities for METRO to set itself apart from the competition.

Opportunities from customer focus

METRO has a clear focus on wholesale and B2B customers. By measuring customer satisfaction, for example by means of the established Net Promoter Score and the systematic collection and evaluation of customer suggestions, we are able to identify potential areas to improve the shopping experience and delivery as well as general trends. We are continuing to develop our multichannel approach within the framework of our sCore strategy. To this end, we are expanding the delivery business and bolstering our e-commerce activities with the METRO MARKETS online marketplace. Our goal is to be the partner of choice for our customers by offering METRO solutions that cover all aspects of their business. Our various strategic projects aim at further improving our purchasing and sales processes and at creating additional value for our customers. The goal is to ensure the ongoing value of assets, thereby mastering the challenges faced by our business model.

Store operations and FSD risks (#6)

The markets in which we operate are characterised by rapid changes and fierce competition. Lack of collection, analysis and use of customer data, uncompetitive pricing or an insufficient level of service may cause us to fail to meet customer needs and thus jeopardise our growth and profitability targets.

Inadequate market and FSD processes can lead to inefficiencies which have a particularly negative impact on inventory levels, profit margins and customer satisfaction. To counter these risks, we develop country-specific strategy plans derived from the group sCore strategy that are aligned with the respective local circumstances and customer requirements.

We strive to have a holistic partnership with our customers to address the needs of professional customers. This includes the expansion of our delivery business, the continuous transformation of our stores into multichannel fulfilment centres, further development of our franchise concept in selected markets, the METRO MARKETS online marketplace and digitalisation initiatives for our customers on DISH, as well as financial services of METRO Financial Services.

Real estate

Opportunities from increase in value

As of 30 September 2023, the store network comprised 625 stores, 529 of which were out-of-store (OOS) locations and 76 were depots. Around half of the locations are owned. We see long-term potential for value increases in possible development projects for our existing real estate assets as well as in improved facility management.

Real estate risks (#7)

The tense economic situation and rising interest rates make real estate transactions more difficult and can also lead to risks in real estate development. This affects the expansion of our stores to multichannel fulfilment centres and depots for the delivery business in particular. Moreover, delayed repair and maintenance work could lead to legal infringements and real estate impairments as well as reputational damage. We mitigate these risks with strategic and operational real estate management. To this end, we regularly perform evaluations of properties in terms of value and income and projected investment planning. The safety and health of customers, suppliers and employees can be endangered by deficiencies in the properties. We take decisive action to prevent potential accidents and damage to health, thus ensuring a safe and healthy environment. In addition, we conduct risk assessments and specify clear sets of rules and procedures. We support implementation through frequent training, internal controls such as regularly scheduled safety and occupational safety inspections as well as external controls such as stability inspections.

Due to the stabilisation of energy prices, the probability of occurrence for this risk has decreased from ‘probable’ (>50%) to ‘possible’ (>25–50%). Even though the energy markets have currently stabilised at a high price level, it cannot be excluded that there will be energy price rises again in the future. Extensive energy efficiency measures were implemented in order to decrease consumption and the associated costs. New photovoltaic installations are being commissioned in addition.

More stringent legislation regarding environmental standards such as the German Buildings Energy Act (GEG) could lead to higher costs in various areas of construction and energy management, for example through the early exchange of cooling systems.

Suppliers and products

Opportunities from sustainable procurement

Alongside quality and safety, the environmental and social sustainability of the products and their production processes are, for us and more and more customers, increasingly significant selection criteria. We aim to ensure resource-friendly production as well as socially acceptable working conditions within our procurement channels. METRO pursues a group-wide purchasing policy that applies to all products and includes additional requirements for critical raw materials to ensure sustainable and responsible supply chain and procurement management.

- **For more information about our social responsibility and environmental protection activities, see chapter 1 principles of the group – 1.3 combined non-financial statement of METRO AG.**

Opportunities from higher own-brand penetration

Own brands are a central element in METRO's strategy to increase the success of our customers. With our own brands, we can provide high quality at lower prices, thus simultaneously increasing our customers' profitability as well as our own. Potential economic constraints and increased price pressure on our customers, for example as a result of inflation, could increase demand for own brands and thus have a positive effect on METRO's profitability.

Procurement risks (#8)

Production downtimes, disruptions of the supply chains and international price fluctuations for raw materials and energy as a result of geopolitical instability can cause the lack of availability of goods, interruptions of supply chains and unexpected price fluctuations with a destabilising effect on our business and that of our partners.

In order to mitigate these risks, METRO is launching projects to support the purchasing activities of the national subsidiaries via bundling, thereby strengthening partnerships with suppliers and ensuring the availability of goods and their competitiveness. This is facilitated by the optimisation of our assortment and development of our own brands. Thanks to our global coverage, we are in a position to find suitable alternative supply sources for key products. When we renegotiate expiring contracts, we try to compel suppliers to be sufficiently prepared so that supply continuity can be ensured in the event of *force majeure*. We pay special attention to all specific price components to prepare for negotiations in an effort to obtain better purchasing prices.

Quality risks (#9)

Quality risks include risks related to the quality of the offered products, transport and storage, if they lead to an impairment of the quality of goods or food safety.

Supply chain

Supply chain risks (#10)

Supply chain risks include issues related to logistics, transport and storage, such as rising transport costs or the insufficient management of logistics service providers.

Financials

Financial risks (#11)

Without timely countermeasures, unexpected external influences on our business activities or other changes in the business environment could potentially result in us missing our target figures. In addition, delayed recognition of such changes could lead to us making wrong business decisions. We mitigate these risks by interlocking strategic planning and the budgeting process closely, carrying out very close monitoring of budget compliance, defining effective internal controls and intensively involving 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 current global efforts to combat inflation leads to, among other things, rising key interest rates and therefore increases the risk of escalating interest expenses for financing instruments. This risk is to be assessed as limited due to the already-reduced gross debt. In order to be able to react promptly to changes, we continuously monitor our own financing positions as well as the money and capital markets.

Furthermore, potential defaults by commercial partners and customers represent a financial risk. In order to minimise the credit risk of receivables from our customers, we decide on the amount of the granted payment terms based on comprehensive internal scoring – and external information, if available.

We reduce the credit risk for external investments with banks by setting limits based on ratings and credit spreads.

By continuously monitoring the entire receivables portfolio, we ensure a risk-adequate adjustment of our customers' payment terms and the investment limits with banks at all times.

Furthermore, METRO is subject to price risks, liquidity risks, credit risks, cash flow risks.

- **For more information about financial risks and their management, please see the notes to the consolidated financial statements in no. 39 – management of financial risks.**

Transactions

Opportunities from increased efficiency and portfolio simplification

Our focus on wholesale could lead to improved workflows along the value chain faster than expected and could have a positive effect on our business development through an increase in operating efficiency. Collaborations (even if they are purely contractual) can help us reduce operational cost or give our customers access to innovative products.

The country portfolio is regularly reviewed with regard to the feasibility of a local market leadership and the attractiveness of the respective markets. In this context, METRO disposed of its business in India in financial year 2022/23.

Opportunities from market consolidation and acquisitions

In the future, METRO will also focus on investments to strengthen its wholesale business. We want use this to solidify and expand our leading position in numerous markets. We expect that the consolidation of the wholesale stores in many of our portfolio countries will continue. For example, METRO acquired the delivery business JHB in Scandinavia in the last financial year. The existing minority interests held by METRO offer the opportunity for additional increases in value if, for example, start-up companies were to develop better than expected.

Transaction risks (#12)

The transaction risks include all risks arising from the acquisition and disposal of companies (or company shares). These include legal and tax risks, guarantees, non-recurring and residual costs, or even reactions of the market to the transaction. Subsequent liability risks may arise for CECONOMY AG in conjunction with the demerger of the METRO GROUP in 2017.

Due to the lower transaction volume and the elimination of guarantee claims and tax receivables from several past transactions, the risk has decreased from ‘major’ (>€100–300 million) to ‘minor’ (≤€50 million) in terms of the loss potential, and from ‘possible’ (>25–50%) to ‘low’ (≥10–25%) in terms of probability of occurrence. The risk has now been classified as low due to the changes.

Information technology

IT Data risks (#13)

Data risks include risks related to data protection and data security as well as risks related to the accuracy, completeness and availability of data necessary to ensure successful use of the group’s own data. Data theft or manipulation by unauthorised parties as part of cyberattacks can also lead to violations of data protection laws and thus to fines and reputational risks.

Human resources

Human resources risks (#14)

Human resources risks include risks related to the organisational structure of human resources, recruitment and retention of staff, appropriate remuneration and the exit process. Beyond that, risks related to corporate culture are also considered.

Tax, legal and compliance

Tax risks (#15)

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. Due to an altered risk composition, the probability of occurrence has increased from ‘low’ (≥10–25%) to ‘possible’ (>25–50%).

Legal and compliance risks (#16)

Legal and compliance risks include risks related to antitrust law, corruption, fraud, money laundering and unfair trade practices, as well as general legal risks.

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 current situation, we do not consider the risks in isolation. Instead, we also analysed the interdependencies according to their impact. Our assessment indicates that the overall risks do not endanger the risk-bearing capacity. For a period of 1 year after the closing date, the identified individual and cumulative risks do not represent any risks that could jeopardise the continued existence of the company. 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.

5 TAKEOVER-RELATED DISCLOSURES

The takeover-related disclosures as of 30 September 2023 required under §§ 289a Section 1 and 315a Section 1 of the German Commercial Code (HGB) are shown below:

Composition of the subscribed capital

The share capital of METRO AG amounted to €363,097,253. It is divided into a total of 360,121,736 ordinary shares (pro rata value of the share capital: €360,121,736, approximately 99.18%), as well as 2,975,517 preference 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 (preliminary dividend of €0.17 per preference share). Details of profit distribution are governed by § 21 of the Articles of Association of METRO AG.[28]

METRO did not pay a dividend for financial years 2020/21 or 2021/22, including the preliminary dividend. The preference shares therefore grant voting rights until the arrears of the preliminary dividend have been paid in full. As long as the voting right exists, the preference shares must also be considered in the calculation of the respective capital majorities (cf. § 140 Section 2 of the German Stock Corporation Act (AktG)). Consequently, the number of voting rights amounts to 363,097,253 (total of ordinary and preference shares).

- **Further information can be found in the chapter METRO share – dividend and dividend policy.**

Voting rights and transfer-related restrictions

To the best knowledge of the Management Board, the following agreements exist or existed during financial year 2022/23, 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:

As part of an intra-group reorganisation of the Beisheim Group on 31 December 2021, BC Equities GmbH & Co. KG, Düsseldorf, has joined the pool of voting rights in place of Beisheim Assets gGmbH, Düsseldorf. The pool of voting rights has been in place since 29 July 2019 and includes Beisheim Capital GmbH, Düsseldorf (Germany), Beisheim Holding GmbH, Baar (Switzerland), and Palatin Verwaltungsgesellschaft mbH, Essen (Germany), a subsidiary of Meridian Stiftung, Essen (Germany). Based on the Beisheim Group's voting rights notification dated 3 January 2022, the partners in the voting pool continue to hold 23.94% of the ordinary shares. The declared objective of Meridian Stiftung and the Beisheim Group is to exercise the voting rights from the METRO shares held by them jointly. In the future they plan to act uniformly vis-à-vis METRO and its shareholders in all material matters. Accordingly, as of 31 December 2021, BC Equities GmbH & Co. KG, Düsseldorf, also replaced Beisheim Assets gGmbH, Düsseldorf, in the pooling agreement with Beisheim Holding GmbH, Baar (Switzerland); this pooling agreement, which has been in place since 29 July 2019 with the subsidiary of Meridian Stiftung, Essen (Germany), is suspended for the duration of the new pool of voting rights with Meridian Stiftung, Essen.

28 The Articles of Association of METRO AG can be found on the website www.metroag.de/en in the section About us – Corporate Governance.

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.

The Management Board remuneration system stipulates share ownership guidelines. Within the framework of these guidelines, the members of the Management Board are required build up a self-financed investment in METRO ordinary shares and retain it until at least the date of retirement from the Management Board.

Shares held in capital

As of 30 September 2023, 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
BC Equities GmbH & Co. KG, Düsseldorf, Germany[1]	Direct
Beisheim Holding GmbH, Baar, Switzerland[1]	Direct
Beisheim Management GmbH, Düsseldorf, Germany	Indirect
Beisheim Assets gGmbH, Düsseldorf, Germany	Indirect
Prof. Otto Beisheim Stiftung, Munich, Germany	Indirect
Prof. Otto Beisheim Stiftung, Baar, Switzerland	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany[1]	Direct
BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen, Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Meridian Stiftung, Essen, Germany	Indirect
EP Global Commerce GmbH, Grünwald, Germany	Direct
EP Global Commerce VII GmbH, Grünwald, Germany	Indirect
EP Global Commerce IV GmbH, Grünwald, Germany	Indirect
EP Global Commerce III GmbH, Grünwald, Germany	Indirect
EP Global Commerce a.s., Prague, Czech Republic	Indirect
Daniel Křetínský, Prague, Czech Republic	Indirect
Patrik Tkáč[2], Bratislava, Slovakia	Indirect

1 Coordination of exercising voting rights based on a pool of voting rights between BC Equities GmbH & Co. KG, Beisheim Holding GmbH and Palatin Verwaltungsgesellschaft mbH.

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

The information above is in particular based on notifications issued under § 33 et seqq. of the German Securities Trading Act that were received and published by METRO AG.[29]

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.

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

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 and 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. 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 (authorised capital)

On 11 February 2022, the Annual General Meeting had authorised the Management Board by resolution to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary shares against cash contributions in one or several tranches for a total maximum of €108,929,175 by 10 February 2027 (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.

Nonetheless, subject to the consent of the Supervisory Board, the Management Board is authorised to exclude shareholder subscription rights to offset fractional amounts.

The Management Board is also authorised, with the approval of the Supervisory Board, to determine the further details of the capital increases and their implementation, including the content of the share rights and the conditions of the share issuance. To date, the authorised capital has not been fully utilised.

Authorities to issue warrant bonds and/or convertible bearer bonds

With a resolution passed on 16 February 2018, the Annual General Meeting had authorised the Management Board 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. This authorisation has not been exercised.

Fundamental agreements related to the conditions of a change of control

METRO AG is currently a borrower in credit agreements with a total credit limit of €1.2 billion, 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. 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. During financial year 2022/23, these credit facilities were not utilised.

Compensation agreements in the event of a takeover bid

There are no compensation agreements between METRO AG and members of the Management Board or employees in the event of a takeover bid.

6 SUPPLEMENTARY DISCLOSURES FOR METRO AG (PURSUANT TO THE GERMAN COMMERCIAL CODE)

Overview of financial year 2022/23 and outlook of METRO AG

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

On account of the holding structure, in deviation from the group-wide view, the net profit or loss under commercial law is the most important key performance indicator of METRO AG as outlined in German Accounting Standard No. 20 (GAS 20).

Business development of METRO AG

The business development of METRO AG is significantly characterised by the development of its subsidiaries and the intra-group dividend distribution policy.

Overall, the projected net profit or loss was achieved. The consistent implementation of the sCore strategy and the continuing high level of inflation largely resulted in sales increases at the group companies. However, they did not lead to higher licence income for METRO AG for all countries. In the segment East, a deferred payment for previous years compensated for the expired licence income from China.

As in the previous year, the management holding generated a nearly neutral overall result. However, the investment result was substantially improved through dividends and profit transfers. The sale of parts of the METRO Campus as well as exchange rate gains on intra-group liabilities contributed to this.

While the dividend proposal is generally based on the earnings per share reported in the consolidated financial statements, the income statement and balance sheet from the Annual Financial Statements of METRO AG are presented below in accordance with the provisions of the German Commercial Code (HGB).

Earnings position of METRO AG and profit appropriation

Income statement for the financial year from 1 October 2022 to 30 September 2023 according to the German Commercial Code (HGB)

€ million	2021/22	**2022/23**
Sales revenues	399	**379**
Other operating income	478	**541**
Cost of services purchased	−47	**−47**
Personnel expenses	−140	**−127**
Depreciation/amortisation/impairment losses on intangible and tangible assets	−48	**−43**
Other operating expenses	−624	**−698**
Investment result	−276	**379**
Net financial result	−28	**−93**
Income taxes	−6	**−12**
Earnings after taxes	**−292**	**279**
Other taxes	−2	**−4**

€ million	2021/22	2022/23
Net profit or loss (+)/net loss for the year (−)	**−294**	**275**
Retained earnings from the previous year	0	**0**
Withdrawal from the capital reserve	294	**0**
Adjustments of the reserves retained from earnings	0	**−70**
Balance sheet profit	**0**	**205**

METRO AG essentially acts as a licensor and as a service provider for the operating METRO national subsidiaries and invoices them within the framework of the transfer pricing system. Services include operational services (consulting services), holding company services as well as services related to the development and operation of various in-house IT solutions. These services are also provided to former subsidiaries on a temporary basis.

In the reporting period, METRO AG settlement amounts of €379 million are reported as sales revenues. They are broken down into €307 million for settlement amounts received in the form of licensing fees for the METRO and MAKRO brands as well as €72 million relating to IT and business services.

The item other operating income consists mainly of settlement amounts for services sold to current and temporarily also former subsidiaries that are not classified as sales revenues.

In its function as the central management holding company, METRO AG has commissioned services from group companies as well as third-party companies, primarily for IT services. To the extent such expenses are related to sales revenues, they are recognised as cost of services purchased; otherwise, they are recognised as other operating expenses.

On average, METRO AG employed 677 people in the 4 quarters of financial year 2022/23 (full-time equivalents; 2021/22: 696). Personnel expenses are €13 million lower than previous year's level.

Depreciation and amortisation in the amount of €40 million are attributable to scheduled depreciation on the rights of use for the METRO and MAKRO brands and otherwise relate to scheduled depreciation of other fixed assets.

The investment result includes income from profit and loss transfer agreements in the amount of €366 million (2021/22: €200 million), which primarily relates to cash-and-carry companies as well as cross-section entities. In this context, METRO Cash & Carry International benefited from exchange rate gains from intra-group liabilities denominated in roubles, following significant losses in the previous year. Investment income in the amount of €204 million (2021/22: €50 million) related to the real estate sector. Losses in the amount of €118 million (2021/22: €566 million) were assumed, primarily from the Real Estate and DISH Digital Solutions sectors. Impairments and reversals of impairments on investments of €73 million related to cash-and-carry companies and one real estate company.

The financial result amounted to €−93 million due to increased interest expenses.

The net profit for the year was €275 million.

Financial position of METRO AG

Capital structure

Equity and liabilities

€ million	30/9/2022	30/9/2023
Equity		
Share capital	363	**363**
Capital reserve	4,754	**4,754**
Reserves retained from earnings	8	**78**
Balance sheet profit	0	**205**
	5,125	**5,400**
Provisions	**575**	**491**
Liabilities		
Bonds	1,201	**926**
Liabilities to banks	2	**66**
Liabilities to affiliated companies	2,701	**2,726**
Miscellaneous liabilities	37	**27**
	3,941	**3,745**
Accrued income and expenses	**48**	**20**
	9,689	**9,656**

The equity ratio increased from 53% to 56%. Otherwise, the structure of equity and liabilities has not materially changed. Repayment of maturing bonds led to a reduction of cash and cash equivalents as well as a temporary increase in liabilities to banks. Liabilities to affiliated companies primarily relate to current financial investments of subsidiaries as well as loss compensation obligations.

Asset position of METRO AG

Assets

€ million	30/9/2022	30/9/2023
Non-current assets		
Intangible assets	765	**724**
Property, plant and equipment	1	**1**
Financial assets	8,179	**8,115**
	8,945	**8,840**
Current assets		
Receivables and other assets	481	**782**
Cash on hand, bank deposits and cheques	256	**27**
	737	**809**
Prepaid expenses and deferred income	**7**	**7**
	9,689	**9,656**

The right to use the METRO and MAKRO brands, which is recognised under intangible assets, is subject to scheduled amortisation and amounts to €720 million. Financial assets consist mainly of shares in affiliated companies and essentially include the shares in the holding company for wholesale companies (€6,855 million), in real estate companies (€789 million) and in service providers (€470 million). Receivables and other assets include higher receivables from profit and loss transfer and dividends.

