

# ANNUAL REPORT 2016/17

Consolidated financial statements of METRO AG



**METRO**

## METRO IN FIGURES

€ million		2014/15	2015/16	2016/17	Change in %
<b>Key financial figures</b>					
Sales development (like-for-like)	%	0.6	0.2	<b>0.5</b>	-
Sales (net)		37,496	36,549	<b>37,140</b>	1.6
thereof METRO Wholesale		29,692	29,000	<b>29,866</b>	3.0
thereof Real		7,736	7,478	<b>7,247</b>	-3.1
EBITDA		1,606	1,918	<b>1,611</b>	-16.0
EBITDA before special items <sup>1</sup>		1,771	1,791	<b>1,810</b>	1.0
EBIT		860	1,219	<b>852</b>	-30.1
EBIT before special items <sup>1</sup>		1,081	1,106	<b>1,106</b>	0.1
thereof METRO Wholesale <sup>1</sup>		1,061	1,048	<b>1,114</b>	6.2
thereof Real <sup>1</sup>		93	105	<b>80</b>	-24.3
EBT (earnings before taxes)		466	894	<b>649</b>	-27.4
EBT (earnings before taxes) and before special items <sup>1</sup>		693	808	<b>896</b>	10.9
Profit or loss for the period		265	519	<b>345</b>	-33.5
Profit for the period before special items <sup>1</sup>		464	495	<b>583</b>	17.8
Earnings per share (basic = diluted) <sup>2</sup>	€	0.70 <sup>3</sup>	1.39 <sup>3</sup>	<b>0.89</b>	-36.0
Earnings per share before special items <sup>1,2</sup>	€	1.25 <sup>3</sup>	1.33 <sup>3</sup>	<b>1.55</b>	16.5
Dividend per ordinary share	€	0	0	<b>0.70<sup>4</sup></b>	-
Dividend per preference share	€	0	0	<b>0.70<sup>4</sup></b>	-
Cash flow from operating activities		1,252	1,173	<b>1,027</b>	-12.4
Investments		1,155	1,007	<b>827</b>	-17.9
Equity ratio	%	14.2	18.3	<b>20.3</b>	-
Net debt		3,815	3,051	<b>3,142</b>	3.0
Employee (annual average by headcount)		165,404	156,852	<b>155,082</b>	-1.1
Locations		1,061	1,041	<b>1,041</b>	0
Selling space (1,000 m <sup>2</sup> )		7,529	7,377	<b>7,249</b>	-1.7

<sup>1</sup> The special items for 2015/16 and 2016/17 are presented in the combined management report:  
3 - economic report, 3.2 assets, financial and earnings position - earnings position - special items.

<sup>2</sup> After non-controlling interests.

<sup>3</sup> Pro forma disclosure of combined financial statements.

<sup>4</sup> Subject to the resolution of the Annual General Meeting.

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**METRO SHARE**



# LETTER TO THE SHAREHOLDERS

*Dear Ladies and Gentlemen,*

Financial year 2016/17 was among the most eventful and strategically important years in the history of METRO. With the initial public offering (IPO) of shares in the new METRO AG, we created the foundation to deliver even more focus, innovation and growth. In a dynamic market environment where habits, needs and demands are changing at an increasingly rapid pace, agility and speed are emerging as the most important factors for success. The new group structure will provide us with considerable advantages in this regard.

At the end of March 2016, the Management Board of the former METRO GROUP informed the shareholders that the merits of demerging the group and spinning off the wholesale and retail business should be investigated. This announcement was followed by an intensive preparation time and the organisational separation by 30 September 2016. At the Annual General Meeting held in February 2017, an overwhelming majority of 99.95% of shareholders voted in favour of the demerger. In July 2017, we were finally on target with our project: the demerger was recorded in the commercial register on 12 July 2017 and shares in the new METRO AG have been trading on the Stock Exchanges in Frankfurt and Luxembourg since 13 July 2017.

Many of you have already been issued with shares in the new company as a result of the demerger. Other shareholders purchased their holdings in our company after the initial public offering. We warmly welcome all of you as shareholders in our company!

After less than 2 months on the stock exchange, METRO already met the criteria for inclusion in the second most important German stock index. Shares in the new METRO AG were included in the MDAX on 18 September 2017. This helps us position ourselves on the capital market and appeal to a wider circle of investors, such as index funds that track the stock market index. In addition to the development of our share price, attractive dividends are an important aspect for many of our shareholders. At the first ordinary Annual General Meeting of the new METRO AG to be held in Düsseldorf on 16 February 2018, to which I cordially invite you, the Management Board and the Supervisory Board will propose payment of a dividend of €0.70 per share on the basis of our dividend policy. I would be delighted to welcome you at the meeting.

Even though the new METRO AG is still a young company, we will be able to report on the development of our company over a complete financial year and also offer a comparison with the previous year. The previous year's financial figures as of 30 September 2016 correspond to those reported in the combined financial statements of the former METRO Wholesale & Food Specialist Group.

We have had an eventful financial year. In our transformation process towards becoming a more customer-focused company, we have taken an important step to focus all our efforts on generating additional value for our customers.

With our METRO Wholesale and Real segments, we are a leading specialist in the wholesale and food retail trade. The METRO Wholesale segment includes our METRO Cash & Carry sales line with stores in 25 countries, but also the entire delivery business, which is making a significant contribution to growth. Real is focusing on the German market with its hypermarkets and will roll out the successfully trialled Food Lover concept, which combines emotional and rational customer needs, in additional stores, either to the full extent or via selected modules. Our digitisation initiatives allow us to promote the development of digital solutions for our hospitality and retail customers. Our goal is to elevate the food and hospitality sector to a whole new level. We understand that assisting our customers in becoming more successful will also deliver rewards for our company.

We will also not rest in our efforts to continuously optimise our business. From today's perspective, we do not expect any further major restructuring measures. The practice of adjusting our earnings for special items will not be used beyond the reporting year 2016/17. We will make changes to our reporting in the future; for that reason, all necessary measures from financial year 2017/18 onwards will be included in the reported earnings.

Directing our focus on the wholesale and food retail sector has greatly extended our company's flexibility and agility. This allows us to further sharpen our customer focus, accelerate growth, increase the implementation speed and ultimately improve our operational earning power.

## **METRO WHOLESAL**

The core customers for our **METRO Cash & Carry** sales line are small and medium-sized companies. We have divided them into 3 customer groups: HoReCa, Trader and Service Companies and Offices. These customer groups vary regionally. In Eastern Europe, for example, food stalls and small traders – especially in countries such as Romania, Poland and Russia – still account for 40% of total food retail sales, compared to less than 10% in Germany. These regional differences are also reflected in our business: while small independent retailers are our main target group in Eastern Europe, we are concentrating our efforts in Southern and Western Europe on the many hotels and restaurants.

Clear trends are evident for the store-based business of METRO wholesale outlets. Assortments are increasingly geared to local needs, inspiration and knowledge transfer are becoming more important and the development of solutions for our customers, such as pre-packed goods or post-purchase delivery, is gaining in relevance. Our focus is on food products, but also on those non-food categories that allow us to provide meaningful support to our customers. The share of food in our total sales revenues will continue to rise as it has done over the past years, with our private label products playing a very important role. Our private label products are designed to provide our customers with unique added value at attractive prices. They also complement the business models of our customers in terms of their composition, processing or packaging.

Our **delivery business** is a great success story. We now deliver our products to customers far beyond the 25 countries in which we currently operate wholesale stores. The targeted acquisition of food service distribution specialists (FSD) – most recently Pro à Pro in February 2017 – has enabled us to extend this service to currently 35 countries worldwide. Of the approximately €30 billion worldwide sales revenues in the METRO Wholesale segment, the delivery business already accounts for more than €4.6 billion. Double-digit growth rates have been achieved by responding to the specific needs of our customers with great accuracy. We have also extended our range of products in line with the growing number of delivery customers. While purchases were initially delivered from our stores, we now also operate 87 hubs dedicated to our delivery business.

We have also expanded our franchise network to currently 5,087 partners. Our trader franchise programme supports retailers in Eastern Europe in planning and designing their stores as well as in implementation. The advice we give goes far beyond the composition of the assortment. We also assist our partners in all kinds of business-related issues and offer solutions for their daily business operations. We intend to employ our franchise solution to significantly increase our number of customers from the Trader segment, especially in Russia.



Our customers are passionate entrepreneurs. This is unmistakably expressed in their dedication and in the diversity and quality of their daily business activities. It is, however, a fact that most small and medium-sized businesses are still working without much technological support. This situation offers significant potential for our customers to improve their results considerably. Progressing **digitisation** has created cost-effective yet powerful solutions that can help independent entrepreneurs increase their sales and reduce their costs and administrative burden. Our HoReCa Digital business unit focuses exclusively on identifying which solutions we can use to make the greatest positive contribution to the success of our customers. Besides the many start-ups we have supported through METRO Accelerator powered by Techstars, we work with numerous other companies offering digital solutions to small and medium-sized businesses in the hospitality and food retail industries. In pilot projects in Berlin, Paris, Milan, Barcelona and Vienna, we have provided approximately 500 customers with digital solutions which support them in running their business. The results were positive and reaffirm our strategy to significantly expand our exposure to HoReCa Digital. Digital solutions will add to our customers' success and, at the same time, further increase the relevance of METRO for small and medium-sized enterprises. In addition, we offer innovators in digital fields a unique platform to reach a significant number of customers efficiently in a short time. We want to help both established companies and start-ups to reach the very fragmented markets of independent hospitality operators and retailers. We aim to make a noticeable contribution to significantly accelerating digitisation in our industry sector.