Risk situation of METRO AG

Since METRO AG is largely linked to the companies of the METRO group, among other things through financing and guarantee commitments as well as through direct and indirect investments in the investee, the risk situation of METRO AG significantly corresponds to the risk situation of the METRO group. The statements regarding the overall assessment of the risk situation by management also apply as a summary of the risk situation of METRO AG. All risks of the group companies that affect their long-term earnings situation have an indirect impact on the valuation of the shares in affiliated companies for METRO AG, in each case with additional consideration of currency exchange rates for companies located outside the Eurozone.

Outlook of METRO AG

In its function as the management holding company, METRO AG is highly dependent on the development and dividend distribution policies of its shareholdings. Assuming stable exchange rates, we anticipate that the development of income from licensing and services in conjunction with continued strict cost management as well as a positive investment result will lead to a positive net profit being reported again in the coming financial year 2023/24, although this will be noticeably below the previous year's level due to lower effects from the sale of companies and properties and currency developments in the investment portfolio.

Planned investments of METRO AG

Within the setting of the implementation of investments by the METRO group, METRO AG will support the group companies through increases in shareholdings or loans, if necessary. In addition, investments in shareholdings in affiliated companies may result from intra-group share transfers.

Declaration on corporate management

The combined declaration on corporate management pursuant to §§ 289f and 315d of the German Commercial Code (HGB) of METRO AG and the group is permanently available to the public on the company’s website (www.metroag.de) in the section About us – Corporate Governance.

Declaration pursuant to § 312 of the German Stock Corporation Act (AktG)

The Management Board of METRO AG has prepared a report on relationships with affiliated companies for financial year 2022/23 pursuant to § 312 of the German Stock Corporation Act (AktG) and has issued the following statement at the end of the report:

‘The Management Board of METRO AG declares that, in the reporting period, the company and the companies controlled by it – according to the circumstances known to the Management Board at the time the legal transactions were carried out or the measures were taken or omitted – received appropriate consideration for each of the reported legal transactions. There were no other reportable legal transactions in the reporting period. Measures were neither taken nor omitted in the reporting period.’

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

for the financial year from 1 October 2022 to 30 September 2023

€ million	Note no.	2021/22	2022/23
Sales revenues	1	**29,754**	**30,551**
Cost of sales		−24,715	**−25,669**
Gross profit on sales		**5,039**	**4,883**
Other operating income	2	1,071	**1,088**
Selling expenses	3	−4,291	**−4,351**
General administrative expenses	4	−964	**−892**
Other operating expenses	5	−443	**−132**
Impairment of financial assets	6	−7	**−12**
Income from companies accounted for using the equity method	7	24	**13**
Earnings before interest and taxes (EBIT)		**429**	**598**
Other investment result	8	15	**−38**
Interest income	9	32	**40**
Interest expense	9	−189	**−200**
Other financial result	10	−421	**209**
Net financial result		**−563**	**11**
Earnings before taxes (EBT)		**−134**	**609**
Income taxes	12	−196	**−170**
Profit or loss for the period		**−331**	**439**
Profit or loss for the period attributable to non-controlling interests		3	**0**
Profit or loss for the period attributable to the shareholders of METRO AG		−334	**439**
Earnings per share in € (basic = diluted)	**13**	**(−0.92)**	**(1.21)**

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

for the financial year from 1 October 2022 to 30 September 2023

€ million	Note no.	2021/22	2022/23
Profit or loss for the period		**−331**	**439**
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss	27	**108**	**−6**
Remeasurement of defined benefit pension plans		151	**−9**
Effects from the fair value measurements of equity instruments		−1	**1**
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		−42	**2**
Items of other comprehensive income that may be reclassified subsequently to profit or loss	27	**716**	**−769**
Currency translation differences from translating the financial statements of foreign operations and hyperinflation		716	**−768**
Effective portion of gains/losses from cash flow hedges		0	**−1**
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		0	**0**
Other comprehensive income	27	**824**	**−775**
Total comprehensive income	27	**493**	**−336**
Total comprehensive income attributable to non-controlling interests	27	3	**−1**
Total comprehensive income attributable to the shareholders of METRO AG	27	490	**−335**

BALANCE SHEET

as of 30 September 2023

Assets

€ million	Note no.	30/9/2022	30/9/2023
Non-current assets		**7,722**	**6,929**
Goodwill	17	647	**712**
Other intangible assets	17	572	**623**
Property, plant and equipment	18	5,735	**5,091**
Investment properties	19	172	**106**
Financial assets		84	**71**
Investments accounted for using the equity method		108	**97**
Other financial assets	20	100	**60**
Other non-financial assets	20	17	**18**
Deferred tax assets	21	287	**151**
Current assets		**5,132**	**4,718**
Inventories	22	2,455	**2,242**
Trade receivables	23	601	**674**
Financial assets		3	**1**
Other financial assets	20	588	**591**
Other non-financial assets	20	339	**347**
Entitlements to income tax refunds		102	**92**
Cash and cash equivalents	25	825	**591**
Assets held for sale	26	219	**180**
		12,855	**11,648**

Equity and liabilities

€ million	Note no.	30/9/2022	30/9/2023
Equity	**27**	**2,365**	**2,022**
Share capital		363	**363**
Capital reserve		4,754	**4,754**
Reserves retained from earnings		−2,774	**−3,106**
Equity before non-controlling interests		2,344	**2,011**
Non-controlling interests		21	**11**
Non-current liabilities		**3,813**	**3,526**
Provisions for post-employment benefits plans and similar obligations	28	360	**351**
Other provisions	29	163	**166**
Financial liabilities	30, 32, 42	3,065	**2,838**
Other financial liabilities	30, 33	39	**26**
Other non-financial liabilities	30, 33	33	**54**
Deferred tax liabilities		153	**90**
Current liabilities		**6,677**	**6,100**
Trade liabilities	34, 35	3,855	**3,667**
Provisions		316	**305**
Financial liabilities	30, 32, 42	1,059	**825**
Other financial liabilities	30, 33	896	**857**
Other non-financial liabilities	30, 33	283	**241**
Income tax liabilities		267	**205**
		12,855	**11,648**

STATEMENT OF CHANGES IN EQUITY

for the financial year from 1 October 2022 to 30 September 2023

€ million	Note no.	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Fair value measurement of equity and debt instruments	Currency differences from translating the financial statements of foreign operations and hyperinflation	Remeasurement of defined benefit pension plans	Share of other comprehensive income of associates/ joint ventures accounted for using the equity method	Income tax on components of other comprehensive income	Other reserves retained from earnings	Total reserves from earnings	Total equity before non-controlling interests	Non-controlling interests	Total equity
1/10/2021		**363**	**5,048**	**4**	**1**	**−938**	**−489**	**−9**	**106**	**−2,231**	**−3,557**	**1,854**	**21**	**1,875**
Earnings after taxes		0	0	0	0	0	0	0	0	−334	−334	−334	3	**−331**
Other comprehensive income		0	0	0	−1	716	150	0	−42	0	823	823	0	**824**
Total comprehensive income		**0**	**0**	**0**	**−1**	**716**	**150**	**0**	**−42**	**−334**	**490**	**490**	**3**	**493**
Capital increases		0	0	0	0	0	0	0	0	0	0	0	3	**3**
Dividends		0	0	0	0	0	0	0	0	0	0	0	−7	**−7**
Capital transactions with a change in the participation rate		0	0	0	0	0	0	0	0	−1	0	−1	1	**0**
Other changes		0	−294	0	0	0	136	0	−2	159	294	0	0	**0**
30/9/2022 / 1/10/2022	**27**	**363**	**4,754**	**5**	**0**	**−221**	**−203**	**−9**	**62**	**−2,406**	**−2,774**	**2,344**	**21**	**2,365**
Earnings after taxes		0	0	0	0	0	0	0	0	439	439	439	0	**439**
Other comprehensive income		0	0	−1	1	−768	−9	0	2	0	−774	−774	0	**−775**
Total comprehensive income		**0**	**0**	**−1**	**1**	**−768**	**−9**	**0**	**2**	**439**	**−335**	**−335**	**−1**	**−336**
Capital increases		0	0	0	0	0	0	0	0	0	0	0	0	**0**
Dividends		0	0	0	0	0	0	0	0	0	0	0	−6	**−6**
Capital transactions with a change in the participation rate		0	0	0	0	0	0	0	0	2	2	2	−3	**0**
Other changes		0	0	0	0	0	0	0	0	0	0	0	0	**0**
30/9/2023	**27**	**363**	**4,754**	**3**	**1**	**−989**	**−211**	**−9**	**64**	**−1,965**	**−3,106**	**2,011**	**11**	**2,022**

CASH FLOW STATEMENT[1]

for the financial year from 1 October 2022 to 30 September 2023

€ million	2021/22	2022/23
EBIT	429	**598**
Depreciation/amortisation/impairment losses/reversal of impairment losses of fixed assets excl. financial investments	975	**936**
Change in provision for pensions and other provisions	−6	**−61**
Change in net working capital	−155	**−70**
Income taxes paid (−)/received	−185	**−150**
Reclassification of gains (−)/losses (+) from the disposal of fixed assets	−141	**−209**
Lease payments	63	**61**
Other	−48	−384
Cash flow from operating activities	**931**	**721**
Acquisition of subsidiaries	−128	**−101**
Investments in property, plant and equipment and in investment property (excl. right-of-use assets)	−263	**−389**
Other investments	−151	**−160**
Investments in monetary assets	−7	**−3**
Disposals of subsidiaries	−44	**292**
Divestments	272	**317**
Disposal of financial investments	2	**1**
Cash flow from investing activities	**−320**	**−46**
Dividends paid		
to METRO AG shareholders	0	**0**
to other shareholders	−7	**−6**
Proceeds from borrowings	953	**3,493**
Redemption of borrowings	−1,655	**−3,672**
Lease payments	−572	**−591**
Interest paid	−48	**−60**
Interest received	14	**34**
Other financing activities	7	**−17**
Cash flow from financing activities	**−1,308**	**−820**
Total cash flows	**−696**	**−145**
Currency effects on cash and cash equivalents	47	**−89**
Total change in cash and cash equivalents	**−649**	**−234**
Cash and cash equivalents as of 1 October	**1,474**	**825**
Cash and cash equivalents as of 30 September	**825**	**591**

[1] The cash flow statement is explained in no. 37 – notes to the cash flow statement.

NOTES

SEGMENT REPORTING[1]

€ million	Germany 2021/22	Germany 2022/23	West 2021/22	West 2022/23	Russia 2021/22	Russia 2022/23	East 2021/22	East 2022/23
External sales (net)	4,732	**4,897**	12,042	**12,573**	2,904	**2,510**	9,955	**10,359**
Internal sales (net)	18	**20**	5	**10**	34	**28**	1	**0**
Sales (net)	4,750	**4,917**	12,047	**12,583**	2,938	**2,538**	9,955	**10,360**
Adjusted EBITDA	167	**135**	576	**614**	231	**152**	417	**394**
Transformation costs (+)/ transformation gains (–)	0	**0**	125	**–1**	0	**0**	0	**–150**
Earnings contributions from real estate transactions	0	**0**	1	**5**	1	**0**	132	**0**
EBITDA	167	**135**	453	**620**	232	**152**	548	**544**
Depreciation/amortisation/ impairment	130	**122**	284	**299**	112	**129**	236	**170**
Reversals of impairment losses	0	**3**	0	**0**	0	**0**	2	**0**
EBIT	37	**16**	170	**322**	120	**23**	314	**374**
Investments	107	**91**	343	**562**	41	**60**	169	**237**
Non-current segment assets	850	**812**	2,510	**2,749**	1,108	**534**	1,711	**1,553**
Selling space (1,000 m^2)	852	**817**	1,314	**1,288**	683	**659**	1,518	**1,359**
Locations (number)	102	**102**	233	**230**	93	**93**	233	**200**

[1] Segment reporting is explained in no. 38 – Segment reporting.

€ million	Others 2021/22	Others 2022/23	Consolidation 2021/22	Consolidation 2022/23	METRO total 2021/22	METRO total 2022/23
External sales (net)	122	**213**	0	**0**	29,754	**30,551**
Internal sales (net)	1,074	**1,242**	–1,132	**–1,300**	0	**0**
Sales (net)	1,196	**1,454**	–1,132	**–1,300**	29,754	**30,551**
Adjusted EBITDA	–1	**–131**	–2	**10**	1,389	**1,174**
Transformation costs (+)/transformation gains (–)	–2	**–2**	0	**0**	123	**–153**
Earnings contributions from real estate transactions	3	**203**	0	**0**	137	**208**
EBITDA	5	**74**	–2	**10**	1,403	**1,534**
Depreciation/amortisation/impairment	215	**219**	0	**0**	977	**939**
Reversals of impairment losses	0	**0**	0	**0**	2	**3**
EBIT	–210	**–145**	–2	**10**	429	**598**
Investments	275	**197**	0	**0**	935	**1,147**
Non-current segment assets	1,066	**963**	–2	**–2**	7,243	**6,609**
Selling space (1,000 m^2)	0	**0**	0	**0**	4,366	**4,122**
Locations (number)	0	**0**	0	**0**	661	**625**

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 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS).

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

The date at which the Management Board of METRO AG signed the financial statement (7 December 2023) also represents the date at which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

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

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

Individual items in the income statement and the balance sheet have been combined to increase transparency and informative value. Business transactions are offset in the income statement when this presentation reflects the substance of the transaction. These items and transactions are explained separately in the notes.

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

The following chapters of these notes to the consolidated financial statements show the accounting and measurement methods that were used in the preparation of the consolidated financial statements.

Application of new accounting methods and first-time adoption of accounting standards

International Financial Reporting Standards (IFRS) applied for the first time in financial year 2022/23

The following amendments to IFRS adopted by the International Accounting Standards Board (IASB) were applied for the first time in these consolidated financial statements, as they were binding for METRO AG in financial year 2022/23. The initial application of these amendments has no material impact on the consolidated financial statements:

- Amendments to IFRS 1 – Annual Improvements to IFRS Standards 2018–2020 (subsidiary as a first-time adopter)
- Amendments to IFRS 3 – Business Combinations (amendments to reference to the conceptual framework)
- Amendments to IFRS 9 – Annual Improvements to IFRS Standards 2018–2020 (determination of fees in the '10 per cent' test for derecognition of financial liabilities)
- Amendments to IFRS 16 – Annual Improvements to IFRS Standards 2018–2020 (amendment to illustrative example 13 accompanying IFRS 16 (Leases) with regard to lease incentives)
- Amendments to IAS 16 – Property, Plant and Equipment (proceeds before intended use)
- Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (onerous contracts – cost of fulfilling a contract)
- Amendments to IAS 41 – Annual Improvements to IFRS Standards 2018–2020 (consideration of tax payments in measuring the fair value of a biological asset)
- Amendments to IAS 1 – Presentation of Financial Statements (disclosure of accounting policies)/early application of the Amendment to IAS 1 in the current annual report

Accounting standards that were published but are not yet applied in financial year 2022/23

A number of other standards and interpretations amended or newly issued by the IASB were not yet applied by METRO in financial year 2022/23 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 IAS 12	Pillar 2 – a temporary exception from accounting for deferred taxes arising from the implementation of the rules for Pillar 2	Immediately	1/10/2023	Yes
Amendments to IAS 12	Pillar 2 – targeted disclosures in the notes	1/1/2023	1/10/2023	Yes
Amendments to IFRS 17	Insurance Contracts (initial application of IFRS 17 and IFRS 9 – comparative information)	1/1/2023	1/10/2023	Yes
IFRS 17	Insurance Contracts[4] – including adopted amendments to the standard	1/1/2023	1/10/2023	Yes
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (definition of accounting estimates)	1/1/2023	1/10/2023	Yes
Amendments to IAS 12	Income Taxes (deferred tax related to assets and liabilities arising from a single transaction)	1/1/2023	1/10/2023	Yes
Amendments to IAS 1	Presentation of Financial Statements (classification of liabilities as current or non-current)	1/1/2024	1/10/2024	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 November 2023.

Standard/ Interpretation	Title	Effective date according to IFRS[1]	Application at METRO AG from[2]	Endorsed by EU[3]
Amendments to IAS 1	Classification of Non-Current Liabilities with Covenants	1/1/2024	1/10/2024	No
Amendments to IFRS 16	Leases (accounting of leasing liabilities in sale-and-leaseback transactions)	1/1/2024	1/10/2024	Yes
Amendments to IAS 7	Statement of Cash Flows (new disclosure requirements for reverse-factoring arrangements)	1/1/2024	1/10/2024	No
Amendments to IFRS 7	Financial Instruments: Disclosures (new disclosure requirements for reverse-factoring arrangements)	1/1/2024	1/10/2024	No
Amendments to IAS 21	Currency Translation: Lack of Exchangeability	1/1/2025	1/10/2025	No
Amendments to IFRS 10/IAS 28	Consolidated Financial Statements/Investments in Associates and Joint Ventures (amendment: sale or contribution of assets between an investor and its associate or joint venture)	Unknown	Unknown	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 November 2023.

Effect of the additional IFRS amendments

The first-time application of the standards listed in the table above as well as amendments to IFRS is not expected to have a material impact on the group’s asset, financial and earnings position.

Consolidation principles

The financial statements of German and foreign subsidiaries included in the consolidated accounts are prepared using consistent accounting and valuation principles 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 accordance with IFRS 3 (Business Combinations), capital consolidation is effected using the purchase method.

Non-controlling interests are initially measured at their proportional share in the identifiable net assets of the acquired company as of the date of acquisition.

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. Income from investments in associates, joint ventures and joint operations in the income statement is recognised in earnings before interest and taxes (EBIT).

Any deviating accounting and measurement methods used in the financial statements of entities accounted for by applying the equity method are retained as long as they do not substantially contradict METRO’s uniform accounting and measurement methods.

Currency translation

Foreign currency transactions

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

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

Hyperinflation

As of June 2022, Turkey is classified as a hyperinflationary economy in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) due to its high rates of inflation.

METRO has reassessed the quantitative and qualitative criteria of IAS 29 (Financial Reporting in Hyperinflationary Economies) in financial year 2022/23. The cumulative inflation of the last 3 years as a quantitative criterion still exceeds the value of 100%.

IAS 29 requires the financial statements of a company whose functional currency is the currency of a hyperinflationary economy to be converted into the currently applicable purchasing power unit at the end of the reporting period. METRO has subsidiaries in Turkey whose functional currency is the Turkish lira. For these subsidiaries with the functional currency of a hyperinflationary economy, IAS 21.43 requires that the financial statements be restated in accordance with IAS 29 as of 30 September 2023 before being included in the consolidated financial statements. The adjustments were made for the full reporting period as follows:

- Increase in the carrying amounts of non-monetary assets and liabilities as well as equity based on the development of the general price index.
- The effects from the indexation of the current year were recognised in the other financial result. The adjustment in the area of non-monetary assets at METRO mainly affects property, plant and equipment and, to a lesser extent, inventories.
- As a result of the increases in the carrying amounts of property, plant and equipment (including right-of-use assets) and inventories, there are also indirect increases in scheduled depreciation and costs of sales.
- Indexation of all items in the statement of comprehensive income for financial year 2022/23 from the date at which the respective expense and income items were first recognised until the closing date, to reflect a price index that is current at the closing date.

The carrying amounts of the non-monetary assets and liabilities as well as the statement of comprehensive income are converted into the purchasing power valid at the closing date using the cumulative consumer goods price index of the Turkish Statistical Institute.

The index value applied at the closing date was 1,691.04 (30/9/2022: 1,046.89). The index change on an annual basis was 61.53%.

The exchange rate at the closing date as of 30 September 2023 was used to convert the financial statements of the Turkish companies into the reporting currency euro for all items.

Foreign operations

The annual financial statements of foreign subsidiaries are prepared according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates) and translated into euros for consolidation purposes in case their functional currency is a currency other than the euro. 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.

The following exchange rates being of major significance for METRO were applied in the translation of key currencies outside the European Monetary Union. The rates are generally based on ECB information. In the absence of a rate provided by the ECB, the quotation of the Russian Central Bank was used for conversion of the Russian rouble.

		Average exchange rate per €		Closing date exchange rate per €	
		2021/22	**2022/23**	30/9/2022	**30/9/2023**
Bulgarian lev	BGN	1.95583	**1.95583**	1.95583	**1.95583**
Czech koruna	CZK	24.81236	**23.97181**	24.54900	**24.33900**
Hungarian forint	HUF	379.38342	**389.04822**	422.18000	**389.50000**
Indian rupee	INR	83.17465	**87.85357**	79.42500	**88.01650**
Pakistani rupee	PKR	207.61483	**283.33879**	223.06640	**305.36810**
Polish zloty	PLN	4.65803	**4.61973**	4.84830	**4.62830**
Romanian leu	RON	4.93848	**4.93484**	4.94900	**4.97350**
Russian rouble	RUB	78.62344	**83.79290**	55.40640	**103.16310**
Turkish lira	TRY	18.08410	**29.05140**	18.08410	**29.05140**
Ukrainian hryvna	UAH	32.31038	**39.02932**	35.63610	**38.74080**

Income statement

Recognition of income and expenses

Net sales are recognised in accordance with IFRS 15 (Revenue from Contracts with Customers) when the respective performance obligations have been satisfied by transferring goods to wholesale customers or providing services. The goods are deemed to have been transferred at the time at which the customer gains control over them. This applies to store-based retail and the delivery business (Food Service Distribution, FSD) as well as to the online business. 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 satisfying the performance obligation. Revenue is recognised in the amount of the consideration received or expected to be received in exchange for the goods or services.

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

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

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

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

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

Interest expense on borrowings that is directly attributable to the acquisition or production of a so-called qualified asset represents an exception to the recognition of interest through profit or loss, as it is 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.

Balance sheet

Goodwill

Goodwill is regularly tested for impairment once a year on 30 June – or more frequently if there are indications for a possible impairment. If an impairment occurred, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a cash-generating unit – specifically, this is generally the organisational unit per country – is compared to the corresponding carrying amount of the cash-generating unit. The recoverable amount is the higher of its value in use and its fair value less costs of disposal. It is calculated from discounted future cash flows and the level 3 input parameters of the fair value hierarchy. An impairment of the goodwill allocated to a cash-generating unit occurs only if the recoverable amount is lower than the total amount of the unit's relevant carrying amount. No reversal of an impairment loss is recognised if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets

Purchased other intangible assets are recognised at cost of purchase. In accordance with IAS 38 (Intangible Assets), internally generated intangible assets are recognised at their production cost. The production costs include all expenditures directly attributable to the development process, unless they are explicitly excluded from being a component of the cost of an internally generated intangible asset.

Borrowing costs within the meaning of IAS 23 are generally not factored into the determination of production costs because the relevant criteria for a so-called qualified asset are not met.

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

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

Property, plant and equipment

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

Property, plant and equipment are solely depreciated on a straight-line basis. Throughout the group, depreciation is based on the following expected useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years, or shorter lease term
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

In a few justified exceptional cases, the expected useful life of buildings is 40 years.

Capitalised costs of dismantling and removing are depreciated over the expected useful life of the asset.

According to IAS 36 (Impairment of Assets), an impairment test will be carried out if there are any indications of impairment of property, plant and equipment or of a cash-generating unit (CGU). Impairment losses are recognised if the recoverable amount is less than its carrying amount. If the reasons for the impairment have ceased to exist, impairment losses are reversed up to the amount of amortised acquisition or production costs had no impairment loss been recognised in previous periods.

Investment properties

Analogous to property, plant and equipment, investment properties are recognised at acquisition or production costs less depreciation and, if required, impairment losses (cost model). Owned investment properties are depreciated using the straight-line method, considering an expected useful life of 15 to 33 years. Investment properties where rights of use are involved are depreciated on a straight-line basis over a useful life of 5 to 15 years. In addition, the fair value of these real estates is determined based on accepted valuation methods, taking into account project development opportunities. The fair values are disclosed in the notes.

Financial assets

Unless associates 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 IFRS 9 (Financial Instruments).

Financial assets are recognised in the consolidated balance sheet when METRO becomes a contractual party to a financial instrument. Recognition is effected at the trade date. Financial assets are derecognised if the contractual rights to payments from the financial assets no longer exist or the financial assets with all material risks and rewards are transferred to another party and METRO cannot control the financial assets after the transfer. When the uncollectability of receivables is finally determined, they are derecognised.

Financial assets are measured at fair value upon initial recognition. In doing so, 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.

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. All reasonable and reliable information is considered for determination of the impairment rates, including forward-looking information, which is taken into account by including a projected index based on macroeconomic developments. However, if there is objective evidence that contractually agreed cash flows of a financial asset are likely to partially or completely default, they are recorded as specific bad debt allowances. If these indications cease to exist, impairment losses are reversed up to the amount of the carrying amount that would have resulted if no default event had occurred. METRO determines the expected losses on trade receivables using the so-called simplified approach by using a provision matrix structured according to various (past-due) maturities. Expected losses for other financial assets are determined in accordance with the so-called general approach. Impairment losses are generally recognised in separate accounts.

Changes in the fair value of financial assets measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income and reclassified to the income statement when the assets are sold. Impairment losses on financial assets in the FVOCI category are determined in the same way as impairment losses on financial assets in the AC category and recognised in profit or loss.

In accordance with the provisions of IFRS 9, own equity instruments are either measured at fair value through profit or loss (FVPL) or at fair value through other comprehensive income without reclassification (FVOCInR).

As part of cash flow hedging, which continues to be accounted for in accordance with IAS 39, METRO hedges the exposure to variability in future cash flows. For this purpose, future 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 are removed from other comprehensive income and included in the initial cost of the other carrying amount of the asset or liability. In case the hedging transaction relates to financial assets, financial liabilities or future transactions, the changes in fair value of the hedging instrument are transferred from other comprehensive income to profit or loss in the reporting period in which the hedged item is recognised in the income statement. The term of the hedging instrument is aligned to coincide with the occurrence of the future transaction.

Other financial and other non-financial assets

Assets reported under other financial assets are generally recognised at cost of purchase less directly attributable transaction costs and measured at amortised cost. Impairment losses are determined for the reporting period in accordance with the general approach.

Other financial assets also include derivative financial instruments that are measured at fair value through profit or loss.

Deferred income presented pertains to transitorily items.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined using the asset-liability method.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available in the future to allow the corresponding benefit of that deferred tax asset to be realised.

Deferred tax assets and deferred tax liabilities are netted if these income tax assets and liabilities concern the same tax authority and refer to the same tax subject or a group of different tax subjects that are jointly assessed for income tax purposes. Deferred tax assets are remeasured at the end of each reporting period and adjusted if necessary.

Deferred taxes are determined on the basis of the tax rates expected in each country upon realisation. In principle, these are based on enacted laws or legislation that has been passed at the time of the closing date.

The assessment of deferred taxes reflects the tax consequence arising from METRO's expectations as of the 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 held as inventories is recognised at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions or by means of the weighted average cost method. Considerations from suppliers to be classified as a reduction in the cost of purchase are 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 attributable costs necessary to make the sale.

When the reasons for a write-down of the merchandise have ceased to exist, the previously recognised impairment loss is reversed.

Trade receivables

Trade receivables are recognised at amortised cost. For the reporting period, expected impairments determined on the basis of a provision matrix are taken into account. If there are further doubts about their recoverability, the trade receivables are recognised at the lower present value of the estimated future cash flows.

Income tax assets and liabilities

The income tax assets and liabilities presented relate to domestic and foreign income taxes for the reporting period as well as prior periods. They are determined in compliance with the tax laws of the respective country.

Income tax liabilities are calculated in accordance with IAS 12 and IFRIC 23. Recognition and measurement requires estimates and assumptions to be made, for example whether an estimate is made separately or together with other uncertainties, whether a probable or expected value for the uncertainty is used, and whether changes have occurred compared to the previous period. The detection risk is irrelevant for the accounting treatment of uncertain balance sheet items. Accounting is based on the assumption that the tax authorities will investigate the matter in question and that they have all relevant information at their disposal.

The group companies are subject to income taxes in various countries worldwide. In assessing the worldwide income tax assets and liabilities, the interpretation of tax regulations in particular may be subject to uncertainty. It cannot be ruled out that the respective tax authorities may have different views on the correct interpretation of tax regulations. Changes in assumptions about the correct interpretation of tax standards, for example due to changes in case law, are reflected in the accounting treatment of uncertain income tax assets and liabilities in the relevant financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cheques, cash on hand, bank deposits and other short-term liquid financial assets, such as accessible deposits on lawyer trust accounts or cash in transit, with an original term of up to 3 months. They are measured at their respective nominal values.

Non-current assets held for sale, liabilities related to assets held for sale and discontinued operations

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), an asset is classified as a non-current asset held for sale if the respective carrying amount will be recovered principally through a sale transaction rather than through continuing use. Analogously, liabilities related to assets held for sale are presented separately in the balance sheet. A sale must be feasible in practice and be planned for execution within the subsequent 12 months.

Employee benefits

Employee benefits include:

- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based payments
- Other long-term employee benefits

Short-term employee benefits include, for example, wages and salaries, social security contributions, paid annual leave and paid sick leave and are recognised as liabilities at the amount (to be) disbursed as soon as the associated job performance has been rendered.

Post-employment benefits are provided in the context of defined benefit or defined contribution plans. In the case of defined contribution plans, the obligation to make periodic contributions to an external pension provider is recognised as expenses for post-employment benefits at the same time as the beneficiaries provide their service. Missed payments or prepayments to the external pension provider are accrued or deferred 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 reports. 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 is presented as interest expenses as part of the financial result. Insofar as plan assets exist, the amount of the pension obligation is generally the result of the difference between the present value of defined benefit obligations and the fair value of the plan assets.

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are based on the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial reports in line with IAS 19. Actuarial gains and losses are recognised in the period in which they are incurred.

Termination benefits comprise severance payments to employees. They are recognised as liabilities through profit or loss when contractual or factual payment obligations towards the employee are to be made in relation to the termination of the employment relationship. Such an obligation exists when a formal plan for the early termination of the employment relationship is available to which the company is bound. Benefits with terms of more than 12 months after the reporting period are recognised at their present value.

The share bonuses granted under the share-based remuneration system are classified as cash-settled share-based payments in accordance with IFRS 2 (Share-based Payment). For these share-based payments, provisions are set up on a pro rata basis, measured at the fair value of the obligations entered into. The recognition of the provision follows a prorated approach over the underlying vesting period and is recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period based on an option pricing model. Provisions are adjusted accordingly through profit or loss.

The other long-term employee benefits include the future benefits earned by employees in exchange for work performed in the current and previous periods (such as long-term profit sharing). These benefits are recognised at their present value.

(Other) provisions

Long-term provisions with a term of more than 1 year are discounted to the closing date using an interest rate for matching maturities reflecting current market expectations regarding interest rate effects. Provisions with a term of less than 1 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 restructurings are recognised if a constructive obligation for restructuring has been formalised by means of adopting a detailed restructuring plan and its communication to those employees affected as of the closing date.

Recognition of warranty provisions that do not fall into the scope of IFRS 15 (Revenue from Contracts with Customers) is based on past warranty claims and the sales of the current financial year.

(Other) financial liabilities

In accordance with IFRS 9, financial liabilities are assigned to one of the following categories:

- At fair value through profit or loss
- Other financial liabilities

The initial recognition of financial liabilities and the subsequent measurement of financial liabilities at fair value through profit or loss are conducted in analogy to the corresponding guidance as it is applied to financial assets.

All other financial liabilities are presented as such. They are measured at their amortised cost using the effective interest method.

The fair value option according to IFRS 9 is not applied to financial liabilities at METRO.

The fair values provided for the financial liabilities in the notes have been determined on the basis of the interest rates prevailing at the closing date for the remaining terms and redemption structures.

A financial liability is derecognised only when it has expired or when the contractual obligations have been discharged or cancelled or have expired.

Trade liabilities

Trade liabilities are recognised at amortised cost.

Leases

Under IFRS 16, a contract is a lease or includes a lease when it conveys the right to use an identified asset for a specified period in exchange for a consideration.

Exercising of options

Various options are available to lessees. METRO did not make use of the option of creating a portfolio of leases with the same or similar characteristics for accounting and measurement purposes. However, METRO exercises the option to not apply the right-of-use approach to leases for which the underlying asset is of low value (mainly business and office equipment) or to short-term leases (maximum term of 12 months). Rental expenses for these assets are therefore recognised directly in the income statement.

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

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

METRO as lessee

The company recognises an asset with a right of use and a lease liability at the inception of the lease. The right of use is initially measured at cost, which is the initial amount of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initially incurred direct costs, less any incentives received. The right of use is subsequently amortised on a straight-line basis over the shorter lease term or the useful life of the underlying asset. The lease liability is initially measured at the present value of the lease payments, which are discounted at the interest rate inherent in the lease agreement; if this interest rate cannot be readily determined, they are discounted at the incremental borrowing rate that the company would have to pay for borrowing funds to acquire an asset of similar value in a similar economic environment. To determine the incremental borrowing rate, METRO uses country- and currency-specific reference interest rates based on risk-free rates with matching maturities, plus the credit risk premium. This is determined for each country on a quarterly basis and is broken down by maturity.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if the future lease payments change as a result of a change in the index or interest rate, if the company’s estimate of the amount expected to be payable under a residual value guarantee changes, or if the company changes its assessment of whether it will exercise a purchase, renewal or termination option. Extension and termination options are included in a significant number of leases in all asset classes of METRO. Extension options (or termination options) are included in the term of the lease if their exercise (or non-exercise in the case of termination options) is sufficiently certain. In determining the lease term, management takes into account all facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option. Examples of facts and circumstances include the terms of the lease for the optional periods compared to market conditions, significant improvements to the leases, costs associated with terminating the lease contract and the significance of the underlying asset to METRO's operations. The measurement is reviewed if a significant event or significant change in circumstances occurs that affects this measurement.

Rights of use are recognised in the balance sheet under property, plant and equipment. Rights of use that meet the definition of investment property are included under investment properties and are recognised separately in the financial statements. Lease liabilities are included in financial liabilities.

In the cash flow statement, the company has classified the redemption of lease payments and the interest portion within financing activities. Lease payments are divided into a redemption and an interest portion and are included in the cash flow statement in the line lease disbursements. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

METRO as lessor

If the company is the lessor in a sublease, it determines at the inception of the lease whether each lease is a finance lease or an operating lease. To classify each lease, the company makes an overall assessment of whether the lease generally transfers all the risks and benefits associated with ownership of the underlying asset. If this is the case, the lease is a finance lease; otherwise, it is an operating lease. As part of this assessment, the company considers certain indicators, for example whether the lease covers most of the lease term of the main lease of the asset.

If the lease is a finance lease, the corresponding interest income from leases is recognised in cash flow from operating activities.

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

Other

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 hedge accounting relationship are measured at fair value in accordance with IFRS 9 and presented under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms and conditions, including the credit margin or stock exchange prices applicable to METRO where appropriate – in this respect, the average rate at the closing date is used. Where no stock exchange prices can be used, the fair value is determined by means of accepted financial models.

In case of effective hedge accounting transactions in accordance with IAS 39, the effective portion of the change in the derivative used as hedging instrument is recognised in other comprehensive income as part of the cash flow hedges. A transfer to the income statement is – in general – only processed when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is immediately reported in profit or loss.

Considerations from suppliers

Depending on the underlying circumstances, considerations from suppliers are recognised as a reduction in the cost of purchase, a reimbursement of own costs or a payment for services rendered. Considerations from suppliers are deferred at the closing date insofar as they have been contractually agreed and their collection is likely to be realised. For supplier remunerations of METRO's costs linked to calendar year targets, the considerations from suppliers included in the financial statement are based on appropriate extrapolations.

Estimates and assumptions, management judgement

War in Ukraine

The war in Ukraine and the resulting consequences, such as the energy crisis and inflation, continued to have a significant impact on the consolidated financial statements in financial year 2022/23. METRO is represented in both Ukraine and Russia.

Estimates and assumptions

The preparation of these consolidated financial statements was based on estimates and assumptions, taking into account the changes in the business environment described above, which affected the disclosure and amount of assets and liabilities, income and expenses and contingent liabilities. Estimates and underlying assumptions with major effects were particularly made in connection with the war in Ukraine with respect to the following situations:

- Impairment testing of assets with and without a definite useful life, including goodwill, brand rights with indefinite useful lives, and customer bases, if necessary including a sensitivity analysis.
- Recoverability of receivables – in particular trade receivables and receivables due from suppliers.
- Measurement of inventories, particularly with regard to write-downs to lower net realisable values.

For METRO Russia and METRO Ukraine, goodwill was already fully impaired as of 31 March 2022.

Additionally, in the previous year, impairment losses between 50% and 100% of the remaining carrying amount were recognised on tangible assets in stores in Ukraine that are geographically close to the crisis areas and whose sales and earnings expectations have collapsed significantly. Markets in Russia were analysed and impaired as needed on the basis of current earnings expectations and real estate measurements. After impairment, the carrying amount corresponds to the recoverable amount.

The valuation of inventories and receivables considered risk provisions that were in line with the current business environment.

In addition to the issues resulting from the war in Ukraine, valuation adjustments may especially arise for the following items within the next financial year:

- Assets with and without a definite useful life, including goodwill, brand rights with indeterminable useful lives, and customer bases. Meanwhile, short-term declines in earnings have no impact on the existing carrying amounts of goodwill (no. 17 – goodwill and other intangible assets and no. 18 – property, plant and equipment).

Further valuation adjustments may arise for the following items:

- For the valuation of receivables, increased specific bad debt allowances have been made since the beginning of the war in Ukraine, particularly in units with longer payment terms and a high exposure to the HoReCa sector. Furthermore, the future element was reflected in a risk-adequate amount as part of the general risk provisioning in accordance with IFRS 9 (no. 23 – trade receivables). For the risk assessment, the consequences of the war in Ukraine, such as the energy crisis and inflation, are continuously monitored under the current political environment.
- Pension provisions (no. 28 – provisions for post-employment benefits plans and similar obligations)

Management judgement

Information on the key judgemental decisions that materially affected the amounts reported in these consolidated financial statements relates to the following circumstances or note disclosures:

- Determination of lease terms, taking into account relevant facts and circumstances relating to economic incentives affecting the likelihood of tenants exercising renewal options or not exercising termination options, as well as determination of the incremental borrowing rate (no. 42 – leases)

CAPITAL MANAGEMENT

The aim of the capital management strategy of METRO is to secure the company's business operations to continue, to increase the value of the company, to create solid capital resources to finance future growth and to provide for attractive dividend payments and capital service.

The capital management strategy of METRO has remained unchanged compared with the previous year.

Equity, liabilities and net debt in the consolidated financial statements

€ million	30/9/2022	30/9/2023
Equity before non-controlling interests	**2,344**	**2,011**
Liabilities	**10,490**	**9,625**
Net debt	**3,281**	**3,051**
Financial liabilities	4,124	**3,663**
thereof liabilities from leases	(2,847)	**(2,621)**
Cash and cash equivalents	825	**591**
Current financial investments[1]	19	**21**

1 Shown in the balance sheet under other financial assets (current).

The cash of our Russian group companies amounts to €101 million (30/9/2022: €119 million). They are constantly monitored for relevant restrictions in light of increased governmental interventions. In addition, €81 million (30/9/2022: €108 million) of the liabilities from leases are attributable to the Russian national subsidiaries.

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 2022/23, all external capital requirements were met. This includes, for example, adherence to a defined level of indebtedness and a fixed equity ratio.

CONSOLIDATION GROUP AND INVESTMENTS

Consolidation group and investments

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, 106 German (30/9/2022: 112) and 171 international (30/9/2022: 172) companies are included in the consolidated financial statements.

The consolidation group changed as follows in financial year 2022/23:

As of 1/10/2022	284
Changes in financial year 2022/23	
Companies merged with or added to other consolidated subsidiaries	−8
Disposal of shares	−2
Liquidations	−4
Newly founded companies	3
Acquisitions	4
As of 30/9/2023	**277**

Disclosures on shareholdings of METRO AG and the METRO group, which are a part of these financial statements, are made in an appendix to the notes. This is included in the accounting documents submitted to the Company Register and can also be found at https://www.metroag.de/shareholdings.