Our customers are part of a great community of independent entrepreneurs. We support this community in many different ways across numerous countries. Since 2016, we have also organised the Own Business Day. On this day, we celebrate the diversity, creativity and passion of independent entrepreneurs around the world. We organise various events that highlight our appreciation and respect for the outstanding performance of these entrepreneurs. We also provide them with a platform to make their businesses even more popular and attractive with unique offerings. 20,000 entrepreneurs participated in the first Own Business Day, with more than 100,000 in the following year. The use of digital tools plays a major role in this growth. The Own Business Day is made accessible worldwide via an app specifically developed for this purpose.

### REAL

Turning to our **Real** sales line, we are proud to have made great progress in refining our market profile. Real is already the nation's retailer with the widest range of products. It offers outstanding quality. To further increase customer appeal, we need to reinforce the actual benefits by enhancing them with emotional aspects. A unique concept aiming in this direction is the new Markthalle Krefeld, which was implemented in November 2016. Customers who are excited about variety in particular are looking for inspiration and advice. This is exactly what we aim to provide with the new store concept: it combines an extensive food assortment and outstanding freshness with elements of themed food experiences, making the hypermarket an ideal place for connoisseurs. The concept has been well received by the customers. The customer foot-print has increased sustainably by 30%. Based on the experience we have gained, the expansion of the concept to other stores is already planned with our next location in Brunswick. We will also roll out individual modules of this concept across a larger number of stores. Our objective is to further increase the appeal for our customers as quickly and effectively as possible.

The online business of Real has also taken a big step forward. The Hitmeister shopping portal, which we acquired in 2016, was successfully integrated into the real.de website in February 2017. Consumers can now choose from a very large product range. The growth rates are enormous and we are excited about the encouraging results. Online sales grew by more than 50%. Real now also offers online shopping for food products. The orders are packed ready to go and can be picked up from one of the 9 Real stores currently offering this service. Alternatively home delivery, including fresh food, is available in many areas. Our plan is to set up a nationwide delivery service after conducting a trial in Düsseldorf.

**METRO** understands its role as a member of society who contributes to the creation of additional value. We have a moral obligation to balance our economic interests with both social demands and the requirements of our customers, employees, investors and business partners. That is why sustainability is an integral part of our actions and firmly anchored in our company and our sales lines. Coinciding with the publication of this report, we have released a Corporate Responsibility Progress Report. The sustainability management of the new METRO AG is already receiving accolades: the rating agency Oekom

Research has accepted us into the wholesale industry sector and made us the industry leader with a prime rating. We were named industry leader in the Indices Dow Jones Sustainability World and Europe for the third time in financial year 2016/17.

Financial year 2016/17 was a successful one across the entire METRO organisation. METRO increased like-for-like sales revenues by 0.5% in financial year 2016/17. At €37.1 billion, reported sales revenues were 1.6% higher than in the previous year. EBIT before special items amounted to €1,106 million.

How will financial year 2017/18 develop? Our sales lines have almost completed their transformation process. Future expenses for the remaining measures will no longer be reported as special items. For you, that means that starting in financial year 2017/18, we will only report a single earnings figure.

Analogous to our medium-term goals, we anticipate positive growth of our total revenue again in financial year 2017/18, assuming stable exchange rates and no portfolio adjustments. We aim for our growth rate to at least match the 1.1% growth achieved in financial year 2016/17. We expect the EBITDA excluding earnings contributions from real estate transactions to increase by at least 10% on the previous year's result (€1,436 million). Our goals include new stores as well as the continued expansion of the delivery business and the roll-out of our market hall concept in existing Real stores.

It is important to me to mention our more than 150,000 employees, for whom the transformation period and demerger were quite challenging. I would like to express, also on behalf of my colleagues, our deep gratitude to them for going the extra mile with us. We are well aware of the fact that our employees are the key to our success. This is why we regularly conduct surveys to measure staff engagement, which provides information about how well our employees identify with their company. The positive result attained in the past financial year reaffirms the path we have chosen, but also indicates areas with room for improvement, which we will work on.

Thank you for your interest, your loyalty and the continued trust you place in us. METRO AG has great plans for the future. My colleagues on the Management Board and I look forward to paving the way for the future together with our colleagues, our customers, our partners and you, our shareholders.

Yours faithfully,



**Olaf Koch**  
CHAIRMAN OF THE  
MANAGEMENT BOARD  
OF METRO AG

# THE MANAGEMENT BOARD

## Olaf Koch

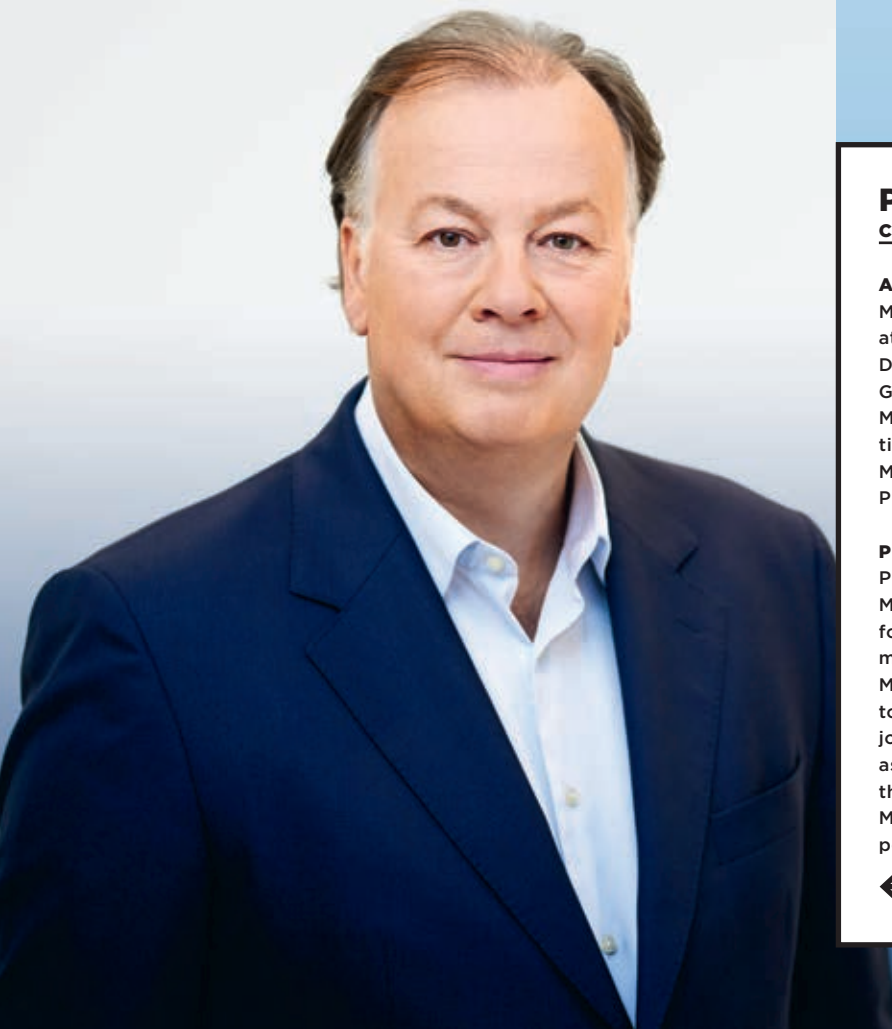
### CHAIRMAN OF THE MANAGEMENT BOARD

#### Areas of responsibility

Corporate Communications and Public Policy, Investor Relations and Corporate M&A, Corporate Legal Affairs & Compliance, Corporate Office, Corporate Strategy, HoReCa Digital, Real

#### Profile

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



## Pieter C. Boone

### CHIEF OPERATING OFFICER

#### Areas of responsibility

METRO Cash & Carry (MCC) Operating Board, Operations, Expansion & Investment MCC, Food Service Distribution MCC, Global Food & Non-Food Sourcing, Global Business & Supplier Management, Marketing MCC, Quality Assurance MCC, Supply Chain / Logistics, Trader Franchise MCC, METRO ADVERTISING, METRO SOURCING International, Classic Fine Foods, Pro à Pro, Rungis Express

#### Profile

Pieter C. Boone was appointed member of the Management Board of METRO AG on 2 March 2017 for a term ending on 30 September 2020. He was a member of the Management Board of the former METRO AG (now: CECONOMY AG) from 1 July 2015 to 12 July 2017. Mr Boone is 50 years of age and joined METRO Cash & Carry Russia in the year 2011 as the company's Operations Director. He assumed the position of Managing Director at that company in March 2012. Mr Boone previously held management positions in Peru, the Philippines, Malaysia, Thailand and Indonesia for the Dutch trading company SHV Holdings. ←

## Christian Baier

### CHIEF FINANCIAL OFFICER

#### Areas of responsibility

Corporate Accounting, Corporate Controlling & Finance, Corporate Risk Management, Corporate Tax, Corporate Treasury, METRO PROPERTIES, METRO LOGISTICS, MIAG, METRO Insurance Broker