Pursuant to § 264 Section 3 or § 264b of the German Commercial Code (HGB), some consolidated subsidiaries are exempt from the obligation to comply with the supplementary accounting, auditing and/or disclosure requirements which apply to corporations and certain partnerships. These are marked accordingly in the appendix to the notes with the disclosures on shareholdings of METRO AG and the group.

Notes to the Business Combinations

Johan i Hallen & Bergfalk (JHB)

Under the purchase contract dated 3 May 2023, METRO acquired 100% of the shares in the following companies as of 10 May 2023:

- JOHBECO AB, Sweden
- Johan i Hallen & Bergfalk AB, Sweden
- Johan i Hallen & Bergfalk Oy, Finland

The preliminary purchase price paid exclusively in cash amounts to approximately €0.1 billion.

JHB is the leading speciality provider of meat, fish and seafood, and uses the expertise of its more than 350 employees to deliver to over 4,000 customers in Sweden and Finland, primarily in the HoReCa sector. More than 50% of sales stem from the company's own processing of meat and fish. JHB is a substantial complement to METRO's existing FSD portfolio and provides access to one of the largest food service markets in Europe.

The initial consolidation was based on the monthly financial statements as of 30 April 2023, adjusted for material transactions. JHB is part of the segment West.

The fair values of the acquired assets and liabilities assumed as of the acquisition date were as follows:

Acquired assets and liabilities

€ million	
Assets	**111**
Other intangible assets	**65**
Property, plant and equipment	**13**
Deferred tax assets	**2**
Inventories	**9**
Trade receivables	**16**
Financial assets	**1**
Other non-financial assets (current)	**1**
Cash and cash equivalents	**5**
Liabilities	**69**
Borrowings (non-current)	**7**
Deferred tax liabilities	**16**
Trade liabilities	**12**
Borrowings (current)	**26**
Other financial liabilities (current)	**4**
Other non-financial liabilities (current)	**2**
Income tax liabilities	**1**

The licence price analogy method was used to determine the fair values of the acquired brand rights. The acquired customer relationships were measured using the residual value method, with the deduction of such cash flows that are associated with supporting assets.

The gross amount of trade receivables is €17 million, of which €1 million was assessed as probably uncollectible at the time of the acquisition.

Costs of €1 million were incurred in connection with the transaction and are included in administrative expenses.

With regard to the determination of the purchase price, the initial consolidation of JHB should be considered to be preliminary. The acquisition of JHB resulted in preliminary goodwill of €65 million, which is mainly attributable to the future earnings potential as well as the expected synergy effects. The recognised goodwill is not deductible for tax purposes.

Since its initial consolidation on 10 May 2023, JHB has contributed €77 million to METRO's sales and €2 million to profit or loss for the period.

Assuming that the acquisition had taken place on 1 October 2022, JHB would have contributed €176 million to METRO's group sales and reduced its group profit or loss for the period by €4 million.

Disposals of subsidiaries

Sale of the business in India

On 22 December 2022, METRO signed an agreement to sell METRO India to Reliance Retail Ventures Limited (Reliance). Due to the increasing level of market consolidation, the accelerated digitalisation and the intense competition, the business of METRO India no longer aligns with METRO's sCore growth strategy. The sale of METRO India, including all 31 wholesale stores and the entire real estate portfolio (6 store locations), to Reliance was successfully concluded on 11 May 2023.

METRO AG is providing certain transitional services and licences as part of the transaction to enable the new owner to operate the business.

As a result of their classification as assets and liabilities held for sale, after consolidation measures carried out as of the date of deconsolidation, €303 million was recognised under the item assets held for sale in the consolidated balance sheet and €238 million was recognised under the item liabilities related to assets held for sale.

Based on the monthly financial statements as of 30 April 2023, the assets and liabilities disposed of as part of the deconsolidation consist of the following:

Disposed assets and liabilities

€ million	
Assets	**303**
Other intangible assets	1
Property, plant and equipment	171
Financial assets	9
Other financial assets (non-current)	2
Other non-financial assets (non-current)	3
Inventories	60
Trade receivables	5
Other financial assets (current)	11
Other non-financial assets (current)	18
Income tax assets	2
Cash and cash equivalents	21
Liabilities	**238**
Provisions for post-employment benefits plans and similar obligations	3
Borrowings (non-current)	103
Trade liabilities	45
Borrowings (current)	73
Other financial liabilities (current)	7
Other non-financial liabilities (current)	7

Taking into account the outgoing cash and including the prepayment for use of the METRO brand, the preliminary net cash inflow for the disposed assets and liabilities amounts to €0.3 billion.

The positive EBITDA-effective earnings from the disposal of METRO India amounts to €150 million, including transaction costs. It is fully attributable to the segment East and is allocated to transformation gains as a portfolio measure.

The components of other comprehensive income from currency translation differences attributable to the shareholders of METRO AG still included in the equity of METRO India until the date of deconsolidation had an effect of €−44 million in the financial result due to the derecognition through profit or loss.

No expenses were incurred in conjunction with the valuation of the disposal group at fair value less costs of disposal.

Overview of the major fully consolidated group companies

Based on the amount of external group sales revenues, the following subsidiaries in particular are considered material. Furthermore, additional companies have strategic importance (for example METRO Markets GmbH, DISH Digital Solutions GmbH) or provide significant intra-group services (for example METRO Sourcing International Limited, METRO Properties GmbH & Co. KG, METRO Digital GmbH).

Name	Registered office	Group shares in % 30/9/2022 and 30/9/2023	Sales (€ million) 2022/23
METRO FRANCE S.A.S.	Nanterre, France	100.00	5,121
METRO Deutschland GmbH	Düsseldorf, Germany	100.00	4,597
METRO Cash & Carry OOO	Moscow, Russia	100.00	2,509
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	100.00	2,015
METRO Italia S.p.A.	San Donato Milanese, Italy	100.00	1,948
MAKRO DISTRIBUCION MAYORISTA, S.A.U.	Madrid, Spain	100.00	1,629
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	1,410
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,401

Overview of subsidiaries with significant non-controlling interests

The following table shows the financial information of METRO Cash & Carry Österreich GmbH, headquartered in Vösendorf, Austria, with a participation rate of non-controlling shareholders of 27%.

€ million	Non-controlling interests	Dividends paid[1]	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales	Profit shares[1]
30/9/2022	18	6	237	103	63	211	798	3
30/9/2023	**13**	**6**	**257**	**95**	**90**	**189**	**813**	**1**

1 Attributable to non-controlling interests.

Investments accounted for using the equity method

12 associates (30/9/2022: 12) and 8 joint ventures (30/9/2022: 8) are accounted for in the consolidated financial statements using the equity method. Due to the planned disposal, the shares in the associate WM Holding (HK) Limited are recognised and measured as assets held for sale.

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) and Košík Holding a.s. (closing date 31 March), all companies mentioned below 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.

	Habib METRO Pakistan		OPCI FWP		OPCI FWS		EKS Handelsgesellschaft		Miscellaneous	
€ million	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**	2021/22	**2022/23**
Disclosures on the income statement										
Sales revenues	11	**9**	19	**21**	18	**20**	82	**87**	132	**207**
Tax profit for the period from continuing operations	6	**5**	13	**14**	13	**13**	68	**73**	17	**−15**
Other comprehensive income	–	**–**	–	**–**	–	**–**	–	**–**	0	**0**
Total comprehensive income	6	**5**	13	**14**	13	**13**	68	**73**	17	**−15**
Dividend payments to the group	1	**0**	1	**1**	4	**4**	5	**6**	2	**2**
Disclosures on the balance sheet										
Non-current assets	28	**18**	257	**257**	248	**248**	–	**–**	–	**–**
Current assets	23	**18**	10	**10**	5	**5**	80	**77**	–	**–**
Non-current liabilities	5	**3**	97	**97**	93	**93**	–	**–**	–	**–**
Current liabilities	3	**2**	0	**0**	0	**0**	12	**4**	–	**–**
Net assets	44	**30**	170	**170**	160	**161**	69	**73**	–	**–**
Amount of the share (in %)	**40**	**40**	**5**	**5**	**25**	**25**	**15**	**15**	**–**	**–**
Share of the group in the net assets	18	**12**	9	**9**	40	**40**	5	**6**	–	**–**
Adjustment of asset values	10	**4**	–	**–**	–	**–**	−1	**−1**	–	**–**
Carrying amount of the share in the group	**28**	**16**	**9**	**9**	**40**	**40**	**4**	**5**	**28**	**27**

METRO’s representation on the supervisory board of OPCI FRENCH WHOLESALE PROPERTIES – FWP means that significant influence is maintained and equity accounting is appropriate, although the investment only amounts to 5%.

The investments accounted for using the equity method within the group are mainly associate and rental companies. The main purpose of the rental companies is to acquire, lease out and manage assets. The assets of these real estate companies are mainly leased by METRO companies.

NOTES TO THE INCOME STATEMENT

1. Sales revenues

Revenue is allocated to the following categories:

€ million	2021/22	2022/23
Store-based and other business	**23,299**	**23,342**
Germany	4,033	**4,042**
West	9,200	**9,296**
Russia	2,413	**2,031**
East	7,611	**7,870**
Others	43	**102**
Delivery sales	**6,386**	**7,099**
Germany	699	**855**
West	2,842	**3,276**
Russia	492	**478**
East	2,344	**2,490**
Others	10	**0**
METRO MARKETS sales	**69**	**110**
Total sales	**29,754**	**30,551**
Germany	4,732	**4,897**
West	12,042	**12,573**
Russia	2,904	**2,510**
East	9,955	**10,359**
Others[1]	122	**213**

[1] Including METRO MARKETS sales.

2. Other operating income

€ million	2021/22	2022/23
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	181	**232**
Gains from deconsolidation	1	**165**
Rents incl. reimbursements of incidental rental costs	154	**153**
Services rendered to suppliers	125	**122**
Other services	145	**118**
Income from logistics services	254	**97**
Miscellaneous	211	**201**
	1,071	**1,088**

The gains from the disposal of fixed assets and gains from the reversal of impairment losses include income in the amount of €209 million from the disposal of real estate (2021/22: €142 million), which mainly resulted from the sale of parts of the METRO Campus. The sale-and-leaseback income from this transaction amounted to €193 million (2021/22: €0 million). In addition, income in connection with leases of €16 million (2021/22: €34 million) was incurred. Income from reversals of impairment losses amounts to €3 million (2021/22: €2 million).

Gains from deconsolidation relates to the disposal of METRO India.

Logistics and other services, primarily consisting of advertising services, declined due to the discontinuation of the business with Real. Expenses from logistics services are recognised in other operating expenses and those from advertising services in selling expenses.

Other operating income includes income from compensation payments, income from the use of the METRO brand, cost allocations and a great number of insignificant individual items.

3. Selling expenses

Selling expenses include personnel expenses in the amount of €2,150 million (2021/22: €2,143 million) as well as cost of material in the amount of €2,201 million (2021/22: €2,148 million).

In the area of personnel expenses, wages and salaries increased in the current financial year, while lower restructuring expenses were incurred.

The increase in cost of material primarily results from increased energy prices. Furthermore, maintenance, travel and other transport costs as well as costs of payment transactions have increased. Moreover, depreciation of property, plant and equipment has also increased. This was countered by the decline in advertising costs.

4. General administrative expenses

General administrative expenses include personnel expenses in the amount of €483 million (2021/22: €568 million) as well as cost of material in the amount of €408 million (2021/22: €396 million).

The decline in personnel expenses for the current financial year primarily results from the decrease in variable payments as well as lower restructuring expenses.

In the previous year, personnel expenses had included the one-time expenses from the buyout of pension obligations in the United Kingdom.

5. Other operating expenses

Other operating expenses primarily include expenses from logistics services in the amount of €117 million (2021/22: €217 million). The expenses are offset by income from logistics services, which are reported under other operating income. Furthermore, losses of €10 million (2021/22: €28 million) were incurred from the disposal of fixed assets.

There were no expenses from deconsolidation (2021/22: €131 million) or impairment losses on goodwill (2021/22: €55 million) in the financial year.

6. Impairment of financial assets

The result from impairment of financial assets includes impairment losses on operational receivables from contracts with customers in the amount of €12 million (2021/22: €5 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.

7. Income from companies accounted for using the equity method

Of the income from companies accounted for using the equity method, €13 million (2021/22: €11 million) is attributable to the segment West, €0 million (2021/22: €11 million) to the segment Others and €0 million (2021/22: €1 million) to the segment East.

8. Other investment result

The other investment result includes the impact of the fair value measurement of investments in the amount of €−5 million (2021/22: €15 million). Dividends from investments amounted to €2 million (2021/22: €0 million).

It also includes the result from the fair value measurement of the shares in WM Holding (HK) Limited, which is held for sale, amounting to €−5 million (2021/22: €−114 million) as well as the related put option in the amount of €−30 million (2021/22: €114 million).

9. Net interest income/interest expenses

The interest result primarily includes interest from leases. Interest from financial instruments of the measurement categories according to IFRS 9 is included in interest income in the amount of €15 million (2021/22: €10 million) and in interest expenses in the amount of €47 million (2021/22: €37 million). 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 Euro Commercial Paper Programme) of €28 million (2021/22: €21 million) and for liabilities to banks of €15 million (2021/22: €11 million).

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), this also includes the measurement of foreign currency positions.

€ million	2021/22	**2022/23**
Other financial income	727	**1,030**
thereof currency effects	(252)	**(539)**
thereof hedging transactions	(131)	**(56)**
Other financial expenses	−1,148	**−821**
thereof currency effects	(−646)	**(−305)**
thereof hedging transactions	(−145)	**(−47)**
Other financial result	**−421**	**209**
thereof from financial instruments of the measurement categories according to IFRS 9	(−402)	**(278)**
thereof impairment losses on receivables from finance leases	(0)	**(−15)**
thereof cash flow hedges:		
ineffectiveness	(2)	**(−4)**

The total comprehensive income from currency effects and measurement results from hedging transactions and hedging relationships totalled €244 million (2021/22: €−408 million). The main reason for the positive development of the other financial result is the exchange rate development of the Russian rouble. As a result, positive largely non-cash income arose from intra-group items.

The effect from the application of financial reporting in hyperinflationary economies had a positive impact on the other financial result; income of €400 million (2021/22: €338 million) was offset by expenses of €383 million (2021/22: €304 million).

11. Net results according to measurement categories

The key effects of income from financial instruments are as follows:

2021/22

€ million	Investments	Interest	Fair value measurements	Currency translations	Disposals	Impairments	Other	Net result
Financial assets measured at amortised cost, incl. cash and cash equivalents	0	10	0	−332	0	−15	0	−337
Financial assets at fair value through profit or loss	129	0	−17	0	0	0	0	113
Equity instruments measured outside of profit or loss	0	0	0	0	0	0	0	0
Financial liabilities measured at amortised cost	0	−37	−17	−31	7	0	−4	−83
	129	**−27**	**−34**	**−363**	**7**	**−15**	**−4**	**−307**

2022/23

€ million	**Investments**	**Interest**	**Fair value measurements**	**Currency translations**	**Disposals**	**Impairments**	**Other**	**Net result**
Financial assets measured at amortised cost, incl. cash and cash equivalents	**0**	**14**	**0**	**256**	**0**	**−13**	**0**	**257**
Financial assets at fair value through profit or loss	**−33**	**1**	**15**	**0**	**0**	**0**	**0**	**−17**
Equity instruments measured outside of profit or loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised cost	**0**	**−47**	**12**	**0**	**14**	**0**	**−5**	**−26**
	−33	**−31**	**27**	**257**	**14**	**−13**	**−5**	**215**

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 the other investment result. This includes a result from the valuation of a put option of €−30 million (2021/22: €114 million) in connection with the shares in WM Holding (HK) Limited. The income and expenses from interest are part of the interest 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.

12. Income taxes

Income taxes include the taxes on income paid or owed in the individual countries as well as deferred taxes.

€ million	2021/22	2022/23
Deferred tax expense/income (+/−)	28	**82**
thereof from temporary differences	(8)	**(75)**
thereof from loss and interest carry-forwards	(20)	**(7)**

€ million	2021/22	2022/23
Actual taxes	168	**88**
thereof Germany	(13)	**(17)**
thereof international	(155)	**(71)**
thereof tax expenses/income of current period	(171)	**(153)**
thereof tax expenses/income of previous periods	(−3)	**(−66)**
Deferred taxes	28	**82**
thereof Germany	(2)	**(14)**
thereof international	(26)	**(68)**
	196	**170**

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% (2021/22: 9.00%) and 38.07% (2021/22: 38.07%).

In the previous year, the utilisation of loss carry-forwards and temporary differences, which were not valued with deferred taxes, led to a reduction of the actual income tax expense of €36 million and was related to property disposals in Japan.

The reversal of an earlier devaluation of deferred taxes had resulted in income of €4 million in the previous year.

The tax expense in the current year includes a deferred tax expense from the devaluation of a deferred tax asset in the amount of €37 million (2021/22: €0 million).

Applying the German group tax rate to the reported pre-tax result would result in an income tax expense of €186 million (2021/22: €−41 million). The deviation of €−16 million (2021/22: €237 million) from the reported tax expense of €170 million (2021/22: €196 million) can be reconciled as follows:

€ million	2021/22	2022/23
Earnings before taxes (EBT)	**−134**	**609**
Expected income tax expenses (30.53%)	−41	**186**
Effects of differing national tax rates	−3	**−15**
Tax expenses and income relating to other periods	−3	**−66**
Non-deductible business expenses for tax purposes	106	**62**
Effects of deferred taxes	94	**60**
Additions and reductions for local taxes	14	**−13**
Tax-free income	−14	**−7**
Other deviations	44	**−36**
Income tax expenses according to the income statement	**196**	**170**
Group tax rate	**−146.3%**	**27.9%**

The item effects of differing national tax rates includes a deferred tax expense of €7 million (2021/22: €6 million) from tax rate changes.

Of the current year's tax income relating to other periods, €53 million is attributable to the exit from Japan. An opposite effect from deferred taxes is recognised in the item effects of deferred taxes amounting to €58 million.

The non-deductible business expenses of the current year mainly include non-profit-related withholding tax from intra-group dividends in the amount of €24 million (2021/22: €59 million) and additions under the External Tax Relations Act amounting to €10 million (2021/22: €21 million).

In the current year, additions and reductions for local taxes include an effect of €−30 million from the trade-tax-free sale of parts of the METRO Campus.

€−36 million (2021/22: €28 million) of the item other deviations relate to non-tax-deductible effects in conjunction with portfolio adjustments.

Council Directive (EU) 2022/2523 on ensuring a minimum global tax rate of 15% based on the OECD model entered into force in December 2022 as part of the agreement on reforming international corporate taxation. Implementation in German law should be concluded by the end of 2023 and applicable from 2024. This has no tax-related effect for the METRO group as of 30 September 2023. We also do not expect material effects from the minimum tax rate in future. Due to the differing financial year from the calendar year, the regulations will be applicable to the METRO group as of 1 October 2024 for the first time.

13. Earnings per share

Earnings per share are determined by dividing profit or loss for the period attributable to the shareholders of METRO AG in the amount of €439 million (30/9/2022: €−334 million) by the weighted number of no-par-value shares. The weighted number of no-par-value shares of 363,097,253 remains unchanged from the previous year. There was no dilution in the reporting period or the year before from so-called potential shares.

14. Depreciation/amortisation/impairment losses on non-current assets

The impairment losses are mainly related to the reduced sales and earnings expectations as a result of the sanctions imposed on Russia on account of the persisting war in Ukraine. Impairment losses of €75 million relate to the segment Russia. Furthermore, impairment losses of €6 million were recognised in the segment East, €4 million in Germany, €8 million in the segment West and €6 million in the segment Others.

€ million	2021/22	**2022/23**
Amortisation of intangible assets, depreciation of property, plant and equipment and investment properties	821	**840**
Impairment losses on intangible assets, property, plant and equipment and investment properties	156	**100**
Impairment losses on non-current financial investments	0	**0**
	977	**939**

15. Cost of materials

The cost of sales includes cost for raw materials, supplies and goods purchased in the amount of €24,869 million (2021/22: €23,917 million) as well as cost of services purchased in the amount of €26 million (2021/22: €21 million).

16. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2021/22	**2022/23**
Wages and salaries	2,489	**2,414**
Social security expenses, expenses for post-employment benefits and related employee benefits	614	**622**
thereof for post-employment benefits	(57)	**(37)**
	3,103	**3,035**

Wages and salaries include expenses relating to restructuring measures and severance payments of €47 million (2021/22: €104 million). The variable remuneration declined from €160 million in financial year 2021/22 to €93 million in financial year 2022/23. Wages and salaries also include expenses for long-term remuneration components totalling €13 million (2021/22: €13 million).

The average number of people employed by the group during the year was as follows:

	2021/22	**2022/23**
Blue collar/white collar	93,203	**89,440**
thereof employed abroad	(76,011)	**(72,286)**
Apprentices/trainees	1,741	**1,761**
thereof employed abroad	(951)	**(1,022)**
	94,944	**91,201**

This includes an absolute number of 12,743 (2021/22: 14,023) part-time employees.

NOTES TO THE BALANCE SHEET

17. Goodwill and other intangible assets

At the closing date, the breakdown of **goodwill** among the major cash-generating units was as shown below:

		30/9/2022		**30/9/2023**	
			WACC		**WACC**
	Segment	€ million	%	**€ million**	**%**
METRO France	West	293	6.3	**293**	**6.6**
Others (each below 10% of the total carrying amount)		354	6.1–12.6	**419**	**6.0–12.6**
		647		**712**	

Expected future cash flows are based on a qualified planning process under consideration of intra-group experience as well as macroeconomic data collected by third-party sources. The detailed planning period generally spans 3 years, with various scenarios being derived and analysed with regard to their appropriateness for the impairment test. The detailed planning period can generally be extended by up to 2 further planning years for units undergoing a transformation process, but no use was made of this option in financial year 2022/23. Following the detailed planning period, a growth rate of 1.25% 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 2.45% (30/9/2022: 1.5%) and a market risk premium of 6.97% (30/9/2022: 8.0%) in Germany as well as a beta factor of 0.86 (30/9/2022: 0.88). Country-specific risk premiums are applied to the equity cost of capital and to the borrowing costs.

Considering the continued consistent implementation of the sCore strategy, we assume significant sales and EBITDA growth for all companies in the detailed planning phase. For the units with goodwill considered to be significant, this results in the following development of sales and EBITDA until the end of the detailed planning period.

	Sales	EBITDA
METRO France	Solidly rising	Significantly rising

An addition to goodwill in the amount of €65 million resulted from the acquisition of Johan i Hallen & Bergfalk, which had decreased by €3 million as of the closing date for currency-related reasons. Disposals of goodwill arise due to changes in the consolidation group and are reported at the time of deconsolidation.

The development of intangible assets is shown in the following table.

€ million	Goodwill	Intangible assets without goodwill	(thereof internally generated intangible assets)
Acquisition or production costs			
As of 1/10/2021	796	2,199	(1,340)
Currency translation/hyperinflation	29	36	(3)
Additions to consolidation group	46	21	(0)
Additions	0	150	(123)
Disposals	−3	−62	(−21)
Transfers	0	−3	(−33)
As of 30/9/2022	868	2,340	(1,412)
Currency translation/hyperinflation	−30	−25	(−3)
Additions to consolidation group	65	65	(0)
Additions	0	164	(134)
Disposals	−9	−478	(−427)
Reclassification in accordance with IFRS 5	0	−1	(0)
Transfers	0	2	(−2)
As of 30/9/2023	894	2,067	(1,114)
Depreciation/amortisation/impairment			
As of 1/10/2021	152	1,631	(1,023)
Currency translation/hyperinflation	17	17	(3)
Additions, scheduled	0	157	(97)
Additions, impairment	55	20	(1)
Disposals	−3	−58	(−19)
Transfers	0	0	(−21)
As of 30/9/2022	221	1,768	(1,084)
Currency translation/hyperinflation	−30	−12	(−2)
Additions, scheduled	0	158	(107)
Additions, impairment	0	7	(2)
Disposals	−9	−476	(−426)
Reclassification in accordance with IFRS 5	0	−1	(0)
Transfers	0	0	(0)
As of 30/9/2023	182	1,444	(764)
Carrying amount as of 1/10/2021	644	568	(317)
Carrying amount as of 30/9/2022	647	572	(328)
Carrying amount as of 30/9/2023	**712**	**623**	**(350)**

The acquired **brand rights** changed as follows:

		30/9/2022		**30/9/2023**	
			WACC		**WACC**
	Licence rate in %	€ million	%	**€ million**	**%**
Classic Fine Foods	1.0	55	6.7	**50**	**6.8**
Pro à Pro France	0.3	33	6.3	**33**	**6.6**
Johan i Hallen & Bergfalk	1.0	–	–	**23**	**6.6**
Others	0.2–0.7	10	6.2–6.8	**9**	**6.0–7.0**
		98		**116**	

Trademark rights generally represent assets with an indefinite useful life. The expected useful life of the trademark rights is generally indeterminable, because METRO can use these rights without restrictions and abandoning them is not envisaged in the future. The carrying amounts of these brands are reviewed annually for units to which goodwill is not simultaneously allocated in line with the procedure for the respective purchase price allocations using the licence price analogy method. Level 3 input parameters of the fair value hierarchy are applied here. The mandatory annual impairment test confirmed the recoverability of the carrying amounts.

Other intangible assets include €23 million (2021/22: €13 million) in software purchased from third parties and still in development and €7 million (2021/22: €13 million) in concessions, rights and licences.

Research and development expenses recognised in expenses essentially concern internally generated software and amounted to €42 million (2021/22: €42 million).

As in the previous year, there are no material restrictions on title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €2 million (30/9/2022: €2 million) were recorded.

18. Property, plant and equipment

Property, plant and equipment recognised at €5,091 million (30/9/2022: €5,735 million) includes own tangible assets in the amount of €3,029 million (30/9/2022: €3,608 million) and rights of use for leased property, plant and equipment in the amount of €2,063 million (30/9/2022: €2,126 million). The inventories and developments are each presented and explained separately below.

The development of own tangible assets 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 1/10/2021	5,659	2,897	94	8,649
Currency translation	575	192	8	775
Additions to consolidation group	42	3	0	45
Additions	27	69	184	281
Disposals	−98	−287	−7	−393
Reclassification in accordance with IFRS 5	−179	−1	0	−179
Transfers	−128	101	−141	−168
As of 30/9/2022	5,899	2,974	137	9,010
Currency translation/hyperinflation	−684	−222	−15	−921
Additions to consolidation group	0	2	0	3
Additions	50	91	222	364
Disposals	−87	−194	−3	−284
Reclassification in accordance with IFRS 5	−107	−54	−11	−171
Transfers	118	108	−160	65
As of 30/9/2023	5,190	2,706	170	8,066

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
Depreciation/amortisation/impairment				
As of 1/10/2021	2,931	2,163	10	5,104
Currency translation	267	133	3	403
Additions, scheduled	164	161	0	325
Additions, impairment	62	6	1	69
Disposals	−56	−260	0	−316
Reclassification in accordance with IFRS 5	−47	0	0	−48
Reversals of impairment losses	−2	0	0	−2
Transfers	−131	−2	−1	−134
As of 30/9/2022	3,188	2,200	13	5,402
Currency translation/hyperinflation	−297	−144	−4	−445
Additions, scheduled	158	155	0	312
Additions, impairment	74	4	0	78
Disposals	−83	−185	0	−267
Reclassification in accordance with IFRS 5	−28	−37	0	−65
Reversals of impairment losses	0	−2	0	−2
Transfers	22	2	0	24
As of 30/9/2023	3,034	1,994	9	5,037
Carrying amount as of 1/10/2021	2,728	734	84	3,545
Carrying amount as of 30/9/2022	2,711	774	124	3,608
Carrying amount as of 30/9/2023	**2,156**	**711**	**161**	**3,029**

The decrease in owned property, plant and equipment in the amount of €580 million results mainly from currency translation caused by the exchange rate development of the Russian rouble.

As in the previous year, there were no restrictions on titles in the form of liens and encumbrances for items of property, plant and equipment.

Contractual commitments were recorded for items of property, plant and equipment in the amount of €46 million (30/9/2022: €50 million).

The development of right-of-use assets of leased property, plant and equipment is shown in the following table.

€ million	Land and buildings	Vehicles	Others	Total
Net carrying amount				
As of 1/10/2021	1,988	101	28	2,117
Additions	286	57	15	359
Depreciation	−248	−49	−11	−309
Impairment	−7	0	0	−7
Reclassifications and net change in consolidation group	−21	−1	0	−22
Disposals, currency translation/hyperinflation and reversals of impairment losses	−6	−5	−1	−12
As of 30/9/2022	1,992	103	31	2,126
Additions	354	87	31	471
Depreciation	−267	−59	−12	−338
Impairment	−10	0	0	−10
Reclassifications and net change in consolidation group	−105	0	1	−104
Disposals, currency translation/hyperinflation and reversals of impairment losses	−79	−4	−1	−83
As of 30/9/2023	**1,884**	**128**	**50**	**2,063**

19. Investment properties

The development of investment properties is shown in the following table.

€ million	Investment properties (owned)	Investment property rights of use	Total
Acquisition or production costs			
As of 1/10/2021	180	771	951
Currency translation/hyperinflation	21	−20	1
Additions to consolidation group	0	0	0
Additions	0	22	22
Disposals	−7	−30	−37
Reclassification in accordance with IFRS 5	−13	0	−13
Transfers associated with tangible assets	171	124	295
As of 30/9/2022	352	868	1,220
Currency translation/hyperinflation	1	19	20
Additions	0	6	6
Disposals	−28	−100	−128
Reclassification in accordance with IFRS 5	−80	0	−80
Transfers associated with tangible assets	0	30	30
As of 30/9/2023	245	823	1,068
Depreciation/amortisation/impairment			
As of 1/10/2021	118	663	781
Currency translation/hyperinflation	15	−19	−5
Additions, scheduled	4	27	30
Additions, impairment	0	5	5
Disposals	−2	−11	−13
Reclassification in accordance with IFRS 5	−8	0	−8
Reversals of impairment losses	0	0	−1
Transfers associated with tangible assets	134	124	257
As of 30/9/2022	260	788	1,048
Currency translation/hyperinflation	0	18	19
Additions, scheduled	4	26	31
Additions, impairment	0	4	4
Disposals	−21	−94	−115
Reclassification in accordance with IFRS 5	−55	0	−55
Reversals of impairment losses	0	0	0
Transfers associated with tangible assets	0	30	30
As of 30/9/2023	190	772	962
Carrying amount as of 1/10/2021	61	109	170
Carrying amount as of 30/9/2022	92	80	172
Carrying amount as of 30/9/2023	**55**	**51**	**106**

The fair values of these investment properties total €252 million (30/9/2022: €440 million) with a carrying amount of €106 million (30/9/2022: €172 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. Where deemed appropriate and necessary, external expert appraisals are also gathered.

Rental income from continuing operations amounts to €114 million, with right-of-use assets accounting for €103 million of this total (2021/22: €94 million, thereof €82 million from rights-of-use assets). The related expenses amount to €85 million, with rights-of-use assets accounting for €74 million (2021/22: €74 million, thereof €68 million from rights-of-use assets).

As in the previous year, there were no restrictions on titles in the form of liens and encumbrances.

20. Other financial and other non-financial assets

Other financial assets include receivables due from suppliers in particular. Receivables due from suppliers comprise both invoiced receivables and deferred income for subsequent supplier compensation (for example bonuses, advertising subsidies) and creditors with debit balances.

Additionally, the other financial assets primarily consist of receivables from financing lease agreements, a put option, receivables from credit card transactions, receivables from claims, receivables from other financial transactions and receivables and other assets from the real estate sector.

The other non-financial assets primarily consist of the other tax receivables in the amount of €215 million (30/9/2022: €197 million). This item also includes prepaid expenses and deferred income, prepayments on inventories and other non-current assets as well as raw materials and supplies.

Furthermore, the other non-financial assets consist of contract assets and assets for the right to recover products from a customer on settling the refund liabilities.

21. Deferred tax assets/deferred tax liabilities

Deferred taxes relate to the following balance sheet items:

	30/9/2022		**30/9/2023**		Change through profit or loss – previous year		**Change through profit or loss – current year**	
€ million	Assets	Liabilities	**Assets**	**Liabilities**	Assets	Liabilities	**Assets**	**Liabilities**
Goodwill	18	0	**13**	**0**	−3	0	**−5**	**0**
Other intangible assets	13	136	**13**	**148**	2	4	**2**	**1**
Property, plant and equipment and investment properties	95	716	**91**	**643**	6	−1	**3**	**−11**
Financial assets and investments accounted for using the equity method	4	4	**4**	**5**	0	0	**0**	**1**
Inventories	32	1	**22**	**2**	2	0	**−6**	**2**
Other financial and non-financial assets	56	78	**61**	**58**	−4	13	**5**	**−17**
Assets held for sale	3	0	**0**	**6**	3	0	**−3**	**5**
Provisions for post-employment benefits plans and similar obligations	64	56	**64**	**57**	−2	2	**0**	**1**
Other provisions	50	12	**53**	**14**	2	2	**3**	**3**
Financial liabilities	707	2	**682**	**1**	−30	−1	**−11**	**−1**
Other financial and non-financial liabilities	171	26	**55**	**20**	83	−3	**−102**	**−7**
Liabilities related to assets held for sale	0	0	**0**	**0**	0	0	**0**	**0**
Outside basis differences	58	33	**0**	**4**	−8	30	**−58**	**−23**
Hyperinflation	0	22	**0**	**33**	0	2	**0**	**2**
Write-downs of temporary differences	−97	0	**−42**	**0**	−10	0	**54**	**0**
Loss carry-forwards	45	0	**38**	**0**	−20	0	**−7**	**0**
Carrying amount of deferred taxes before offsetting	**1,219**	**1,085**	**1,053**	**992**	**21**	**49**	**−126**	**−43**
Offsetting	−932	−932	**−902**	**−902**	−21	−21	**126**	**126**
Carrying amount of deferred taxes	**287**	**153**	**151**	**90**	**0**	**28**	**0**	**82**

The reported balance of deferred tax assets and liabilities in the amount of €61 million (30/9/2022: €134 million) is largely attributable to temporary differences at various foreign subsidiaries. Based on business planning, realisation of these tax assets is to be considered sufficiently likely.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata equity in the balance sheet and the carrying amount of the investment for this subsidiary in the parent company's tax statement must be recognised (so-called outside basis differences) if the tax benefit is likely to be realised in the future. The deferred tax liability of €4 million recognised as of 30 September 2023 (30/9/2022: €33 million) is attributable to planned intra-group dividend payments.

The reversal of the recognised deferred tax assets on outside basis differences in the current year relates to the country exit in Japan.

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 entailed a disproportionately high effort 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	30/9/2022	30/9/2023
Corporate tax losses	4,430	**4,447**
Trade tax losses	3,940	**4,026**
Interest carry-forwards	116	**137**
Temporary differences	364	**197**

The trade tax loss carry-forwards for which no deferred tax assets were recognised relate to German companies and can be carried forward without limitations.

Expiry dates of corporate tax loss carry-forwards on which no deferred taxes have been recognised

€ million	30/9/2022	30/9/2023
Tax loss carry-forwards, corporate tax	**4,430**	**4,447**
Up to 1 year	121	**72**
1 to 5 years	205	**168**
Over 5 years	85	**87**
Can be carried forward without limitation	4,019	**4,120**

Tax effects on components of other comprehensive income

	2021/22			**2022/23**		
€ million	Before taxes	Taxes	After taxes	**Before taxes**	**Taxes**	**After taxes**
Currency differences from translating the financial statements of foreign operations	716	0	716	**−768**	**0**	**−768**
thereof currency translation differences from net investments in foreign operations	(−20)	(0)	(−20)	**(−22)**	**(0)**	**(−22)**
Effective portion of gains/losses from cash flow hedges	0	0	0	**−1**	**0**	**−1**
Effects from the fair value measurements of equity instruments	−1	0	−1	**1**	**0**	**1**
Remeasurement of defined benefit pension plans	151	−42	108	**−9**	**2**	**−7**
	866	**−42**	**824**	**−777**	**2**	**−775**

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.

22. Inventories

Inventories include food merchandise in the amount of €1,785 million (30/9/2022: €1,893 million) and non-food merchandise in the amount of €457 million (30/9/2022: €562 million).

Negative currency effects, resulting in particular from the development of the Russian rouble, decreased inventories by a total of €261 million.

Inventories include impairments of €116 million (30/9/2022: €130 million). The inventories are subject to the customary or statutory retention of title.

23. Trade receivables

These are receivables with a remaining term of up to 1 year.

Negative currency effects, resulting in particular from the development of the Russian rouble and the Turkish lira, decreased trade receivables by a total of €28 million.

24. Impairments of financial assets

Impairment losses as of 30 September 2023 amount to €146 million (30/9/2022: €149 million).

For **trade receivables**, the expected credit loss over the entire term was recorded. The impairment losses are carried out based on previous experience with regard to maturity and default, as well as in consideration of region- and customer-specific portfolios.

The loss default rates per maturity band 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 index based on macroeconomic developments.

Individual receivables for which there are objective indications of an impairment of creditworthiness are impaired individually.

The following table shows the gross carrying amounts recognised as of the closing date and the expected credit losses of trade receivables:

€ million	Total gross receivable as of 30/9/2022	Range of determined default rates	Thereof subject to risk provision	Impairment losses recognised	**Total gross receivable as of 30/9/2023**	**Range of determined default rates**	**Thereof subject to risk provision**	**Impairment losses recognised**
Not past due	505	0.03%–0.61%	430	–18	**534**	**0.07%–0.60%**	**440**	**–15**
Up to 90 days past due	103	0.09%–3.08%	80	–1	**120**	**0.45%–5.73%**	**92**	**–1**
91 to 180 days past due	14	0.26%–7.98%	6	0	**28**	**1.45%–16.53%**	**9**	**–1**
181 to 270 days past due	6	0.54%–11.60%	3	0	**10**	**2.61%–24.18%**	**5**	**0**
271 to 360 days past due	4	1.08%–23.20%	2	0	**11**	**2.17%–32.19%**	**3**	**0**
More than 360 days past due	38	5.40%–46.40%	2	–1	**32**	**4.80%–67.62%**	**3**	**–1**
Gross receivable	**669**		**524**	**-**	**735**		**551**	**-**
Impairment	–87		–	–20	**–83**		**-**	**–19**
Maximum credit risk	**582**		**-**	**-**	**651**		**-**	**-**

Besides the impairment recognised based on the presented regional provision matrix, the risk provision of €19 million (30/9/2022: €20 million) also includes an additional country and customer group-specific risk provision against the backdrop of the war in Ukraine, the energy crisis and inflation.

Impairment on trade receivables is reconciled according to the simplified calculation as follows:

€ million	2021/22	2022/23
As of 1/10	**90**	**87**
Addition to impairment	26	**36**
Reversal/utilisation of the impairment	−30	**−34**
Other changes	1	**−5**
As of 30/9	**87**	**83**

The impairments include individual impairment losses in the amount of €65 million (30/9/2022: €67 million).

Trade receivables in the amount of €22 million (30/9/2022: €19 million) were not impaired, as collateral is available.

METRO applies the general impairment requirements to **receivables from suppliers, receivables from credit card transactions, loans, receivables from leases and other real-estate-related receivables**. For this purpose, the receivables are divided into the risk classes of good, medium and bad as well as individual impairment losses based on their (past-due) maturities and the counterparty rating. 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. No external ratings are available for the majority of METRO counterparties that are among the above-mentioned business relationships, which is why the risk classes have been changed to good, medium and bad. Receivables that are not yet due or that are only slightly past due by a maximum of 30 days are primarily classified in the good risk class, and receivables that are past due by more than 90 days are classified in the bad risk class. Receivables that are past due by between 30 and 90 days are primarily placed in the medium risk class. Receivables are downgraded in terms of risk class in the event of significant changes in the counterparty's creditworthiness. The information from the previous year has been adjusted in accordance with these classifications.