#### Profile

Christian Baier was appointed member of the Management Board of METRO AG on 11 November 2016 for a term ending on 30 September 2020. He was the Chief Financial Officer (CFO) of METRO Cash & Carry from 1 July 2015 to 1 March 2017 and previously held the position of Group Director Strategy, Business Innovation and M&A at the former METRO AG. Mr Baier is 41 years of age and joined METRO Cash & Carry Germany as a member of the Management Board / Head of Finance and Administration – C+C Schaper – in the year 2011. He holds a BA in business administration and an MBA from New York University and was previously employed at the finance investor Permira and a number of banks. →



## Heiko Hutmacher

### CHIEF HUMAN RESOURCES OFFICER AND LABOUR DIRECTOR

#### Areas of responsibility

Human Resources (HR Campus, Compensation & HR Processes, Global Talent Management & Recruitment, HR Operations & Leadership, Labour Relations Germany & Labour Law), Corporate Responsibility, Global Business Services, Group Internal Audit, Information & Technologies, METRO SERVICES, METRO SYSTEMS

#### Profile

Heiko Hutmacher assumed his position on the Management Board on 2 March 2017 and was appointed Chief Human Resources Officer of METRO AG on 31 August 2017 for a term ending on 30 September 2020. He was a member of the Management Board of the former METRO AG (now: CECONOMY AG) from 1 October 2011 to 12 July 2017 and held the position of Chief Human Resources Officer. From April 2012 to June 2015, the 60-year-old headed the Human Resources Department at METRO Cash & Carry. Mr Hutmacher holds a degree in business administration. His experience in human resources spans over 30 years, including posts at IBM and Akzo Nobel. ←



# THE YEAR IN REVIEW

## SELECTED EVENTS DURING FINANCIAL YEAR 2016/17

### Q1 2016/17

#### **METRO Accelerator for Retail announced**

**16/11/2016** - The mentoring programme METRO Accelerator powered by Techstars will be extended: METRO Accelerator for Retail focuses on entrepreneurs offering digital solutions for small retailers (traders). The joint initiative by METRO and Techstars previously focused on start-ups that are specialised in innovations for the HoReCa sector. In the future, the METRO Accelerator for Hospitality will alternate with the METRO Accelerator for Retail. The programmes aim at driving the digitisation in these 2 industry sectors.

#### **Real opens Markthalle Krefeld**

**24/11/2016** - Real opened Markthalle Krefeld, a store of an extraordinary size boasting its own food service section and an unparalleled range of fresh produce. It is structured just like a traditional covered market and contains many small shops: a butcher shop, artisanal bakery, coffee roasting house and specialist stores selling wine, cheese or fish. It is the first store based on the new Food Lover concept.

#### **Demo Day METRO Accelerator for Hospitality**

**7/12/2016** - The Demo Day of the second METRO Accelerator programme for hotels, restaurants and catering operators saw 10 start-up companies presenting their digital business models to around 300 potential investors. The presented solutions included a digital personal assistant and a recruiting platform for event staff.

#### **Capital Markets Day**

**15/12/2016** - The 2 companies formed by the demerger of the former METRO GROUP used the Capital Markets Day to present their respective strategies and medium-term outlook for the first time. This was also the occasion of unveiling the new company names to the public: METRO will be the name for the leading international wholesale and food retail company, while CECONOMY will be the name of the new consumer electronics company.

### Q2 2016/17

#### **METRO Cash & Carry Germany opens additional delivery hubs**

**10/1/2017** - METRO Cash & Carry Germany expanded the delivery business by opening 4 new delivery hubs in Neu-Ulm, Berlin, Neuss and Neumünster. Together with the existing facility in Weiterstadt, the company now operates 5 central supplier depots. The expansion of the delivery hub network means that METRO Cash & Carry Germany has completed another step on its way to the leading multichannel wholesaler in Germany.

#### **Pro à Pro is providing a boost to the company's FSD expertise in France**

**1/2/2017** - Pro à Pro is an important food delivery service for French catering operators. The acquisition allowed METRO Wholesale to significantly expand its delivery network and bolster its expertise in the food service distribution segment of the French wholesale market.

#### **Annual General Meeting approves demerger**

**6/2/2017** - The shareholders of the former METRO AG approved of the group's demerger with an overwhelming majority of 99.95% of votes cast. There will be 2 independent market players in the future: METRO operates in wholesale and retail with its sales lines METRO Cash & Carry and Real. CECONOMY is the umbrella organisation for Media Markt, Saturn and other companies, as well as for concepts and brands in the area of consumer electronics.

#### **Real.de completes integration of Hitmeister online shop**

**17/2/2017** - Real has significantly expanded the product range available from its online shop real.de by integrating the popular online shop Hitmeister. Today, customers can choose from a huge selection of products.

#### **Joint venture agreement for wholesale distribution in Myanmar signed**

**24/2/2017** - The former METRO GROUP Wholesale & Food Specialist Company formed a joint venture with Yoma Strategic Holdings Ltd., a stock exchange-listed company from Singapore that focuses its activities on Myanmar, for the development of a 1-stop food sales platform in Myanmar. The joint venture agreement provides for METRO to hold 85% of shares in the newly formed METRO Wholesale Myanmar Ltd., while the remaining 15% are held by Yoma Strategic Holdings.

## Q3 2016/17

### **RTG Retail Trade Group established**

**3/4/2017** - Real and 5 other established retail companies have founded RTG Retail Trade Group with registered office in Hamburg. The objective is to jointly benefit from synergies and potentials and thereby further improve the competitiveness of all partners.

### **Partnerships with Planday and Yoyo Wallet**

**21/6 / 26/6/2017** - METRO expands its activities in the area of the digital transformation in the catering sector and (still under the name METRO GROUP) forms partnerships with the start-up companies Planday and Yoyo Wallet. Planday is the leading European provider of digital personnel resource planning and workforce management solutions. Yoyo Wallet offers a combination of quick and easy technologies for mobile payments.

### **Rating agency S&P confirms METRO's investment grade rating**

**26/6/2017** - International rating agency Standard & Poor's (S&P) has confirmed the investment grade rating for the future wholesale and food specialist METRO and changed its previously preliminary assessment of BBB-/A 3 from December of the previous year to final.

## Q4 2016/17

### **Shares in the new METRO now trading on the stock exchange**

**12/7 / 13/7/2017** - As the demerger came into effect on 12 July 2017, shares in METRO commenced trading on the stock exchange. Investors are for the first time able to invest in the business of a dedicated wholesale and food specialist. The shareholders of the former METRO AG will receive one additional share in the new METRO AG for each share already held by them.

### **Demo Day METRO Accelerator for Retail**

**5/9/2017** - The Demo Day wrapped up the first round of the first Accelerator programme worldwide focusing on retail and wholesale. Following 3 months of comprehensive mentoring and coaching, the 9 participating teams presented their innovative digital solutions for retail companies to around 250 international investors, experts and multipliers.

### **METRO tops the Dow Jones Sustainability Index in its industry sector**

**7/9/2017** - The Dow Jones Sustainability World and Europe indices have distinguished METRO as an industry leader in the highly competitive Food & Staples Retailing group for the third time running. METRO is now among the retail companies with the most sustainable operations worldwide.

### **Interactive exhibition METRO unboxed opened**

**13/9/2017** - Business partners, customers, suppliers, students, school classes, locals from Düsseldorf and visitors from all over the world were given a glimpse into the world of the new METRO in a temporary exhibition pavilion at the banks of the river Rhine in Düsseldorf. 38 exhibition booths offer interesting insights into the METRO countries and interesting facts on the retail company's international activities and key focal issues.

Impressions can be found on the next page.

### **METRO share included in the MDAX**

**18/9/2017** - Following a successful index assessment by the German stock exchange, METRO AG shares have been included in the MDAX only 2 months after the company's initial public offering. The second most important German share index reflects the share price development of 50 mainly German companies from the traditional industry sectors.





Some 30,000 visitors came to the METRO unboxed pavilion on the Rhine up until the beginning of October.







**All METRO countries were there: from Spain and Bulgaria to India and Japan. Real and the delivery services also presented themselves. The programme was rounded off by cooking events and concerts.**



**METRO's service companies presented themselves interactively. They provide assistance in areas such as procurement, quality assurance and administration.**



# METRO SHARE

Shares in the new METRO AG made their trading debut on the Frankfurt and Luxembourg Stock Exchanges on 13 July 2017. Ordinary shares in METRO carry the International Securities Identification Number (ISIN) DE000BFB0019 and the German Securities Identification Number (WKN) BFB001. The METRO ticker symbol is B4B. 46.76% of shares in METRO AG are free-floating.

The first trading day on 13 July 2017 saw the METRO share price closing at €18.05 in the Frankfurt Xetra trading, with the trading volume amounting to around 8.5 million shares.

The share price continued to fluctuate until the end of the financial year and was also influenced by macroeconomic developments and industry sector-specific news. In September, the closing price of ordinary shares in METRO was €17.89. Preference shares ended the financial year at a price of €16.75.

## METRO SHARE

			<b>2016/17</b>
Closing price	Ordinary shares	€	<b>17.89</b>
	Preference shares	€	<b>16.75</b>
High	Ordinary shares	€	<b>18.45</b>
	Preference shares	€	<b>18.50</b>
Low	Ordinary shares	€	<b>16.34</b>
	Preference shares	€	<b>16.30</b>
Dividends	Ordinary shares	€	<b>0.70<sup>1</sup></b>
	Preference shares	€	<b>0.70<sup>1</sup></b>
Dividend yield based on closing price	Ordinary shares	%	<b>3.9<sup>1</sup></b>
	Preference shares	%	<b>4.2<sup>1</sup></b>
Market capitalisation (billion)		€	<b>6.5</b>

<sup>1</sup> Subject to the resolution of the Annual General Meeting.

Data based on Xetra closing prices  
Source: Bloomberg

## INFORMATION ABOUT THE METRO SHARES

	Ordinary shares	Preference shares
Stock market symbol	B4B GR	B4B3
German Securities Identification Number	BFB001	BFB002
ISIN code	DE000BFB0019	DE000BFB0027
Reuters code	B4B.DE	B4B3_p.DE
Bloomberg code	B4BGR	B4B3GR
Number of shares	360,121,736	2,975,517
Stock market segment	Prime Standard	Prime Standard
Stock exchange	Frankfurt, Luxembourg	Frankfurt, Luxembourg

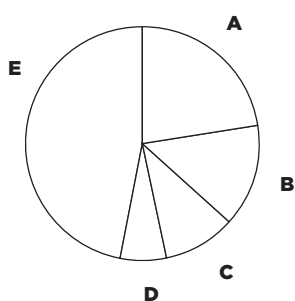


## Shareholder structure of METRO AG

The major shareholders of METRO AG (formerly METRO Wholesale & Food Specialist AG) are Haniel, Schmidt-Ruthenbeck, CECOMY and Beisheim shareholder groups. According to information available to METRO AG based on the notifications of voting rights according to the German Securities Trading Act (WpHG), they held around 53.23% of the voting rights as of 30 September 2017. This results in the following voting rights of the 4 major shareholders: The Haniel shareholder group is METRO AG's largest shareholder with a voting share of around 22.50%. The Schmidt-Ruthenbeck shareholder group is METRO AG's second-largest shareholder with a voting share of around 14.19%. The third largest shareholder is the CECOMY shareholder group, which holds approximately 9.99% of voting rights in METRO AG. The fourth-largest shareholder is the Beisheim shareholder group with approximately 6.56% of voting rights.

Approximately 46.76% of METRO AG shares are free-floating and held by a large number of domestic and international investors. Other information available to METRO AG indicates that US and British investors account for the largest share of institutional investors, followed by investors from France and Germany. According to a voting rights notification dated 19 September 2017, the investment company J O Hambro Capital Management Limited is the largest institutional shareholder, holding approximately 2.47% of voting rights (plus 0.99% financial instruments). The 10 largest institutional investors hold around 34% of the free-floating shares.

### SHAREHOLDER STRUCTURE



	Number of shares	%	
<b>A</b>	<b>81,015,280</b>	<b>22.50</b>	Haniel
<b>B</b>	<b>51,117,363</b>	<b>14.19</b>	Schmidt-Ruthenbeck
<b>C</b>	<b>36,012,173</b>	<b>9.99</b>	CECOMY
<b>D</b>	<b>23,615,334</b>	<b>6.56</b>	Beisheim
<b>E</b>	<b>168,361,586</b>	<b>46.76</b>	Free-floating shares
	<b>360,121,736</b>	<b>100.00</b>	

The information above is in particular based on notifications issued under §§ 21 of the German Securities Trading Act that were received and published by METRO AG.

## Market capitalisation and index inclusion

The market capitalisation of METRO AG was €6.5 billion at the end of September 2017. In the time between the initial stock exchange listing and the end of the financial year, a typical trading day at the Frankfurt Stock Exchange saw an average volume of 1.4 million of METRO's ordinary shares traded. Around 4,500 of the significantly less liquid preference shares were exchanged on each trading day.

On the first day of trading, 13 July 2017, shares in the new METRO AG were included in the MDAX under the name METRO Wholesale & Food Specialist AG for a single day. This was due to the demerger of the former METRO GROUP and the fact that the German Stock Exchange index rules stipulate inclusion in the index for both the old company as well as the demerged company for one day. METRO AG as the demerged company was removed from the index after that one day and may requalify for inclusion at a later time. The MDAX comprises the 50 largest German corporations with the highest trading volumes below the DAX 30. The composition is based on fixed inclusion criteria. In addition to being listed in the so-called Prime Standard and a free-float of more than 10%, inclusion in the index depends on the free-float market capitalisation and the stock exchange turnover. Because the new METRO already met the inclusion criteria at the time of the major review conducted in early September, the METRO share has been included in the MDAX since 18 September 2017. The free-float market capitalisation of METRO AG was €2.9 billion at the end of the financial year. METRO is therefore ranked no. 23 in the MDAX. METRO was ranked no. 13 in the MDAX in terms of stock exchange turnover.

The policies of the global MSCI indices take a different approach. Owing to the fact that the former METRO Wholesale & Food Specialist AG was, based on its market capitalisation, the greater entity resulting from the demerger of the former METRO GROUP, the old METRO AG was replaced by METRO Wholesale & Food Specialist AG and was thus included in the MSCI indices from the first trading day.

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

Many investors place a high priority on the issue of sustainability, including for risk-related reasons. METRO AG was recognised as the most sustainable retail company in the Food and Staples Retailing category in the Dow Jones Sustainability Index, making the company the industry leader in this segment. METRO shares are also listed in the Dow Jones Sustainability World and Dow Jones Sustainability Europe indices. Rating agency Oekom Research issued a prime recommendation for METRO AG in the wholesale category (Trading Companies & Distributors). In this category, METRO immediately assumed the top position among approximately 70 international companies.

METRO shares are also included in the MSCI World ESG Leaders Index and its European counterparts.

METRO's membership in the most important sustainability index groups demonstrates that METRO is on the right track with its sustainable business practices and that the capital markets are rewarding its efforts in this area.

### Dividend and dividend policy

METRO intends to pay an attractive dividend. As stated in the securities prospectus, METRO's dividend policy provides for a payout ratio of 45 to 55% of earnings per share.

For financial year 2016/17, the earnings per share before special items are adjusted one last time. Starting in financial year 2017/18, the reported earnings per share are key factors.

The Management and Supervisory Boards of METRO AG will therefore propose to the Annual General Meeting of METRO AG on 16 February 2018 to pay a dividend of €0.70 per ordinary and preference share. The payout ratio corresponds to 45.2% based on earnings per share before special items in the amount of €1.55 per ordinary share.

Based on the closing prices on 30 September 2017, the dividend yields are as follows: 3.9% for METRO ordinary shares and 4.2% for METRO preference shares.

### Analysts' recommendations

18 analysts from respected domestic and international banks have started tracking and evaluating METRO AG shortly after trading in the company's shares commenced. METRO AG publishes their recommendations and target share prices in the Investor Relations section at [www.metroag.de/en/investors](http://www.metroag.de/en/investors). At the end of financial year 2016/17, 61% of analysts issued "buy" recommendations for the METRO share, while 39% ranked them as "hold". Not a single analyst made a "sell" recommendation. The median value of share price targets was €20.20 at the end of September 2017.

Grade	Bank	Registered office	Share price target (€)
<b>Buy</b>			
	Barclays	London	23.00
	BAML	London	22.50
	Commerzbank	Frankfurt	22.00
	DZ Bank	Frankfurt	22.20
	equinet	Frankfurt	29.00
	Independent Research	Frankfurt	20.00
	Kepler Chevreux	Frankfurt	20.20
	Odco	Paris	20.00
	Raymond James	London	21.00
	Solventis	Mainz	32.00
	Warburg Research	Hamburg	23.80
<b>Hold</b>			
	Bernstein	London	17.10
	Deutsche Bank	London	16.50
	Exane	London	18.50
	HSBC	London	18.50
	Jefferies	London	17.30
	J.P. Morgan	London	19.00
	Morgan Stanley	London	18.00

### Investor Relations

The Investor Relations team at METRO AG is available to provide comprehensive information to all capital market participants. The team is guided by the principles of customer-focused capital market support. These principles affect in particular:

- Topicality: assurance of information leadership
- Continuity: consistency in external communications
- Credibility: disclosure of accurate information
- Equal treatment: all recipients are provided with the same information at the same time

The fixed dates for our regular reporting will in the future provide the framework for our capital markets communications. The year begins with the sales report for the past financial year. The annual report outlining the company's business development in the respective financial year will be presented at the balance sheet press conference in mid-December and in a conference call for analysts and investors. Sales for the Christmas period are announced in January. Approximately one month after the end of each quarter, METRO AG holds a conference call to inform capital market participants about the previous reporting period. These conference calls can be followed live on the internet and are available worldwide along with a presentation in the

Investor Relations section of METRO's website. The associated reports can also be downloaded. Other relevant events can also be found in the Investor Relations section under the subsection Investor News: [www.metroag.de/en/investors](http://www.metroag.de/en/investors).