The following table shows the gross carrying amount and the development of risk provisions in relation to financial assets to which the general impairment requirements are applied:

€ million	Good	Medium	Bad	Specific impairment[2]	Total[2]
Gross carrying amount as of 30/9/2022	**344**	**61**	**42**	**77**	**524**
Gross carrying amount as of 30/9/2023	**312**	**22**	**19**	**110**	**463**
Impairment					
As of 1/10/2021	3	1	0	64	68
Newly originated/acquired financial assets	0	0	0	4	4
Other changes within a stage	−1	0	0	9	8
Derecognised financial assets	0	0	0	−13	−14
Utilisation	0	0	0	−6	−6
Other changes[1]	0	0	0	−6	−6
As of 30/9/2022	**2**	**0**	**1**	**52**	**55**
Newly originated/acquired financial assets	0	0	0	10	11
Other changes within a stage	0	0	0	17	18
Derecognised financial assets	−2	0	0	−19	−22
Utilisation	0	0	0	−2	−2
Other changes[1]	0	0	0	−4	−4
As of 30/9/2023	**0**	**0**	**1**	**55**	**56**

1 Currency translation differences, changes in the consolidation group and reclassifications to assets held for sale are recognised in other changes.

2 Adjustment to the previous year due to the application of the general impairment principle to other real-estate-related receivables.

In addition, there are impairment losses of €7 million (30/9/2022: €7 million) on financial assets that are subject neither to the simplified nor to the general impairment requirements.

25. Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short-term liquid financial assets in the amount of €561 million (30/9/2022: €806 million) and cheques and cash on hand in the amount of €30 million (30/9/2022: €20 million).

There were no restrictions on title in relation to cash and cash equivalents in the previous or in the current reporting period.

- **For more information, see the cash flow statement and no. 37 – notes to the cash flow statement.**

26. Assets held for sale

The assets held for sale in the segment East include the shares in WM Holding (HK) Limited, as the intention is to sell them to the main shareholder in the next financial year. The measurement of the shares at fair value less costs of disposal result in an impairment loss in the amount of €5 million (2021/22: €114 million), which is recognised in the other investment result.

In Q1, the disposal of the parts of the campus site in Düsseldorf and the sale of the 2 locations in Austria were successfully concluded. The disposal of the single property in Poland was finalised in Q3. Individual properties in Turkey and the Netherlands were added in the 4th quarter due to the intention to sell them. The sale is expected to be completed by the middle of the coming financial year 2023/24.

27. Equity

The subscribed capital of METRO AG as of 30 September 2023 is fully paid in and remains unchanged and is broken down as follows:

No-par-value bearer shares, accounting par value of €1.00		30/9/2022	30/9/2023
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**

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.

Authorised capital

The Annual General Meeting on 11 February 2022 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary shares against cash contributions in 1 or several tranches for a total maximum of €108,929,175 by 10 February 2027 (authorised capital). Existing shareholders may exercise their subscription rights. Subject to the consent of the Supervisory Board, the Management Board is authorised to exclude shareholder subscription rights to offset fractional amounts. To date, the authorised capital has not been fully utilised.

- **For more information about the voting rights, the company's authorised capital and contingent capital, or the authority to issue warrant and/or convertible bearer bonds, see chapter 5 takeover-related disclosures 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 still prepared for METRO AG's stock exchange prospectus. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of MWFS GROUP. Following the demerger, METRO became an independent group with METRO AG as the listed parent company. Therefore, the equity in the consolidated financial statements is subdivided according to legal requirements. The subscribed capital of €363 million and the capital reserve of €6,118 million were recognised at the carrying amounts from the Annual Financial Statements of METRO AG as of 30 September 2017. For this purpose, a transfer was made from the equity item net assets, recognised as of 1 October 2016, attributable to the former METRO GROUP of the combined financial statements of MWFS GROUP. The remaining negative amount of this equity item was reclassified to other reserves retained from earnings. Thus, it cannot be traced back to a long-term loss history.

The **change** from currency translation differences has a negative effect on equity in the amount of €767 million (2021/22: €744 million). The translation of the local financial statements to the group currency without affecting profit or loss resulted in a decrease of €796 million in other comprehensive income, particularly due to the development of the Russian rouble. The derecognition through profit or loss of cumulative currency differences of companies that were deconsolidated or discontinued within financial year 2022/23 had an opposing effect of €29 million.

Appropriation of the balance sheet profit, dividend

Dividend distribution of METRO AG is based on the Annual Financial Statements of METRO AG prepared under German commercial law.

With regard to the appropriation of the 2022/23 balance sheet profit of €205 million, the Management Board of METRO AG proposes to the Annual General Meeting that it resolve to distribute a dividend in the amount of €0.55 per ordinary share and €0.17 per preference share totalling €201 million – including the deferred payment of the preliminary dividend of €0.17 per preference share for financial years 2020/21 and 2021/22 – and to carry forward the remainder to new account as retained earnings.

28. Provisions for post-employment benefits plans and similar obligations

Provisions for post-employment benefits plans in the amount of €324 million (30/9/2022: €332 million) consist of commitments primarily related to benefits defined by the provisions of company pension plans. These take the form of defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external pension providers (benevolent funds in Germany and international pension funds). The external providers' assets serve exclusively to finance the pension entitlements and qualify as plan assets. The benefits under the different plans are based on performance and length of service.

The most important performance-based pension plans are described in the following.

Germany

METRO grants many employees in Germany retirement, disability and surviving dependant's benefits. New commitments are granted in the form of 'defined benefit' commitments in the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension insurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by pension insurance.

In addition, there are various pension schemes closed for new entrants, which usually provide for lifetime pensions from the start of the pension or from the time the disability is recognised. 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 surviving dependants' benefits of varying sizes, depending on the benefits the former employee received or would have received in case of disability.

There are also deferred compensation contracts with the Hamburger Pensionskasse (Hamburg pension fund).

Netherlands

In the Netherlands, there is a defined benefit pension plan that was closed with effect from 1 January 2021 for new entrants and future increases in pension entitlements and, since then, has been replaced by a collective defined contribution (CDC) plan for future entitlements.

In addition to retirement benefits, the defined benefit pension plan provides disability and death benefits whose amount depends on the pensionable salary per year of service. Benefits are funded through a country-specific pension fund.

The financing status of the **present value of defined benefit obligations** developed as follows:

€ million	30/9/2022	**30/9/2023**
Financing status		
Present value of defined benefit obligations	917	**914**
Less fair value of plan assets	702	**689**
Asset adjustment (asset cap)	117	**99**
Net liability/asset	**332**	**324**
thereof recognised as a provision	(332)	**(324)**
thereof recognised as a net asset	(0)	**(1)**

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:

	30/9/2022		**30/9/2023**	
%	Germany	Netherlands	**Germany**	**Netherlands**
Actuarial interest rate	4.10	4.20	**4.60**	**4.70**
Pension trend	2.20	2.00	**2.30**	**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 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 2023, the mortality rates for the German group companies are based on the 2018 G tables provided by Heubeck-Richttafeln-GmbH.

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.

If the other assumptions had remained constant, the changes to the relevant actuarial assumptions considered reasonably possible as of the closing date would have affected the defined benefit obligation by the amounts shown in the following.

		30/9/2022		30/9/2023	
€ million		Germany	Netherlands	**Germany**	**Netherlands**
Actuarial interest rate	Increase by 100 basis points	−42	−74	**−31**	**−70**
	Decrease by 100 basis points	53	99	**38**	**91**
Pension trend	Increase by 25 basis points	9	12	**7**	**12**
	Decrease by 25 basis points	−9	−11	**−7**	**−11**

Changes in the present value of defined benefit obligations have developed as follows:

€ million	2021/22	**2022/23**
Present value of defined benefit obligations		
As of the beginning of the period	1,631	**917**
Recognised in profit or loss under	**55**	**44**
interest expense	23	**34**
current service cost	16	**12**
past service cost (incl. curtailments and changes)	0	**−2**
effect from settlements	16	**0**
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income	**−449**	**−1**
Actuarial gains/losses from		
changes in demographic assumptions (−/+)	−3	**1**
changes in financial assumptions (−/+)	−429	**5**
experience-based correction (−/+)	−17	**−7**
Other effects	**−320**	**−45**
Benefit payments (incl. tax payments)	−266	**−42**
Contributions from plan participants	4	**4**
Change in consolidation group/transfers	−63	**−3**
Currency effects	5	**−4**
As of the end of the period	**917**	**914**

Changes in parameters on the basis of actuarial calculations led to a total change in the present value of defined benefit obligations by €6 million (2021/22: €−432 million). In the previous year, the transfer of plan assets to an insurance company included in the benefit payments as part of a buyout led to a reduction in the present value of defined benefit obligations of €217 million.

The present value of defined benefit obligations is largely attributable to Germany in the amount of €358 million (30/9/2022: €358 million) and the Netherlands in the amount of €453 million (30/9/2022: €453 million).

The weighted average term of defined benefit obligations is 13 years in Germany (30/9/2022: 14 years), 18 years in the Netherlands (30/9/2022: 19 years) and 9 years in the other countries (30/9/2022: 9 years).

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/9/2022	**30/9/2023**
Active members	28	**20**
Former claimants	35	**42**
Pensioners	37	**38**

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** developed as follows:

€ million	2021/22	**2022/23**
Change in plan assets		
Fair value of plan assets as of beginning of period	1,175	**702**
Recognised in profit or loss under	**18**	**27**
interest income	18	**27**
Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income	**−225**	**−30**
Gains/losses from plan assets excl. interest income (+/−)	−225	**−30**
Other effects	**−266**	**−9**
Benefit payments (incl. tax payments)	−27	**−18**
Settlements	−217	**0**
Employer contributions	18	**5**
Contributions from plan participants	4	**4**
Change in consolidation group/transfers	−50	**0**
Currency effects	6	**0**
Fair value of plan assets as of end of period	**702**	**689**

The plan assets are largely attributable to Germany in the amount of €112 million (30/9/2022: €107 million) and the Netherlands in the amount of €552 million (30/9/2022: €569 million).

The fair value of plan assets by asset category can be broken down as follows:

	30/9/2022		**30/9/2023**	
	%	€ million	**%**	**€ million**
Fixed-interest securities	40	280	**43**	**292**
Shares and funds	36	256	**33**	**230**
Real estate	7	46	**6**	**43**
Other assets	17	120	**18**	**124**
	100	**702**	**100**	**689**

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 insurance companies in Germany.

The actual loss from the plan assets amounts to €3 million in the reporting period (2021/22: loss of €207 million). For financial year 2023/24, the company expects employer payments to external pension providers totalling approximately €5 million and employee contributions of €4 million in plan assets, with contributions in Germany accounting for the major share of this total.

At 1 Dutch company, the plan asset value exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b).

The change in the asset ceiling was largely recognised outside of profit or loss as a remeasuring effect of €−22 million (2021/22: remeasuring effect of €73 million) in other comprehensive income.

The pension expenses of the direct and indirect post-employment benefits plan commitments can be broken down as follows:

€ million	2021/22	2022/23
Current service cost[1]	16	**12**
Net interest expenses[2]	6	**11**
Past service cost (incl. curtailments and changes)	0	**−2**
Settlements	16	**0**
Pension expenses	**38**	**21**

[1] Netted against employees’ contributions.

[2] Included therein: interest effect from the adjustment of the asset ceiling.

A loss of €9 million was recognised outside of profit or loss in other comprehensive income in financial year 2022/23. This figure is comprised of the effect from the change in actuarial parameters in the amount of €6 million, experience-based corrections of €−7 million, the loss in plan assets of €30 million, the change in the effect of the asset ceiling in the Netherlands of €−22 million and the effect from hyperinflation in the amount of €2 million.

In addition to expenses from defined benefit commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €86 million in financial year 2022/23 (2021/22: €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 €27 million (30/9/2022: €28 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 post-employment benefits plans.

29. Other provisions (non-current)/provisions (current)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate obligations	Obligations from trade transactions	Restructuring and severance payments	Miscellaneous	Total
As of 1/10/2022	78	61	107	233	479
Currency translation	0	−3	0	−3	−6
Addition	28	53	29	193	303
Reversal	−3	−6	−14	−84	−107
Utilisation	−15	−40	−34	−107	−196
Change in consolidation group	0	0	0	0	0
Interest portion in addition/change in interest rate	0	0	−1	0	−2
Reclassification in accordance with IFRS 5	0	0	0	−1	−1
Transfer	0	0	−4	5	0
As of 30/9/2023	**87**	**66**	**82**	**236**	**471**
thereof non-current	(22)	(0)	(22)	(123)	(166)
thereof current	(66)	(66)	(60)	(113)	(305)

Provisions for real-estate-related obligations primarily concern maintenance obligations, dismantling and removing obligations and rental commitments. The due date of the property-related provisions depends on the remaining term of the lease agreements.

The provisions for obligations from trade transactions mainly consist of risks from subsequent charges to suppliers, warranties, customer loyalty programmes for third-party suppliers and other matters.

Restructuring provisions mainly relate to projects for the continued implementation of the sCore strategy and primarily concern the segments Germany, West and Others. Depending on the progress of the measures, payments will be made in subsequent years.

Other provisions mainly include provisions in connection with disposals of subsidiaries of €66 million (30/9/2022: €53 million), provisions for litigation costs/risks amounting to €37 million (30/9/2022: €40 million), provisions for remuneration components amounting to €32 million (30/9/2022: €21 million), provisions for risks from other taxes amounting to €32 million (30/9/2022: €24 million) and provisions for guarantee and warranty risks. The cash outflow estimate for provisions for litigation costs/risks was based on the expected duration of litigation. The provisions for long-term remuneration components are due in the years 2025 to 2026.

Depending on the respective term and country, interest rates for non-interest-bearing, non-current provisions range from 2.33% to 6.87%.

30. Liabilities

Liabilities changed as follows:

€ million	30/9/ 2022 Total	Remaining term up to 1 year	1 to 5 years	over 5 years	30/9/ 2023 Total	Remaining term up to 1 year	1 to 5 years	over 5 years
Trade liabilities	**3,855**	**3,855**	**0**	**0**	**3,667**	**3,667**	**0**	**0**
Bonds incl. commercial papers	1,209	509	700	0	930	281	649	0
Liabilities to banks	69	64	1	4	112	108	2	2
Liabilities from leases	2,847	487	1,223	1,137	2,621	436	1,220	965
Financial liabilities	**4,124**	**1,059**	**1,925**	**1,141**	**3,663**	**825**	**1,871**	**967**
Other financial liabilities	**935**	**896**	**5**	**34**	**883**	**857**	**4**	**23**

31. Trade liabilities

Trade liabilities decreased by €188 million.

In the financial year, there were reducing currency effects amounting to €277 million, mainly resulting from the Russian rouble and the Turkish lira.

32. Financial liabilities (excluding liabilities from leases)

The company's medium-term and long-term financing needs are covered by a bond issuance programme with a maximum volume of €5 billion. As of 30 September 2023, the utilised bond issuance programme amounted to a total of €701 million (30/9/2022: €1,201 million).

Short-term financing requirements are covered through the Euro Commercial Paper Programme (CP) with a maximum volume of €2 billion. On average, the programme was used at €348 million during the reporting period. As of 30 September 2023, the utilisation amounted to €225 million (30/9/2022: €0 million).

In addition, METRO has access to syndicated credit facilities totalling €1,000 million (30/9/2022: €850 million) with terms ending in 2027. The syndicated credit facility was not utilised at any time during the reporting period.

As of 30 September 2023, METRO had access to additional bilateral bank credit facilities totalling €262 million (30/9/2022: €714 million). As of the closing date, €112 million (30/9/2022: €69 million) of the bilateral credit facilities had been utilised. Of this amount, €108 million (30/9/2022: €64 million) had a remaining term of up to 1 year. As of the closing date, there were €150 million of free bilateral credit facilities available.

Default by a lender can be covered at any time by the existing free 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.

The table below shows the **maturity and interest rate structure** of the financial liabilities. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than 1 year.

Redeemable loans that are reported under **liabilities to banks** are listed with the remaining terms corresponding to their redemption date.

Financial liabilities

					€ million			
30/9	Instrument	Local currency	Nominal volume in € million	Interest	Carrying amount up to 1 year	Carrying amount 1 to 5 years	Carrying amount over 5 years	Fair value
2023	**Bonds/CP**	**EUR**	**225**	**Variable**	**224**	**0**	**0**	
2023	**Bonds/CP**	**EUR**	**701**	**Fixed**	**57**	**649**	**0**	**902**
2023	**Liabilities to banks**	**EUR**	**50**	**Fixed**	**50**	**0**	**0**	
2023	**Liabilities to banks**	**EUR**	**4**	**Variable**	**1**	**2**	**2**	**54**
2023	**Liabilities to banks**	**TRY**	**11**	**Fixed**	**11**	**0**	**0**	**11**
2022	Bonds/CP	EUR	1,201	Fixed	509	700	0	1,179
2022	Liabilities to banks	EUR	6	Variable	1	1	4	6
2022	Liabilities to banks	INR	28	Fixed	28	0	0	28

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 1 year.

33. Other financial and other non-financial liabilities

Other financial liabilities include in particular payroll liabilities amounting to €556 million (30/9/2022: €609 million).

Other non-financial liabilities in the amount of €295 million (30/9/2022: €316 million) are primarily comprised of other tax liabilities (sales tax, wage and church tax as well as other taxes) and contract liabilities.

Net sales realised in the financial year, which were included in the balance of contractual liabilities at the beginning of the period, amount to €37 million (30/9/2022: €41 million). In addition, as part of the sale of METRO India, a licence payment of €28 million received in advance for using the METRO brand is recognised in the financial year (30/9/2022: €35 million from the sale of the majority stake in METRO China); the income realised from it over the period of use is reported in other operating income. As permitted by IFRS 15, no disclosures are provided for remaining performance obligations that have an expected original maturity of 1 year or less as of 30 September 2023 or 30 September 2022.

34. 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:

	30/9/2022					
	(a)	(b)	(c) = (a) − (b)	(d)		(e) = (c) − (d)
	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities that are netted in the balance sheet	Net amounts of financial assets/ liabilities that are recognised in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
€ million				Financial instruments	Collateral received/ provided	Net amount
Financial assets						
Receivables due from suppliers	363	110	253	14	0	238
Derivative financial instruments	15	0	15	2	0	13
	378	**110**	**268**	**16**	**0**	**252**
Financial liabilities						
Trade liabilities	3,966	110	3,855	14	0	3,841
Derivative financial instruments	17	0	17	2	0	14
	3,982	**110**	**3,872**	**16**	**0**	**3,855**

	30/9/2023					
	(a)	**(b)**	**(c) = (a) − (b)**	**(d)**		**(e) = (c) − (d)**
	Gross amounts of recognised financial assets/ liabilities	**Gross amounts of recognised financial assets/ liabilities that are netted in the balance sheet**	**Net amounts of financial assets/ liabilities that are recognised in the balance sheet**	**Corresponding amounts that are not netted in the balance sheet**		
€ million				**Financial instruments**	**Collateral received/ provided**	**Net amount**
Financial assets						
Receivables due from suppliers	348	103	245	11	0	235
Derivative financial instruments	6	0	6	1	0	6
	354	**103**	**252**	**11**	**0**	**240**
Financial liabilities						
Trade liabilities	3,770	103	3,667	11	0	3,656
Derivative financial instruments	5	0	5	1	0	5
	3,775	**103**	**3,672**	**11**	**0**	**3,661**

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.