METRO continues its direct dialogue with shareholders, potential investors and analysts through its presence in all key financial markets in Europe and the United States. In addition, analysts and investors may gain a better impression of METRO's performance and innovative capabilities at the METRO AG head office in Düsseldorf. METRO receives frequent requests for discussions with company representatives and visits to company locations, reflecting the high level of interest in the group. In December 2016, a capital market day was conducted in the lead-up to the demerger. The company presented its strategy for the new METRO in much detail and also offered a medium-term outlook. This allowed investors to inform themselves prior to casting their vote on the demerger of the former METRO GROUP and facilitated their decision-making process. The new METRO conducted an investor day in September 2017, which also provided analysts and institutional investors with an opportunity to visit METRO outlets in Krefeld. Real presented the Markthalle Krefeld while METRO Wholesale presented a redesigned wholesale store. This was followed by the CEO and CFO of METRO AG answering questions at the METRO exhibition pavilion located on the banks of the river Rhine in Düsseldorf. The exhibition also presented a comprehensive overview of METRO's international activities.

Private investors are another large and significant shareholder group of METRO AG. Their central, one-stop source of information is the Investor Relations section on METRO's website, which is available in German and English. The web presence includes insights into the company's strategy and business development, all new publications as well as an archive of annual reports. Investors are also able to contact the Investor Relations department directly. The Annual General Meeting provides all shareholders with the opportunity to learn more about METRO and see the members of the Management Board in person.

Its active membership in the German Equity Institute (Deutsches Aktieninstitut e. V., DAI) in Frankfurt, allows METRO AG to actively support efforts to foster a shareholder culture in Germany. METRO is also committed to the principles of open and continuous communications, which is expressed in the company's membership in the German Investor Relations Association (Deutscher Investor Relations Verband e. V., DIRK).

### **Contact Investor Relations**

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CORPORATE  
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# REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

An exciting and extraordinarily busy business year lies behind us. The market launch of our new METRO confirmed that METRO also stands for flexibility.

The demerger project of the former METRO GROUP was titled 2MORROW for a good reason. After all, this word signifies our common goal: shaping tomorrow, the future, and making an impact. Better, more focussed and even closer to the customer and his needs! Enjoying the full support of the Supervisory Board, the Management Board has laid the groundwork for this new phase of the development over the course of the past months.

At the same time, we managed to keep focus on the operational business: Like-for-like sales increased by 0.5% in financial year 2016/17, reported sales of €37.1 billion were 1.6% higher than in the previous year and EBIT before special items amounted with €1,106 million is at last year's level.

In the future, METRO will be able to leverage full concentration on wholesale and food retail, which will enable it to leverage further value creation potential. It is now time to continue on the smooth path with stability, focus and consequence. The strong commitment of the METRO employees and their customer focus are indispensable tools for this. At this point, dear shareholders, I would like to thank you for placing your trust in METRO, as some of you have already done for decades.

## ADVICE AND SUPERVISION IN CONSULTATION WITH THE MANAGEMENT BOARD

In financial year 2016/17, 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 regularly in relation to the management of METRO AG and the group and supervised its activities. The Management Board furnished us with detailed written and verbal information on all essential developments within METRO at the Supervisory Board meetings in a timely fashion and in accordance with the statutory requirements. Its reporting in particular included information on the demerger project of the former METRO GROUP, the business developments, the position of the company and the group (including the risk position, risk management and compliance) as well as the company's strategy and planning. The Management Board provided detailed explanations for any deviations from planned business performance. Based on the Management Board's reports, we discussed all transactions that were of significance to the company at the Supervisory Board meetings and within the committees. The Supervisory Board was involved in all decisions bearing material significance. These decisions included measures and transactions for which the Supervisory Board's approval was prescribed by law, the Articles of Association or own drawn up regulations. We thoroughly reviewed the relevant matters and discussed their benefits, potential risks and other impacts with the Management Board. Managers from the relevant departments of METRO attended certain meetings to address particular agenda items.

The Supervisory Board approved all matters presented to it for approval by the Management Board. As Chairman of the Supervisory Board, I was regularly involved in discussions about key issues and pending decisions with Mr Koch, the Chairman of the Management Board, including outside of Supervisory Board meetings. We made no use of the Supervisory Board's rights of inspection and audit pursuant to §111 Section 2 Sentence 1 and 2 of the German Stock Corporation Act (AktG) because no matters requiring clarification arose.

**Jürgen B. Steinemann****CHAIRMAN OF THE SUPERVISORY BOARD****Profile**

Jürgen B. Steinemann was born in Damme, Germany, in 1958. Following a degree in business administration at the European Business School in Wiesbaden, London and Paris, which he completed in 1985, he held different management positions at Eridania Béghin-Say, Unilever and Nutreco before being appointed CEO of Barry Callebaut (2009–2016), since 2014, he is a member of the board of directors of this company. From 2015 until the effectiveness of the demerger of METRO GROUP in July 2017, Mr Steinemann was a member of the Supervisory Board of the old METRO AG (now: CECONOMY AG) and from February 2016 its chairman. Since 2017, Mr Steinemann has been member and chairman of the Supervisory Board of the new METRO AG.

The Supervisory Board held 10 meetings in financial year 2016/17. 4 resolutions were adopted by the Supervisory Board in a written procedure outside of a meeting. The corporate governance report discloses the meeting attendances of individual members of the Supervisory Board. No conflicts of interest involving members of the Management Board and Supervisory Board arose in financial year 2016/17.

— **Information on the other members of the Supervisory Board can be found at [www.metroag.de](http://www.metroag.de) in section Company – Supervisory Board.**

**KEY ISSUES COVERED BY SUPERVISORY BOARD MEETINGS**

The Supervisory Board's deliberations focused in particular on the project for the split of the former METRO GROUP, the company's initial public offering and the strategy to be pursued by the new METRO.

**November 2016** – In November 2016, the former METRO Wholesale & Food Specialist GmbH was transformed into a public limited company (Aktiengesellschaft). The Supervisory Board at that time consisted of 3 members. Following the election of the Chairman and Vice Chairman of the Supervisory Board in its first meeting, the Supervisory Board appointed the members of the company's Management Board. Mr Christian Baier as well as Dr Christoph Kämper and Mr Christian Ziggel, 2 METRO executives, were appointed members of the Management Board; the 2 executives were appointed to the Management Board for the sole purpose of preparing the group's demerger. In connection with the legal transformation into a stock corporation, the Supervisory Board dealt intensively with the founding audit report to be submitted by the latter together with the Management Board, which was subsequently adopted in a resolution outside of a meeting.

**December 2016** – The Supervisory Board held 2 meetings in which it discussed issues relating to the proposed demerger of the group and the finalisation of the corresponding demerger agreement, demerger report and demerger audit report. The demerger documentation was explained in detail and discussed at length. The Supervisory Board then resolved to approve the demerger agreement.

**January 2017** – In its January meeting, the Supervisory Board discussed the subsequent establishment report to be prepared by the Supervisory Board in connection with the conclusion of the demerger agreement on account of its audit of the demerger.

In addition, the Supervisory Board approved the resolution of transfer of certain syndicated loans from the former METRO AG to the company as part of a resolution adopted outside of a meeting.

**February 2017** – The first of the Supervisory Board meetings held in February 2017 was concerned with resolutions pertaining to the subsequent establishment report. In another meeting, the Supervisory Board adopted its proposed resolutions for the Annual General Meeting of the former METRO Wholesale & Food Specialist AG (now: METRO AG) held on 10 February 2017, among others the proposed resolution to approve the demerger.

**March 2017** – Following the augmentation of the Supervisory Board to 20 members, the corporate body held its constituting meeting on 20 March 2017 in its new composition and elected me to the office of the Chairman of the Supervisory Board and Mr Werner Klockhaus to the office of the Vice Chairman of the Supervisory Board. We then adopted the code of procedure of the Supervisory Board, its Audit Committee and the Management Board. The Supervisory Board initially formed 3 committees – the Presidential Committee, the Audit Committee and the



Nomination Committee – and determined their respective appointments. The members of the Audit Committee elected their committee's chairperson and vice chairperson. We further resolved to already appoint the individuals who are supposed to manage the affairs of the company after the demerger effective date to the Management Board. The Supervisory Board therefore resolved to appoint Olaf Koch, Pieter C. Boone and Heiko Hutmacher to serve as members of the Management Board and to reappoint Mr Christian Baier. Mr Koch was appointed Chief Executive Officer. We further adopted the remuneration system for the Management Board and determined the performance targets applicable to the variable remuneration components after the demerger effective date. Subsequently, the Management Board informed us about the target structure and strategic orientation of the "new METRO" and the associated positioning of the remaining sales lines in the wholesale and food retail sector. Moreover, the Management Board informed us about the course of business and the status of the demerger project. In this context, we also discussed the listing prospectus in great detail and subjected the document to a plausibility check with regard to its completeness and accuracy.

**May 2017** – In addition to informing the Management Board about the course of business, this meeting focused on the status of the demerger project, in particular with regard to the progress of the approval procedure initiated by the former METRO AG (now: CECONOMY AG) and the planning activities relating to external communications. The Management Board also provided information on the effects of digitisation on the business model. To ensure the Management Board has adequate flexibility in securing the company's funding, we approved a corresponding funding framework. We also discussed the strategic and individual targets of the members of the Management Board for financial year 2016/17. The Supervisory Board further adopted resolutions concerning the desired composition of the Supervisory Board and its profile of expertise as well as resolutions concerning the insider policy for the Supervisory Board. The Audit Committee prepared the proposed appointment of the auditor of the company's annual financial statements for financial year 2016/17, which was adopted by the Supervisory Board. In an additional report of the Management Board, we were informed about already established and intended structures in relation to talent management and succession planning at METRO. In addition, the Management Board informed us about the current state of integration of the French delivery company Pro à Pro, which METRO acquired. Finally, we dealt with current changes in the competitive situation and the market environment of METRO.

**June 2017** – We approved a proposed form of securitisation of the METRO AG shares in a resolution adopted outside of a meeting.

**August 2017** – After the demerger going into effect in July 2017, the new composition of the Supervisory Board is determined by the German Co-determination Act. Accordingly, the Management Board conducted the so-called status proceedings pursuant to § 97 of the German Stock Corporation Act, which resulted in 10 employee representatives being appointed to the Supervisory Board by way of a court order in August 2017. The 10 shareholder representatives had already been re-elected in April 2017.

In order to render the Supervisory Board and its committees capable of acting in the August meetings, the Supervisory Board resolved to reconstitute itself on the basis of a resolution passed outside of a meeting. This also formed the context for the formation of the 4 currently existing committees of the Supervisory Board and the appointment of their respective members.

In its subsequent first actual meeting following the company's initial public offering, the Management Board offered a retrospective view of the transformation steps taken by the former METRO GROUP since the year 2012. The resolutions adopted in March concerning issues relating to staffing and remuneration of the Management Board were confirmed in light of having progressed to the stage of codetermination. We also appointed Mr Hutmacher to the office of the company's Labour Director in accordance with § 33 of the German Co-determination Act (MitbestG). The desired proportion of female members of the Management Board was determined in the further course of the meeting. In addition to providing routine information on the company's business development, the Management Board tabled a detailed report on the start of the new company METRO and investor feedback in particular.

**September 2017** – The meeting held in late September spanned over 3 days with particular focus on the strategic direction of METRO. In addition to information about the current business development and the competitive situation, the 1st day focused on the strategy for Real, while the 2nd day was predominantly dedicated to the strategy for METRO Wholesale. On the third day, following a continuation of the strategy discussion, we adopted the budget for financial year 2017/18, considered issues relating to the remuneration of the Management Board, in particular the proposed adoption of the performance targets for short-term incentives for financial year 2017/18, and passed a resolution adopting the annual declaration of conformity pursuant to § 161 of the German Stock Corporation Act.

## 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 board-level consultations and resolutions. In addition, decision-making responsibilities were transferred to the committees within the legally allowed parameters. The respective committee chairpersons report to the Supervisory Board regularly and comprehensively with regard to the work in the committees. The work of the committees is described in detail in the annual statement on corporate management pursuant to § 289 a of the German Commercial Code (HGB) and § 315 Section 5 of the German Commercial Code (HGB). It can be found on the website [www.metroag.de](http://www.metroag.de) in the section Company – Corporate Governance.

The following shows the current composition of the Supervisory Board committees:

— **Presidential Committee:**

Jürgen B. Steinemann (Chairman), Werner Klockhaus (Vice Chairman)  
Xaver Schiller, Dr Liliana Solomon

— **Audit Committee:**

Prof. Dr Edgar Ernst (Chairman), Werner Klockhaus (Vice Chairman), Dr Florian Funck,  
Andreas Herwarth, Dr Fredy Raas, Xaver Schiller

— **Nomination Committee:**

Jürgen B. Steinemann (Chairman), Gwyn Burr, Prof. Dr Edgar Ernst

— **Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act (MitbestG):**

Jürgen B. Steinemann (Chairman), Werner Klockhaus (Vice Chairman)  
Prof. Dr Edgar Ernst, Xaver Schiller

As of: 7 December 2017

**Presidential Committee** – The Presidential Committee is mainly concerned with the Management Board's staffing matters and monitors compliance with legal regulations and the application of the German Corporate Governance Code. In consideration of § 107 Section 3 Sentence 4 of the German Stock Corporation Act (AktG), the Presidential Committee passes resolutions on urgent matters and matters submitted to it by the Supervisory Board. The Presidential Committee held 2 meetings in financial year 2016/17. The committee focused its work on the remuneration of the Management Board: In preparation of the Supervisory Board meeting, the committee prepared the individual and strategic performance targets for the members of the Management Board for financial year 2016/17, as well as the targets of the short-term incentive for financial year 2017/18. Further issues addressed by the Presidential Committee included corporate governance at METRO, including the corporate governance report for financial year 2016/17, the implementation of the recommendations of the German Corporate Governance Code and the preparation of the declaration of compliance in accordance with § 161 of the German Stock Corporation Act (AktG).

**Audit Committee** – The Audit Committee is responsible for supervising the company's accounting, accounting processes, the effectiveness of the internal control system, the risk management system, the internal audit system, compliance and the audit of the annual financial statements (in particular relating to the selection and independence of the auditor and any additional performances rendered by the auditor). 3 committee meetings were held in financial year 2016/17; one resolution was passed in a written procedure outside of a regular meeting. The CFO, the CEO and I as the Chairman of the Supervisory Board attended all meetings. Representatives of the auditor and managers of the relevant departments of METRO attended certain meetings to address particular agenda items. In the reporting period, the Audit Committee examined the combined key financial figures for the first half-year as well as the combined quarterly report for the third quarter of financial year 2016/17 and discussed them with the Management Board prior to publication. The Audit Committee also prepared the audit engagements for financial year 2016/17 and considered the elected auditor's planning of the audit. The committee further consulted on the concept for approving so-called non-audit performances rendered by the auditor and adopted a corresponding guideline. The committee further prepared resolutions by the Supervisory Board concerning the company's funding framework and considered the group's governance functions (internal control system, risk management system, internal audit and compliance), the budget proposed by the Management Board, the strategic tax planning for the group and the planning of internal audit measures. Furthermore, the committee was updated on new developments in international accounting standards and accounting-related changes.

**Nomination Committee** – The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board's election proposals to the Annual General Meeting. In financial year 2016/17, one committee meeting was held for the purpose of preparing an election proposal to the Annual General Meeting 2018.

**Mediation Committee** – The Mediation Committee formulates proposals for the appointment and dismissal of members of the Management Board in cases pursuant to § 31 of the German Co-determination Act (MitbestG). The Mediation Committee did not convene a meeting in financial year 2016/17.

## CORPORATE GOVERNANCE

The Management Board and Supervisory Board report about the corporate governance of METRO in the corporate governance report for financial year 2016/17. Together with the statement on corporate management pursuant to § 289 a of the German Commercial Code (HGB) and § 315 Section 5 of the German Commercial Code (HGB), the report is also published in the section Company – Corporate Governance of the website [www.metroag.de](http://www.metroag.de).

In September 2017, the Management Board and the Supervisory Board of METRO AG issued their first declaration of conformity with regard to the recommendations of the Government Commission on the German Corporate Governance Code pursuant to §161 of the German Stock Corporation Act (AktG) and published the declaration of conformity on the website [www.metroag.de](http://www.metroag.de). The full declaration was further reprinted in the corporate governance report 2016/17 and in the declaration on corporate management.

## ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft has reviewed the consolidated financial statements for financial year 2016/17 submitted by the Management Board in accordance with the International Financial Reporting Standards (IFRS) and has given its unqualified approval. The same applies to the annual financial statements 2016/17 of METRO AG prepared in accordance with the regulations of the German Commercial Code (HGB) and the combined management report for METRO AG and the group. The auditor provided a written report on the findings.

The documents for the annual financial statements and the audit reports were discussed and reviewed in great detail during the meeting of the Audit Committee on 6 December 2017 and in the Supervisory Board's audit meeting on 7 December 2017 in the presence of the auditor. Prior to these meetings, the required documents were distributed to all members of the Audit Committee as well as the Supervisory Board, giving them sufficient time to review them. In both meetings, the auditor reported about the key findings of his audit and was at the Supervisory Board's disposal to answer questions and provide additional information also in the absence of the Management Board.

KPMG also provided information on services rendered in addition to auditing services. No disqualification or bias issues arose. Based on our own review of the annual financial statements, the consolidated financial statements and the combined management report for financial year 2016/17, we had no objections and the Supervisory Board approved the result of the audit. We have endorsed the annual financial statements and the consolidated financial statements submitted by the Management Board. The annual financial statements of METRO AG are thus released. Following a careful own review and consideration of the interests involved, we endorsed the Management Board's proposal for the appropriation of the balance sheet profit.

## REPORT ABOUT THE RELATIONSHIPS WITH DEPENDENT COMPANIES

Pursuant to § 312 of the German Stock Corporation Act (AktG), the Management Board of METRO AG has issued a report about the relationships of the company to its dependent companies for financial year 2016/17 (short: "dependent company report"). The auditor audited this report, prepared a written report about the result of the audit and issued the following audit certificate:

"Having duly conducted an audit and appraisal, we confirm that

1. the actual statements of the report are correct,
2. the consideration paid by the company for the transactions listed in the report was not inappropriately high,
3. for the measures mentioned in the report, no circumstances fundamentally suggest an appraisal differing from that made by the Management Board."