35. Undiscounted cash flows of financial liabilities

The undiscounted cash flows of financial liabilities are as follows:

	Contractual cash flows 2022			Contractual cash flows 2023		
€ million	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
Bonds incl. commercial papers	519	729	0	289	665	0
Liabilities to banks	65	1	4	111	2	2
Liabilities from leases	611	1,569	1,666	540	1,483	1,234
Trade liabilities	3,855	0	0	3,666	0	0
Other financial liabilities	896	5	34	857	4	23
Currency derivatives carried as liabilities	17	0	0	5	0	0

36. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

		30/9/2022		30/9/2023	
€ million	Class of financial instruments and valuation hierarchy	Carrying amounts	Fair value	Carrying amounts	Fair value
Loans and credit granted	Measured at amortised cost	24	25	12	13
Receivables due from suppliers	Measured at amortised cost	253	253	245	245
Trade receivables	Measured at amortised cost	601	601	674	674
Miscellaneous financial instruments	Measured at amortised cost	168	168	229	229
Investments	Financial instruments measured at fair value through profit or loss (Level 2)	52	52	47	47
Derivative financial instruments not in a hedging relationship	Financial instruments measured at fair value through profit or loss (Level 2)	3	3	2	2
Securities	Financial instruments measured at fair value through profit or loss (Level 2)	3	3	2	2
Loans and credit granted	Financial instruments measured at fair value through profit or loss (Level 2)	5	5	7	7
Miscellaneous financial instruments	Financial instruments measured at fair value through profit or loss (Level 3)	114	114	84	84
Investments	Financial instruments measured at fair value in other comprehensive income (Level 2)	2	2	3	3
Derivative financial instruments in a hedging relationship	Derivatives in a hedging relationship (Level 2)	12	12	4	4
Cash and cash equivalents	Measured at amortised cost	825	825	591	591
Receivables from leases	No valuation category under IFRS 9	138	140	87	87
Derivative financial instruments not in a hedging relationship	Financial instruments measured at fair value through profit or loss (Level 2)	16	16	4	4
Miscellaneous financial liabilities	Financial instruments measured at fair value through profit or loss (Level 3)	1	1	1	1
Financial liabilities excluding liabilities from leases	Measured at amortised cost	1,277	1,247	1,042	1,014
Trade liabilities	Measured at amortised cost	3,855	3,855	3,667	3,667
Miscellaneous financial liabilities	Measured at amortised cost	918	917	877	877
Derivative financial instruments in a hedging relationship	Derivatives in a hedging relationship (Level 2)	1	1	1	1
Liabilities from leases	No valuation category under IFRS 9	2,847		2,621	

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IFRS 9. Derivative financial instruments with a hedging relationship according to IAS 39 and other financial liabilities are each assigned to a separate class.

The fair value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. In cases in which the measurement is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Level 1 input parameters: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Level 2 input parameters: other input parameters than the quoted prices assigned to level 1 which are either directly or indirectly observable for the asset or liability.

Level 3 input parameters: unobservable inputs for the asset or liability.

Of the total carrying amount of investments of €51 million (30/9/2022: €54 million), €47 million (30/9/2022: €52 million) is measured at fair value through profit or loss. These are unlisted financial instruments for which no active market exists either. The remaining investments totalling €3 million (30/9/2022: €2 million) are measured at fair value recognised in equity. The classification (FVOCInR) was chosen because investment was made in these equity instruments with a longer-term investment horizon.

In addition, securities totalling €2 million (30/9/2022: €3 million) are recognised through profit or loss. These primarily concern highly liquid exchange-listed money market funds.

The other financial instrument of €84 million relates to the put option in connection with the intended disposal of the shares in WM Holding (HK) Limited.

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 valuation method based on quoted exchange rates and market yield curves.

The measurement of investments (all level 2) is based on comparable transactions in the past.

No transfers between levels 1 and 2 were effected during the reporting period.

Financial instruments that are recognised at amortised cost in the balance sheet, but for which the fair value is stated in the notes, are also classified according to a 3-level fair value hierarchy.

Due to their mostly short terms, the fair values of receivables due from suppliers, trade receivables and liabilities as well as cash and cash equivalents essentially correspond to their carrying amounts.

The measurement of the fair value of bonds, liabilities to banks and promissory note loans is based on the market interest rate curve following the discounted cash flow method in consideration of credit spreads (level 2). The amounts comprise the interest prorated to the closing date.

The fair values of all other financial assets and liabilities (level 2) that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date.

METRO has exercised a put option for the shares in WM Holding (HK) Limited. The shares are accounted for as an asset held for sale. Since the value of the shares cannot be derived from observable markets, but is determined by an expert using a discounted cash flow method, it is officially a level-3 instrument. The expected value of the purchase price less the value of the shares represents the value of the put option. Therefore, the value of the put option fundamentally compensates for any changes in the value of the shares – if the value of the shares increases (decreases) by €10 million, for example, the value of the put option decreases (increases) by a comparable amount. The effect of discounting is considered immaterial due to the short maturity. Potential default and payment transaction risks have been appropriately taken into consideration for the expected purchase price. Including the currency effects, an expense totalling €30 million was recognised in the financial result as part of the fair value measurement of the put option.

OTHER NOTES

37. Notes to the cash flow statement

Cash flow from operating activities includes lease payments with a redemption portion of €52 million (2021/22: €50 million) and an interest portion of €9 million (2021/22: €13 million).

The item 'other' in cash flow from operating activities is comprised of other taxes, payroll liabilities, changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes adjustments of unrealised currency effects and the reclassification of deconsolidation results recognised in EBIT.

The other investments included in cash flow from investing activities primarily relate to payments for intangible assets.

The financial investments comprise bank deposits with a residual term of more than 3 months to 1 year, as well as near-money-market investments that are not classified as cash and cash equivalents, such as units in money market funds.

Proceeds from divestments mainly relate to the sale of a part of the METRO Campus.

The lease payments reported under cash flow from financing activities include the redemption portion of €467 million (2021/22: €435 million) and an interest portion of €124 million (2021/22: €137 million). The redemption portion includes payments for initial direct costs of an immaterial amount.

Reconciliation of the cash flow from financial liabilities to the change in financial liabilities reported in the balance sheet

€ million	30/9/2021	Cash item	Additions	Interest expenses	Disposals	Consolidation group changes	Reclassifications/ other	Changes in exchange rates	30/9/ 2022
Bonds incl. commercial papers	1,816	−607	0	0	0	0	0	0	1,209
Liabilities to banks	102	−40	0	0	0	4	0	3	69
Promissory note loans	55	−55	0	0	0	0	0	0	0
Liabilities from leases	2,981	−572	370	137	−55	−9	−19	13	2,847
	4,954	**−1,274**	**370**	**137**	**−55**	**−4**	**−19**	**16**	**4,124**

€ million	30/9/ 2022	Cash item	Additions	Interest expenses	Disposals	Consolidation group changes	Reclassifications/ other	Changes in exchange rates	**30/9/ 2023**
Bonds incl. commercial papers	1,209	−275	0	0	0	0	−3	0	**930**
Liabilities to banks	69	96	0	0	0	−44	0	−9	**112**
Promissory note loans	0	0	0	0	0	0	0	0	**0**
Liabilities from leases	2,847	−591	490	124	−28	−98	−47	−76	**2,621**
	4,124	**−770**	**490**	**124**	**−28**	**−143**	**−50**	**−85**	**3,663**

38. 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 store-based wholesale trade with the brands METRO and MAKRO as well as in the delivery business (FSD) with the METRO delivery service and, among others, with the supply specialists Classic Fine Foods, Pro à Pro, R Express, Aviludo, Pro a Pro Spain and Johan i Hallen Bergfalk (JHB). Apart from that, digital solutions round off the multichannel approach. Operating segments are aggregated to form reporting segments based on the division of the business into individual regions. The individual regions are broken down into Germany, West, Russia and East.

The segment Others includes in particular DISH Digital Solutions, the business unit that bundles the group's digitalisation initiatives. It also includes METRO MARKETS and the service companies METRO PROPERTIES, METRO LOGISTICS, METRO DIGITAL, METRO ADVERTISING and METRO SOURCING and others, which provide group-wide services in the areas of real estate, logistics, information technology, advertising and procurement. METRO MARKETS is further expanding its digital portfolio for independent restaurateurs with a new B2B online marketplace. Through this distribution channel, METRO offers food and non-food articles from its own product range as well as products from third parties.

The main components of segment reporting are described below:

- 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.
- The term 'transformation costs' refers to non-regularly-recurring effects from strategic portfolio adjustments.
- The earnings contributions from real estate transactions include the EBITDA-effective earnings from the disposal of land and land usage rights and/or buildings as part of a disposal transaction. Earnings from the disposal of dedicated real estate companies or the disposal of shares in such companies capitalised at equity are, as a result of their commercial substance, also included in the earnings contributions from real estate transactions. The earnings have been reduced by cost components incurred in relation to real estate transactions.
- EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The rental takes place at normal market conditions. In principle, impairment risks related to non-current assets are only shown in the segments where they represent group risks. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
- Segment investments include additions (including additions to the consolidation groups as well as effects from hyperinflationary accounting) 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.
- In principle, transfers between segments are made based on the costs incurred from the group's perspective.

The reconciliation from non-current segment assets to non-current group assets is shown in the following table:

€ million	30/9/2022	30/9/2023
Non-current segment assets	**7,243**	**6,609**
Financial assets	84	**71**
Investments accounted for using the equity method	108	**97**
Deferred tax assets	287	**151**
Other	0	**1**
Non-current group assets	**7,722**	**6,929**

In addition to Germany and Russia, France accounts for significant external sales in the West segment in financial year 2022/23 in the amount of €6,312 million (2021/22: €5,809 million) and significant non-current segment assets in the amount of €1,236 million (30/9/2022: €1,178 million).

39. Management of financial risks

METRO Treasury manages the financial risks of the group. These primarily concern

- price risks,
- liquidity risks,
- credit risks and
- cash flow risks.
- **For more information about the risk management system, see chapter 2 economic report – 2.2 asset, financial and earnings position – financial and asset position – financial management in the combined management report.**

Price risks

For METRO, price risks result from the impact of changes in market interest rates and/or foreign currency exchange rates on the value of financial instruments.

Interest rate risks can arise for METRO from changes in interest rate levels. If necessary, interest rate derivatives are used to cap these risks.

The remaining interest rate risk is assessed using a sensitivity analysis. The sensitivity analysis is based on floating-rate financial instruments in consideration of their corresponding hedging transactions.

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 €286 million (30/9/2022: €766 million).

Given this total balance, an interest rate rise of 10 basis points would result in a €0 million (2021/22: €1 million) higher interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €0 million (2021/22: €−1 million).

METRO faces currency risks in its international procurement of merchandise and because of costs, financing, dividends and lease agreements that are incurred in a currency other than the relevant local currency or are pegged to the development of another currency. In accordance with the specifications of the group guideline, 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. METRO AG handles the group-wide coordination of the hedging measures of the group companies and uses external derivative financial instruments as needed. Moreover, currency risks for METRO result from the recognition of foreign currency lease liabilities and foreign currency lease receivables, which affect the amount of the other financial result due to the exchange rate at closing date. Where possible, the risk is reduced through the use of balance sheet hedging measures (‘natural hedge’).

The presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis.

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO and states the effect of a depreciation of the euro.

A depreciation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability in euros exists at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A depreciation of the euro will result in a negative effect if a receivable in euros exists at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown below.

As of the closing date, the remaining currency risk of METRO from the important currency pairs was as follows:

		Impact of depreciation of the euro by 10%			
€ million	Currency pair	Volume	30/9/2022	**Volume**	**30/9/2023**
Profit or loss for the period			+/–		**+/–**
	CZK/EUR	+85	–9	**+85**	**–9**
	PLN/EUR	+61	–6	**+67**	**–7**
	RUB/EUR	–724	72	**–198**	**20**
	UAH/EUR	+45	–4	**+58**	**–6**
Equity			+/–		**+/–**
	CNY/EUR	+64	–6	**+31**	**–3**
	KZT/EUR	+135	–14	**+135**	**–13**
	PLN/EUR	+63	–6	**+66**	**–7**
	UAH/EUR	+175	–18	**+175**	**–18**
	USD/EUR	+95	–10	**+68**	**–7**

The foreign currency holdings above include intra-group balances. Foreign currency valuations from such holdings, insofar as no hedging is undertaken, lead to results in the other financial result as well as to compensating effects outside of profit or loss from the translation of the local financial statements of the counterparty into the group currency, which are recognised in other comprehensive income. This configuration mainly comes into play for cash and cash equivalents from Russia, which were made available to the group as liquidity.

Interest rate and currency risks are substantially reduced and limited by the internal treasury guidelines, if hedging with derivative financial instruments is possible. The group-wide regulations specify that all hedging operations must adhere to predefined limits and must not lead to increased risk exposure under any circumstances. METRO is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out only with standard derivative financial instruments.

As of the closing date, the following derivative financial instruments (currency transactions) were being used for risk reduction:

€ million	30/9/2022 Nominal volume[1]	30/9/2022 Fair values Financial assets	30/9/2022 Fair values Financial liabilities	**30/9/2023 Nominal volume[1]**	**30/9/2023 Fair values Financial assets**	**30/9/2023 Fair values Financial liabilities**
Forward currency contracts	411	15	17	**115**	**6**	**5**
thereof within cash flow hedges	(159)	(12)	(1)	**(100)**	**(4)**	**(1)**
thereof not part of hedges	(252)	(3)	(16)	**(15)**	**(2)**	**(4)**
	411	**15**	**17**	**115**	**6**	**5**

[1] Nominal volumes with a positive prefix indicate a surplus of foreign currency purchases from forward currency contracts.

The nominal volume of forward currency contracts/options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date.

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.

Currency derivatives are used primarily for the Polish zloty, the Romanian leu, the US dollar, the Swedish krona, the Swiss franc, the British pound sterling and the Czech koruna. The average hedging rates for METRO for the 2 particularly important currency pairs resulting from hedges that are in a hedging relationship are as follows: 1.10 USD/EUR and 7.72 CNY/EUR. The maturity of derivatives used for hedging purposes in the amount of €3 million (30/9/2022: €11 million) is less than 1 year.

The effective portion of the change of the derivatives designated as cash flow hedges recognised in other comprehensive income can be found in the following table:

€ million	2021/22	**2022/23**
Initial or subsequent measurement of derivative financial instruments	2	**−6**
Derecognition of cash flow hedges	−2	**4**
thereof in inventories	(0)	**(0)**
thereof in net financial result	(−2)	**(4)**
Effective portion of gains/losses from cash flow hedges	**1**	**−1**

Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted incoming payments. METRO AG acts as financial coordinator for the group companies to ensure that they are provided with the necessary financing to fund their operating and investing activities as cost-effectively and sufficiently high as possible. Cash pooling is used for the need-based allocation of financial resources and the optimisation of interest expenses. METRO determines the financing need of the group on the basis of short- and medium-term liquidity planning.

Financing instruments include money and capital market products (time deposits, call money, commercial papers and listed bonds sold as part of ongoing capital market programmes) as well as bilateral and syndicated loans. METRO has a sufficient liquidity reserve so that liquidity risks are not likely, even if an unexpected event has a negative financial impact on the company's liquidity situation. The credit facilities held as a liquidity reserve are subject to specific credit conditions. In case that, contrary to expectations, the agreed credit terms cannot be met in the future and no temporary adjustment of the credit terms can be negotiated with the bank consortium, METRO has sufficient refinancing alternatives available with a similar liquidity effect. For more information about the instruments used for financing purposes, see the explanatory notes to the respective balance sheet items.

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 €1,988 million (30/9/2022: €2,202 million).

As part of the risk management of financial investments totalling €520 million (30/9/2022: €770 million) and derivative financial instruments with positive market values totalling €6 million (30/9/2022: €15 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. Cash on hand considered in cash and cash equivalents totalling €22 million (30/9/2022: €13 million) is not exposed to any credit risk.

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.

40. Contingent liabilities

There are contingent liabilities from guarantee and warranty contracts amounting to €18 million (30/9/2022: €32 million). These are primarily rent guarantees with terms of up to 10 years if utilisation is not considered entirely unlikely.

In addition, there are contingent liabilities from the provision of collateral for third-party liabilities amounting to €13 million (30/9/2022: €11 million).

The present values of contingent liabilities are essentially the same as the nominal amounts.

Some of the contingent liabilities are subject to rights of recourse against third parties up to the nominal amount.

41. Other financial commitments

The nominal value of other financial commitments amounted to €435 million (30/9/2022: €588 million) and primarily concerned purchasing commitments from multi-year IT services and service agreements.

42. Leases

METRO as lessee

METRO mainly rents land and buildings for its wholesale stores, distribution centres, offices and warehouses. The leases are individually negotiated and contain a variety of different terms and conditions.

The lease agreements for the properties are generally concluded for fixed periods of 5 to 15 years and include extension and termination options in a large number of contracts.

In addition, commercial vehicles such as trucks, forklift trucks and industrial trucks with terms of 4 to 6 years as well as passenger cars with a lease term of 3 to 4 years are also leased.

Other leases, which account for an insignificant portion of the leases, include the rental of technical equipment and machinery, IT infrastructure as well as business and office equipment.

- **A detailed presentation of the right-of-use assets can be found in no. 18 – property, plant and equipment – development of right-of-use assets of leased property, plant and equipment.**
- **A maturity analysis of the liabilities from leases can be found on no. 30 – liabilities.**
- **A maturity analysis of the undiscounted payments can be found in no. 35 – undiscounted cash flows of financial liabilities.**

In financial year 2022/23, there were no material expenses for variable lease payments that were not included in the measurement of lease liabilities.

The following expenses and income in connection with leases were recognised in the income statement.

€ million	30/9/2022	30/9/2023
Variable rental expenses from rights of use	−5	**−3**
Rental expenses for short-term leases	−19	**−22**
Rental expenses for leases of assets of minor value	−8	**−9**
Total rental expenses	**−32**	**−33**
Depreciation[1]	−347	**−378**
Interest expenses	−137	**−124**
Income and expenses from sale-and-leaseback transactions	1	**193**
Income from subletting of right-of-use assets	84	**89**

1 Also includes depreciation on investment properties and impairment losses.

Furthermore, additions to right-of-use assets and liabilities from leases include variable rental payments that are dependent upon price indices or inflation rates. These rental adjustments are made annually or when contractually agreed minimum changes are exceeded. In financial year 2022/23, these rental adjustments amount to €34 million (2021/22: €15 million).

The total cash outflow, which comprises repayment of lease liabilities (interest and redemption portion), payments for short-term leases, payments for leases of assets of minor value and variable lease payments, amounts to €671 million (30/9/2022: €588 million).

All reasonably certain cash outflows are considered for the determination of the lease liability and the corresponding right-of-use assets. Potential future cash outflows of €1,984 million (30/9/2022: €2,096 million) were not included in the lease liability as of 30 September 2023 because it is not reasonably certain that the leases will be renewed or not terminated.

During the financial year, lease extensions totalling €229 million (30/9/2022: €69 million) were exercised and included in lease liabilities using the incremental borrowing rate at the modification date of this lease.

METRO has no significant leases that contain residual value guarantees or purchase options.

Undiscounted payment obligations for leases that had not yet been commenced on the closing date and were thus not disclosed under lease liabilities totalled €17 million (30/9/2022: €4 million).

In financial year 2022/23, METRO disposed of part of the METRO Campus in Düsseldorf as part of a sale-and-leaseback transaction. The sale-and-leaseback income from the transaction amounted to €193 million.

METRO as lessor

Lease payments due in subsequent periods from entities outside METRO for the rental of properties that are classified as finance leases or operating leases are shown below. In addition, the following rental income was recognised in the income statement:

	30/9/2022		30/9/2023	
€ million	Finance leases	Operating leases	Finance leases	Operating leases
Up to 1 year	60	91	44	70
1 to 2 years	42	60	22	33
2 to 3 years	20	38	18	23
3 to 4 years	16	29	15	13
4 to 5 years	14	19	7	10
Over 5 years	15	40	14	31
Total of undiscounted lease receivables	**167**	**277**	**120**	**181**
Not-yet-realised interest income	−22	–	−14	–
Impairment	−7	–	−19	–
Net investment in the lease after impairment	**138**	**–**	**87**	**–**
Lease income				
Fixed rental income	–	99	–	99
Variable rental income	1	0	1	0
Total rental income	**1**	**99**	**1**	**99**
Interest income	13	–	9	–

43. Remaining legal issues

Companies of the METRO group form a party to (arbitration) court proceedings as well as antitrust and other regulatory proceedings in various 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).

44. Events after the closing date

Shares in WM Holding (HK) LIMITED

The sale of the 20% shareholding in WM Holding (HK) Limited was fully concluded on 13 November 2023, which led to a cash inflow of €257 million.

45. Notes on related parties

METRO maintained the following business relations to related companies:

€ million	2021/22	2022/23
Services provided	91	55
Associates	86	55
Joint ventures	2	1
Miscellaneous related parties	4	0
Services received	88	82
Associates	80	75
Joint ventures	5	4
Miscellaneous related parties	4	3
Receivables from services provided as of 30/9	3	5
Associates	3	5
Joint ventures	0	0
Miscellaneous related parties	0	0
Liabilities from services provided as of 30/9	0	0
Associates	0	0
Joint ventures	0	0
Miscellaneous related parties	0	0
Dividends received	14	13

Transactions with associates and other related parties

The provided services mainly result from the business relations existing until 30/4/2023 with METRO GROUP Commerce (Shanghai) Co., Ltd. (formerly METRO China) based on a service level agreement and the granting of brand licences.