The dependent company report and the audit report by the auditor were also discussed and reviewed in great detail during the meeting of the Audit Committee on 6 December 2017 and in the Supervisory Board's audit meeting on 7 December 2017 in the presence of the auditor. The required documents were made available in a timely

manner, allowing for sufficient time to review them. In both meetings, the auditor reported about the key findings of his audit of the dependent company report and was at the Supervisory Board's disposal to answer questions and provide additional information also in the absence of the Management Board. We agree with the result of the audit conducted by the auditor. As a result of our own audit, we have made the concluding observation that no objections need to be raised to the declaration of the Management Board at the end of the dependent company report.

## APPOINTMENTS AND RESIGNATIONS

From the time the company was effectively transformed into a public limited company (Aktiengesellschaft) and for the purpose of preparing the demerger of the group, the persons initially appointed to the Supervisory Board were Mr Harald Sachs (Chairman), Mr Michael Bouscheljong and Mr Hans-Dieter Hinker, all of them METRO executives. The Supervisory Board was augmented to 20 members by way of a resolution passed on 10 February 2017; the following persons were appointed to the Supervisory Board: Jürgen B. Steinemann, Werner Klockhaus, Gwyn Burr, Thomas Dommel, Prof. Dr Edgar Ernst, Dr Florian Funck, Michael Heider, Andreas Herwarth, Peter Küpfer, Susanne Meister, Dr Angela Pilkmann, Mattheus P. M. (Theo) de Raad, Dr Fredy Raas, Xaver Schiller, Eva-Lotta Sjöstedt, Dr Liliana Solomon, Alexandra Soto, Angelika Will, Manfred Wirsch and Silke Zimmer. Their office term commenced on 21 February 2017. The 3 previous members of the Supervisory Board Mr Bouscheljong, Mr Hinker and Mr Sachs had already resigned their offices with effect on the same day.

Following the effective date of the group's demerger and completion of the so-called status proceedings, the composition of the Supervisory Board now complies with the requirements of the German Co-determination Act, with the Supervisory Board now consisting of 10 shareholder representatives and 10 employee representatives. With anticipatory effect on the date of the corresponding amendment to the Articles of Association, Jürgen B. Steinemann, Gwyn Burr, Prof. Dr Edgar Ernst, Dr Florian Funck, Peter Küpfer, Mattheus P. M. (Theo) de Raad, Dr Fredy Raas, Eva-Lotta Sjöstedt, Dr Liliana Solomon and Alexandra Soto were appointed to the Supervisory Board as shareholder representatives on 11 April 2017. At the request of the Management Board, the members Werner Klockhaus, Thomas Dommel, Michael Heider, Andreas Herwarth, Susanne Meister, Dr Angela Pilkmann, Xaver Schiller, Angelika Will, Manfred Wirsch and Silke Zimmer were appointed to the Supervisory Board by way of a court order issued by the District Court of Düsseldorf on 24 August 2017.

Düsseldorf, 7 December 2017  
The Supervisory Board



JÜRGEN B. STEINEMANN  
Chairman

# CORPORATE GOVERNANCE REPORT

Pursuant to the recommendation in Subsection 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board of METRO AG deliver the following report on corporate governance at METRO.

The Management Board and the Supervisory Board of METRO AG are firmly committed to the principles of transparent, responsible corporate governance and supervision. They attach great importance to good corporate governance standards. Their voluntary commitment to the German Corporate Governance Code (DCGK) is reinforced by the following provision in the corporate bodies' rules of procedure:

"The company's Management Board and Supervisory Board base their actions on the relevant valid recommendations of the German Corporate Governance Code and shall only depart from the code's recommendations in well-founded exceptional cases. If the Management Board or Supervisory Board intends to depart from a recommendation, the corporate bodies shall inform each other of the planned course of action prior to its implementation."

## Implementation of the German Corporate Governance Code

During financial year 2016/17, the Management Board and the Supervisory Board of METRO AG have extensively considered implementation of the recommendations by the German Corporate Governance Code and issued the following joint declaration pursuant to §161 of the German Stock Corporation Act for the first time in September 2017:

"The Management Board and the Supervisory Board of METRO AG hereby declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the Federal Gazette dated 7 February 2017 have been complied with since their applicability commencing with the stock exchange listing of METRO AG on 13 July 2017, with the exception of the recommendation in Section 7.1.2 Sentence 3 of the German Corporate Governance Code.

Due to the previous planning in the context of the demerger of the former METRO GROUP, which incorporated the previous uncertainties with regard to the exact effective date of the demerger, and the requirement for a uniform and transparent capital markets reporting by CECONOMY AG and METRO AG, it was not possible to publish the quarterly report for the

third quarter of financial year 2016/17 within the 45 days following the end of the reporting period, as is recommended in Section 7.1.2 Sentence 3 of the German Corporate Governance Code.

For the future, the Management Board and the Supervisory Board of METRO AG intend to follow the recommendations of the Government Commission in the version dated 7 February 2017 without exception."

The declaration of compliance pursuant to §161 of the German Stock Corporation Act (AktG) was revised as follows in November 2017:

"Management Board and Supervisory Board of METRO AG have amended the annual declaration of compliance pursuant to §161 of the German Stock Corporation Act (AktG) on 27 September 2017. This declaration is amended as follows:

The Supervisory Board of METRO AG convened on 14 November 2017 and resolved to adjust the current remuneration system for members of the Management Board with regard to the components of the short-term performance-based compensation component (short-term incentive, STI) and its weighting. The previous STI component "currency-adjusted earnings before deduction of interest expenses and taxes (EBIT)" will be replaced by a component "currency-adjusted earnings before deduction of interest expenses, taxes and depreciation (EBITDA)". The objective of this component is – similar to the objectives of the other STI components – taken unchanged from the budget for the financial year 2017/18 adopted by the Supervisory Board in September 2017. The amendment also provides for the following weighting of the 3 STI components: (1) like-for-like sales development at 40%, (2) EBITDA at 40% and (3) currency-adjusted return on capital employed (RoCE) at 20%.

The adjustments are intended to essentially base the short-term performance-based remuneration component for members of the Management Board on the same financial figures as are used for group controlling and capital market outlook of METRO. The adjustments will have retroactive effect from the beginning of the current financial year 2017/18 (from 1 October 2017 to 30 September 2018). The current employment contracts with the members of the Management Board will be adapted accordingly; the members of the Management Board have already indicated their approval.

By carrying out a mid-year adjusting of the existing remuneration system and corresponding adjustment of the employment contracts of the members of the Management Board, we have departed from the recommendation under point 4.2.3 Section 2 Sentence 8

of the German Corporate Governance Code. This recommendation excludes a subsequent amendment of the performance objectives or the comparison parameters with regard to the variable parts of the remuneration of the Management Board. We intend to fully comply with said recommendation in the future.”

METRO AG has made these declarations pursuant to § 161 of the German Stock Corporation Act (AktG) permanently accessible on the website [www.metroag.de](http://www.metroag.de).

In addition to recommendations, the German Corporate Governance Code contains suggestions that listed companies can – but do not have to – address. METRO AG follows these non-obligatory suggestions of the German Corporate Governance Code, with the exception of the suggestion offered in Section 2.3.3, which proposes to enable shareholders to follow the Annual General Meeting via contemporary communication media, such as the internet. The first Annual General Meeting of METRO AG following the company’s listing on the stock exchange is scheduled for February 2018. METRO AG intends to limit internet broadcasting to the address by the Chairman of the Management Board.

### **Division of duties and areas of responsibility between the Management Board and the Supervisory Board**

The clear division between corporate management and corporate supervision is a key element of corporate governance for German stock corporations. Duties and areas of responsibility are clearly divided between the Management Board and the Supervisory Board.

The Management Board of METRO AG consists of 4 members and is responsible for managing the company. The essential management duties of the Management Board of METRO AG include defining corporate objectives and determining the strategic positioning for the group as well as managing the company, monitoring and planning. In addition, the Management Board of METRO AG ensures the availability of investment funds, decides on their allocation within the group and is responsible for attracting and supporting highly qualified managers.

In accordance with the stipulations of the German Co-determination Act, the German Stock Corporation Act and the company’s Articles of Association, the Supervisory Board of METRO AG consists of 10 shareholder representatives and 10 employee representatives. In addition, women and men each hold at least 30% of the seats on the Supervisory Board. The Supervisory Board appoints the members of the Management Board, provides advice to the Management Board and monitors its corporate management, including with regard to the attainment of long-term corporate objectives. The Management Board involves the Supervisory Board in the planned development of

METRO and in decisions concerning important measures. Aside from its statutory approval obligations, the Supervisory Board has determined its own approval requirements for certain actions and business dealings of the Management Board.

- **For more information about members of the Management Board and Supervisory Board, see the notes to the consolidated financial statements of METRO AG in no. 55 – Corporate Boards of METRO AG and their mandates.**
- **The rules of procedure of the Management Board, Supervisory Board and Audit Committee can be found on the website [www.metroag.de](http://www.metroag.de) in the section Company – Corporate Governance.**
- **The modes of operation of the Management Board and Supervisory Board, the composition and functions of the Supervisory Board committees and information on key corporate management practices are described in the annual statement on corporate management pursuant to § 289 a of the German Commercial Code (HGB) and § 315 Section 5 of the German Commercial Code (HGB). The declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) also appears in full in this report.**
- **The statement on corporate management is available on the website [www.metroag.de](http://www.metroag.de) in the section Company – Corporate Governance.**

### **Objectives for the composition of the Management Board**

The decisions taken by the Supervisory Board regarding the composition of the Management Board are based on careful analysis of current and future challenges faced by the company. Potential members of the Management Board must not only have solid general qualifications, but must also be individuals capable of helping the company address its current situation and future challenges.