In addition, this includes services from a collaboration with Kosik Holding which has existed since January.

The services received consisted of real estate leases in the amount of €61 million (2021/22: €67 million; thereof €58 million from associates; 2021/22: €65 million), €11 million (2021/22: €12 million) from services received (thereof €7 million from associates; 2021/22: €7 million; as well as €4 million from joint ventures; 2021/22: €5 million) and €10 million from other services from associates (2021/22: €8 million).

The balance sheet reports lease liabilities of €446 million (2021/22: €418 million) and corresponding rights of use of €394 million (2021/22: €363 million) from rental agreements with associates. It mainly concerned OPCI FWP France and OPCI FWS France.

Receivables from services provided were impaired in the amount of €1 million (2021/22: €1 million).

Business relations with related parties are based on contractual agreements providing for arm’s-length prices. As in the previous year, there were no business relations with related natural persons and companies of management in key positions in financial year 2022/23.

Related persons (remuneration for members of 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 €8.0 million (2021/22: €10.1 million) for short-term benefits, as well as €5.1 million for termination benefits (2021/22: €4.1 million) and €0.6 million (2021/22: €0.5 million) for post-employment benefits. The expenses for long-term benefits amounted to €3.0 million (2021/22: €0.0 million). Income of €0.6 million (2021/22: expenses of €0.5 million) was calculated for the share-based programmes with long-term incentive effect.

The short-term remuneration for the members of the Supervisory Board of METRO AG amounted to €2.4 million (2021/22: €2.3 million).

The total remuneration for members of management in key positions amounted to €18.6 million (2021/22: €17.6 million).

46. Share-based payments

Group Incentive Plan for executives

The Group Incentive Plan (GIP) is a remuneration system set up over several years that ensures management is involved in the sustainable and long-term company development of METRO, by satisfying the needs of shareholders, other groups associated with the company (for example employees, customers) and the environment.

To support the future alignment of METRO, the GIP is allocated annually in separate tranches at a fixed time. Every tranche has a term of 3 years. The GIP was granted for the first time on 1 April 2021 (financial year tranche 2020/21). Following the cyclical plan structure, an additional tranche of the GIP has been issued to managers each year on 1 April. Since financial year 2022/23, the remuneration systems set up over several years have no longer been share-based.

A target amount is set out in euros for the beneficiaries. 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 achievements factors for each of the 3 performance targets. The weighted arithmetic mean of the factors results in the overall target achievement factor.

The maximum payout amount is the cap for the individual performance targets set out in the plan (payment cap).

The overall target achievement for the tranche for financial year 2020/21 as well as the tranche for financial year 2021/22 is expressed via the following 3 performance targets:

- 40% earnings per share (EPS).
- 50% METRO total shareholder return (METRO TSR),
- 10% sustainability component.

The **earnings per share performance target (EPS)** is generally calculated by comparing the achieved EPS with a target value set out at the start of the term. Positive and negative currency effects as well as separately reported special items/transformation costs compared to the objective are neutralised in the EPS. Accordingly, for the measurement of the achievement of performance targets, the EPS reported in the consolidated financial statements is adjusted for currency effects as well as for special items/transformation costs.

The **METRO TSR performance target** reflects the external measurement of METRO on the capital market across the length of the term. It is determined by comparing the relative total shareholder return (TSR) of the METRO ordinary share to the MDAX and a comparison group of selected competitors.

The **performance achievement for the sustainability component** reflects compliance with METRO's social responsibility and rewards compliance with economic and ecological criteria.

Target achievement is determined via the average rating which METRO AG is awarded in an external corporate sustainability assessment during the performance period, among other factors.

Performance share plan for the Management Board

The annual performance share plan tranches granted to the members of the Management Board for the financial years from 2016/17 to 2019/20 applied a multi-year performance period, which was usually 3 years. The performance period of the tranche 2019/20 ended in financial year 2022/23.

The share quantity was calculated from the individual target amount and the arithmetic mean of the Xetra closing prices of the METRO ordinary share in a defined period at the time of allocation. The final number of performance shares was calculated by multiplying the conditionally allocated performance shares by the total target achievement factor, which was composed as follows:

- 50% total shareholder return (TSR),
- 50% earnings per share (EPS).

No payout was made from this tranche.

The **TSR component** was based on the relative total shareholder return (TSR) of the METRO ordinary share compared to the MDAX and a defined peer group over the 3-year TSR performance period. If the lower barrier of entry or less was reached, the target achievement of the TSR component was 0.0; if it was outperformed by 5 percentage points, the factor was 1.0. The target achievement factor for intermediate values and up to 300% was calculated using linear interpolation or extrapolation.

The target achievement of the **EPS component** was determined by comparing the EPS achieved at the end of the 3-year EPS performance period with a target value defined before the start of the term. If the lower barrier of entry or less was reached, the target achievement of the EPS component was 0; if the defined 100% value was reached, the factor was 1.0. The target achievement factor for intermediate values and up to 300% was calculated using linear interpolation or extrapolation.

The final number of performance shares was multiplied by the arithmetic mean of the Xetra closing prices of the METRO ordinary share over a defined period including the dividends paid for the METRO ordinary share during the performance period. The resulting payout amount was capped at 250% of the individual target amount.

Performance cash plan for the Management Board

The annual performance cash plan tranches granted to the members of the Management Board in financial years 2020/21 and 2021/22 have a 4-year term.

The performance cash plan is based on the achievement of 2 performance targets:

- 60% total shareholder return (TSR),
- 40% earnings per share (EPS).

The **TSR component** is based on the relative total shareholder return (TSR) of the METRO ordinary share compared to the MDAX and a defined peer group over the 3-year TSR performance period. If the lower barrier of entry or less is reached, the target achievement of the TSR component is 0.0; if it is outperformed by 5 percentage points, the factor is 1.0. The target achievement factor for intermediate values and up to 300% is calculated using linear interpolation or extrapolation.

The target achievement of the **EPS component** is determined by comparing the EPS achieved at the end of the 3-year EPS performance period with a target value defined before the start of the term. If the lower barrier of entry or less is reached, the target achievement of the EPS component is 0; if the defined 100% value is reached, the factor is 1.0. The target achievement factor for intermediate values and up to 300% is calculated using linear interpolation or extrapolation.

The resulting payout amount is capped at 250% of the individual target amount.

The expenses and income of the individual plans for managers and the Management Board for financial year 2022/23 are as follows:

Total income of €1 million (2021/22: expenses amounting to €5 million) has been incurred under the METRO LTI plan which came due in financial year 2021/22 and has largely been paid out. Total expenses of €6 million (2021/22: €7 million) were incurred from the 2021 tranche of the GIP. Total expenses of €3 million (2021/22: €2 million) were incurred from the 2022 tranche of the GIP.

Provisions of €1 million were released for the performance share plan (2021/22: income of €3 million). A total expense of €1 million was incurred for the performance share plan (2021/22: €4 million).

Total provisions for the plans described above amount to €26 million in financial year 2022/23 (2021/22: €21 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 figures as of the reporting date and the external market values as of the valuation date.

47. Corporate body emoluments

Remuneration of members of the Management Board in financial year 2022/23

The total compensation of the members of the Management Board in financial year 2022/23 amounted to €16.6 million (2021/22: €14.6 million). Total compensation in financial year 2022/23 consists of the fixed salary, short-term and long-term incentives as well as other remuneration.

The non-share-based long-term variable remuneration (performance cash plan 2023) granted to the members of the Management Board in financial year 2022/23 is stated with the addition to the provision and amounts to €3.0 million.

In financial year 2022/23, no credit lines were granted to members of the Management Board, nor were there any credit agreements from previous years.

Total remuneration of former members of the Management Board

The total compensation of the former members of the Management Board amounted to €5.9 million (2021/22: €4.1 million).

Apart from that, there are congruent, reinsured liabilities from pension provisions covered by life insurance contracts of €14.2 million towards former members of the Management Board.

- **Further information on the remuneration of the members of the Management Board is presented in the remuneration report. The remuneration report and the corresponding independent auditor's report are publicly available on the METRO website at https://www.metroag.de/en/about-us/corporate-governance.**

Remuneration of members of the Supervisory Board

The total remuneration of all members of the Supervisory Board in financial year 2022/23 amounted to €2.4 million (2021/22: €2.3 million).

In financial year 2022/23, no credit lines were granted to members of the Supervisory Board, nor were there any credit agreements from previous years.

- **Further information on the remuneration of the members of the Supervisory Board is presented in the remuneration report. The remuneration report and the corresponding independent auditor's report are publicly available on the METRO website at https://www.metroag.de/en/about-us/corporate-governance.**

48. Auditor’s fees for the financial year pursuant to § 314 Section 1 No. 9 of the German Commercial Code (HGB)

The auditor KPMG AG Wirtschaftsprüfungsgesellschaft invoiced total professional fees in the amount of €6.2 million for services rendered. €5.1 million of this amount was attributable to professional fees for the audit of the financial statements, €0.5 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 mandate extensions, as well as a chosen audit focus in conjunction with the introduction of a new ERP system. In addition, the fees for the audits of IFRS reporting packages of subsidiaries of METRO AG for inclusion in the METRO consolidated financial statements as well as for the audits of annual financial statements of subsidiaries under commercial law are included. Moreover, reviews of interim financial statements were performed.

Other assurance services relate to agreed audit procedures (for example compliance certificates and declarations of completeness in accordance with the German Packaging Ordinance), a valuation certificate, the appropriateness review of the tax compliance management system, the issuing of a comfort letter, the material audit of the remuneration report and the audit of the combined non-financial statement.

Other services comprise support services for the IT crisis management team as part of the cyberattack and quality assurance support within the framework of the optimisation of the treasury system.

49. Declaration of conformity with the German Corporate Governance Code

In September 2023, 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 permanently accessible on the website of METRO AG (www.metroag.de/en).

7 December 2023

The Management Board

Dr Steffen Greubel

Rafael Gasset

Christiane Giesen

Claude Sarrailh

RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements ensure 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.

7 December 2023

The Management Board

Dr Steffen Greubel

Rafael Gasset

Christiane Giesen

Claude Sarrailh

INDEPENDENT AUDITOR’S REPORT

To METRO AG, Düsseldorf

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of METRO AG, Düsseldorf, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2023, the consolidated income statement, the reconciliation from profit or loss for the period to total comprehensive income, the statement of changes in equity and consolidated cash flow statement for the financial year from 1 October 2022 to 30 September 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (hereinafter: “combined management report”) of METRO AG for the financial year from 1 October 2022 to 30 September 2023.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the “Other Information” section of our auditor’s report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2023, and of its financial performance for the financial year from 1 October 2022 to 30 September 2023, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2022 to 30 September 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

- **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 17 to the consolidated financial statements.

The financial statement risk

Goodwill in the amount of EUR 712 million was reported in the consolidated financial statements of METRO as at 30 September 2023. Goodwill is allocated pursuant to IAS 36 to groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. These units are the organisational units for each country for METRO.

The recognised goodwill is tested for impairment once a year as at 30 June and, if there are any indicators of impairment, also on an ad hoc basis.

For impairment testing, the carrying amount of the respective organisational unit including allocated goodwill is compared with its recoverable amount. If the carrying amount including allocated goodwill exceeds the recoverable amount, there is a need for impairment. The recoverable amount is the higher of fair value less costs to sell and value in use of the organisational unit. Fair value is measured according to the discounted cash flow method.

The impairment test is complex and is based on a number of discretionary assumptions. It 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 respective organisational unit. The result of this impairment testing is highly dependent upon estimates of the expected business and earnings performance of the organisational units as well as the cost of capital used and is therefore subject to considerable uncertainty.

There is a risk for the financial statements that impairment losses are not recognised in the correct amount. IAS 36 requires extensive disclosures in the notes. There is the risk that the disclosures in the notes are not complete and adequate.

Our audit approach

We evaluated how indicators of goodwill impairment are identified by METRO. To assess the annual impairment test, we made a risk-oriented, deliberate selection of the organisational units with goodwill.

For the selected organisational units, we assessed the appropriateness of the key assumptions and the calculation method of the Company with the involvement of our valuation specialists. To this end, we discussed and assessed the expected business and earnings development with regard to sales revenue and margin development in the detailed planning horizon with those responsible for planning. We also reconciled this information with internally available documents, such as monthly reports and strategic planning documentation, as well as the budget prepared by the Management Board and approved by the Supervisory Board. We additionally assessed the consistency of the assumptions by reconciling them with general and industry-specific market expectations.

In this regard, we also confirmed the appropriateness of METRO's budget process. As a result of the existing uncertainties, METRO has prepared multi-year planning based on scenarios. Finally, we critically analysed previous adherence to budget on the basis of past target/actual deviations prepared by METRO.

To assess the methodically and mathematically correct implementation of the valuation method, we verified the Company's valuation using our own calculations and analysed deviations.

In view of the high sensitivity of the calculated fair values to changes in the cost of capital, we analysed – taking into account country-specific particulars – the underlying assumptions and data of the cost of capital and assessed the calculation formula for computational and formal accuracy.

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. The Company's assumptions and data used for measurement are within an appropriate range and are balanced. The disclosures made in the notes in this connection are appropriate.

- **Impairment testing of land, buildings and right-of-use assets**

  For the accounting policies applied, we refer to the disclosures in the notes in the section entitled "Notes to the group accounting principles and methods". Disclosures on movements in property, plant and equipment are provided under Note 18 in the notes to the consolidated financial statements. We also refer to Note 14 in the notes on depreciation and impairment of non-current assets.

The financial statement risk

The consolidated financial statements of METRO as at 30 September 2023 report land and buildings with a carrying amount of EUR 2,156 million and right-of-use assets (according to IFRS 16) with a carrying amount of EUR 2,063 million, which includes EUR 1,884 million relating to land and buildings. In the reporting year, impairment losses totalling EUR 84 million were recognised for land, buildings and right-of-use assets.

In accordance with IAS 36, real estate and right-of-use assets must be tested for impairment if there are any indications of potential impairment. Operating performance and the real estate market are relevant indicators of any potential impairment. Pursuant to IAS 36, the carrying amount of the affected cash-generating unit must be compared with the 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 respective 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. Future cash flows are discounted using the country-specific cost of capital and the discount and capitalisation rates specific to real estate The result of impairment testing is highly dependent on the estimate of future cash flows and market rent, as well as on the country-specific cost of capital and the real estate-specific discounting and capitalisation rates used and, therefore, is subject to considerable uncertainty.

The impairment losses recognized relate primarily to METRO Russia stores (EUR 75 million) and result in particular from reduced sales and earnings expectations in connection with the sanctions imposed on Russia due to the ongoing war in Ukraine. There is the risk that necessary impairment losses are not recognised in the correct amount or are recognised too late.

Our audit approach

We evaluated how indications of impairment of land, buildings and right-of-use assets are identified by METRO.

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation method underlying the impairment testing, particularly in terms of the accounting policies used as well as formal and computational accuracy.

We also 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 this regard, we also confirmed the appropriateness of METRO's budget process. As a result of the existing uncertainties, METRO has prepared multi-year planning based on scenarios. We analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO.

To assess the methodically and mathematically correct implementation of the valuation method, we verified the Company's calculation of real estate's fair value by using our own calculations and analysed deviations.

Furthermore, we evaluated the country-specific cost of capital as well as the real estate-specific discount and capitalisation rates.

Our observations

The indications of impairment of land, buildings and right-of-use assets were appropriately identified. The valuation method used for impairment testing is appropriate and in line with applicable accounting policies. The Company's assumptions and data used for measurement are appropriate and balanced.

Other Information

The Management Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the combined non-financial statement for the Company and the Group, which is contained in section 1.3 of the combined management report,
- the combined corporate governance statement for the Company and the Group referred to in the combined management report, and
- information extraneous to management reports and marked as unaudited.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement, we have performed a separate (limited assurance) financial audit of the non-financial statement. With regard to the nature, scope and results of this assurance engagement, we draw attention to our assurance report dated 7 December 2023.

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 it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.

- Conclude on the appropriateness of the Management Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the Management Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the “ESEF documents”) contained in the electronic file “OneDrive_2023-12-01.zip” (SHA256-Hashwert: 2c9e88388e726591f2ebb3f7b5d68f7bb7d754b748dc91d9d671a01995b166cd)made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 October 2022, to 30 September 2023 contained in the “Report on the Audit of the Consolidated Financial Statements and the Combined Management Report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised)]. Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company’s Management Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company’s Management Board is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 24 February 2023. We were engaged by the Supervisory Board on 15 March 2023. We have been the group auditor of METRO AG without interruption since financial year 2016/2017.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Jessen.

Düsseldorf, 7 December 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Jessen
Wirtschaftsprüfer
[German Public Auditor]

Mehdi Zadegan
Wirtschaftsprüferin
[German Public Auditor]

INDEPENDENT ASSURANCE PRACTITIONER'S REPORT[30]

To the METRO AG, Düsseldorf

We have performed a limited assurance engagement on the combined non-financial statement of the METRO AG, Düsseldorf, and the METRO Group (hereinafter the "Company"), for the period from 1 October 2022 to 30 September 2023 included in the combined management report.

As disclosed in the section "global labour and social standards in the supply chain", certifications on manufacturing facilities of suppliers were conducted by external certification firms mandated by METRO AG to ensure compliance with the environmental, social and health standards of the amfori Business Social Compliance Initiative (BSCI) or equivalent standards. The appropriateness and accuracy of the conclusions from the audit/certification work performed was not part of our assurance procedures.

RESPONSIBILITIES OF MANAGEMENT

Management of the METRO AG is responsible for the preparation of the combined non-financial statement in accordance with §§ 289c bis 289e HGB und § 315c in conjunction with §§ 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted thereunder as set out in section "EU Taxonomy" of the combined non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, management is responsible for such internal control as they consider necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet

30 Our engagement applied to the German version of the combined non-financial statement for the period from 1 October 2022 to 30 September 2023. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU Taxonomy" of the combined non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

INDEPENDENCE AND QUALITY ASSURANCE OF THE ASSURANCE PRACTITIONER’S FIRM

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the combined non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company are not prepared, in all material respects, in accordance with §§ 289c bis 289e HGB und § 315c in conjunction with §§289c to 289e HGB and with the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management disclosed in section "EU Taxonomy" of the combined non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for METRO AG
- A risk analysis, including media research, to identify relevant information on METRO AG’s sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents

- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data via a sampling survey at METRO Deutschland GmbH and METRO FRANCE S.A.S via videoconference
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU Taxonomy
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditures and operating expenditures for the taxonomy-relevant economic activities for the environmental objectives of climate change mitigation and adaptation
- Assessment of data collection, validation and reporting processes and reliability of reported data for the taxonomy-aligned economic activities in relation to the assurance on the Technical Screening Criteria (substantial contribution for the environmental objective, DNSH criteria) and minimum safeguards
- Assessment of the overall presentation of the disclosures

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, management is required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

ASSURANCE OPINION

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of METRO AG, Düsseldorf, for the period from 1 October 2022 to 30 September 2023 has not been prepared, in all material respects, in accordance with §§ 289c bis 289e HGB und § 315c in conjunction with §§ 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by management as disclosed in section "EU Taxonomy" of the combined non-financial statement.

We do not express an opinion on the conclusions of the external certification firms mentioned in the combined non-financial statement.

RESTRICTION OF USE/CLAUSE ON GENERAL ENGAGEMENT TERMS

This assurance report is solely addressed to METRO AG, Düsseldorf.

Our assignment for the METRO AG, Düsseldorf, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated 1 January 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms to have taken note of the terms and conditions stipulated in the General Engagement Terms (including the liability limitations to EUR 4 Mio for negligence specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Düsseldorf, December 7, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Stauder
Wirtschaftsprüfer
[German Public Auditor]

Brokof
Wirtschaftsprüferin
[German Public Auditor]

FINANCIAL CALENDAR 2023/24

6 February 2024

Quarterly statement Q1 2023/24

7 February 2024

Annual General Meeting 2024

7 May 2024

Half-year financial report H1/Q2 2023/24

14 August 2024

Quarterly statement 9M/Q3 2023/24

INFORMATION

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METRO AG

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