In selecting members of the Management Board, the Supervisory Board also heeds the recommendations of the German Corporate Governance Code. The Supervisory Board in particular aims to promote the notion of diversity in accordance with the spirit of the Code. § 111 Section 5 of the German Stock Corporation Act requires the Supervisory Board to determine a desired quota of female members appointed to the Management Board, as well as a period of less than 5 years in which said quota should be attained. The Supervisory Board thus resolved for at least one of the members of the METRO AG Management Board to be a female office holder by 30 June 2022. This represents a quota of 25% at the current Management Board consisting of 4 members.

### Objectives for the composition of the Supervisory Board

To ensure the Supervisory Board of METRO AG can duly perform its responsibilities, the Supervisory Board has adopted concrete objectives for its composition and a profile of competencies for the entire corporate body in the meaning of Section 5.4.1 of the German Corporate Governance Code.

#### Objectives for the composition

For the purpose of determining its composition, the Supervisory Board afforded reasonable consideration to the company-specific situation in terms of the company's international activities, potential conflicts of interest, the number of independent members of the Supervisory Board, a prescribed retirement age for members of the Supervisory Board and a prescribed maximum office term for members of the Supervisory Board and the issue of diversity, and determined the following individual objectives:

- The members of the Supervisory Board should complement each other with regard to their age, (educational and professional) background, experience and skills in such a way that the overall corporate body will benefit of the largest possible pool of experience and the broadest possible spectrum of expertise.
- An adequate number of the members of the Supervisory Board should have international experience or expertise.
- The statutory gender quota of 30% should be met by both the shareholder representatives as well as the employee representatives. It follows that at least 3 of the members of the Supervisory Board on each side should be female.
- In accordance with Section 5.4.2 of the German Corporate Governance Code, at least 12 of the Supervisory Board's 20 members must be independent office holders, with at least 6 of them being shareholder representatives.
- At least one member of the Supervisory Board must meet the requirements for being appointed the chairperson of the Audit Committee. Pursuant to the procedural rules of the Audit Committee, the committee chairperson must be independent and possess professional expertise in the areas of accounting and auditing of annual financial statements, as well as internal control measures (financial expert). The other committee members should possess adequate professional expertise and experience in these areas. Ideally, one member of the Audit Committee should have special expertise in the field of compliance.
- To prevent potential conflicts of interest, members of the Supervisory Board of the company must not assume board functions, consulting tasks or memberships on the supervisory boards of German or international, direct and material competitors.
- The ordinary maximum office term for members of the Supervisory Board is 10 years. The ordinary of-

office term for shareholder representatives appointed to the Supervisory Board is 3 years. The Supervisory Board determines exceptions from the ordinary criteria at its own dutiful discretion on a case-by-case basis.

- As a general rule, only candidates who are not older than 65 years at the time of their initial election should be proposed for their first election to the Supervisory Board. As a general rule, only candidates who are not older than 71 years at the time of their election should be proposed for being elected a member of the Supervisory Board. The Supervisory Board determines exceptions from the ordinary criteria at its own dutiful discretion on a case-by-case basis.

The current composition of the Supervisory Board satisfies these objectives. The members of the Supervisory Board complement each other with regard to their age, (educational and professional) background, experience and skills in such a way that the overall corporate body will benefit of the largest possible pool of experience and the broadest possible spectrum of expertise. Several members of the Supervisory Board have international expertise and/or experience. The Supervisory Board currently includes 4 female office holders on the part of the employee representatives as well as on the part of the shareholder representatives (as of: November 2017). The current composition of the Supervisory Board also satisfies the objective in terms of the number of independent members of the Supervisory Board and shareholder representatives. The objectives in terms of the chairperson and the members of the Audit Committee have also been satisfied. The committee's independent Chairman is Prof. Dr Edgar Ernst. None of the members of the Supervisory Board of METRO AG hold an office in a corporate body or advisory function in a substantial direct competitor, neither is any of them a member of such a company's supervisory board. The incompatibility of assuming any corporate body functions and advisory functions as well as a membership on a supervisory board of a substantial direct competitor, both domestic and foreign, with being a member of the Supervisory Board of METRO AG is also provided for in the procedural rules of the Supervisory Board.

The ordinary maximum term, the ordinary term of office for shareholder representatives and the ordinary retirement age are stipulated in the procedural rules of the Supervisory Board. All members of the Supervisory Board of METRO AG have assumed their respective office on 21 February 2017. Currently, due to the transition of the remaining office terms at the former METRO AG (now: CECONOMY AG), 3 shareholder representatives have been appointed for more than 3 years. In addition, a shareholder representative was appointed for one year only and 3 further shareholder representatives were appointed for 3 years only, to improve the staggered arrangement of the terms of office. 2 members of the Supervisory Board,

both of them previous members of the Supervisory Board of the former METRO AG, were older than 65 years of age, or 71 years of age respectively, at the time of their (initial) election to the Supervisory Board of the new METRO AG. All of these appointments took place prior to the Supervisory Board's resolution on the objectives for its own composition and prior to applicability of the German Corporate Governance Code.

#### Profile of expertise

The Supervisory Board resolved for the overall corporate body to possess the following expertise in the sense of a profile of expertise:

- Commercial expertise
- Expertise/experience in accounting, auditing of annual financial statements, internal control processes
- Expertise in the area of compliance
- Expertise in the area of mergers and acquisitions
- Expertise in the area of digitisation/technology
- International experience/expertise, particularly in Eastern Europe and Asia
- Expertise in the area of sustainability
- Expertise in logistics, in particular in the field of supply chain logistics
- Marketing expertise
- Human resources expertise
- Experience in managing a company

The current composition of the Supervisory Board delivers the desired profile of expertise.

#### Independence of shareholder representatives appointed to the Supervisory Board

As stipulated in Section 5.4.1 of the German Corporate Governance Code, the corporate governance report should also set out the Supervisory Board's opinion concerning a reasonable number of independent members on the part of the shareholders and disclose the names of these members. The Supervisory Board holds its objective of requiring at least 6 members of the Supervisory Board to be independent shareholder representatives to be a reasonable arrangement. As of the date of this report, all shareholder representatives are independent in the meaning of Section 5.4.2 of the German Corporate Governance Code. The independent shareholder representatives are Mr Jürgen B. Steinemann, Mrs Gwyn Burr, Prof. Dr Edgar Ernst, Dr Florian Funck, Mr Peter Küpfer, Mr Mattheus P. M. (Theo) de Raad, Dr Fredy Raas, Mrs Eva-Lotta Sjöstedt, Dr Liliana Solomon and Mrs Alexandra Soto.

#### Disclosure of individual attendance at meetings

The individual attendance of members of the Supervisory Board at meetings of the Supervisory Board and its committees is disclosed in the following. Due to the particular circumstances resulting from the group demerger in terms of the formation and staffing of the Supervisory Board, the disclosure of information on individual attendance at meetings during the report-

ing period only considers meetings held after the augmentation of the Supervisory Board to its current 20 members as of 21 February 2017.

#### DISCLOSURE OF INDIVIDUAL ATTENDANCE AT MEETINGS<sup>1</sup>

Supervisory Board	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	4/4	100
Werner Klockhaus, Vice Chairman	4/4	100
Gwyn Burr	4/4	100
Thomas Dommel	4/4	100
Professor Dr Edgar Ernst	4/4	100
Dr Florian Funck	4/4	100
Michael Heider	4/4	100
Andreas Herwarth	4/4	100
Peter Küpfer	4/4	100
Susanne Meister	4/4	100
Dr Angela Pilkmann	3/4	75
Mattheus P. M. (Theo) de Raad	3/4	75
Dr Fredy Raas	4/4	100
Xaver Schiller	3/4	75
Eva-Lotta Sjöstedt	4/4	100
Dr Liliana Solomon	3/4	75
Alexandra Soto	4/4	100
Angelika Will	4/4	100
Manfred Wirsch	4/4	100
Silke Zimmer	4/4	100
<b>Total</b>		<b>95</b>

Presidential Committee	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	2/2	100
Werner Klockhaus, Vice Chairman	2/2	100
Xaver Schiller	2/2	100
Dr Liliana Solomon	1/2	50
<b>Total</b>		<b>87.5</b>



Audit Committee	Meeting attendance	Attendance in %
Prof. Dr Edgar Ernst, Chairman	3/3	100
Werner Klockhaus, Vice Chairman	3/3	100
Dr Florian Funck	3/3	100
Andreas Herwarth	3/3	100
Dr Fredy Raas	3/3	100
Xaver Schiller	3/3	100
<b>Total</b>		<b>100</b>

Nomination Committee	Meeting attendance	Attendance in %
Jürgen B. Steinemann, Chairman	1/1	100
Gwyn Burr	1/1	100
Professor Dr Edgar Ernst	1/1	100
<b>Total</b>		<b>100</b>

<sup>1</sup> Only includes meetings held during a member's term on the Supervisory Board or a committee.

## Compliance and risk management

METRO uses a group-wide compliance management system to ensure compliance with laws and a self-imposed code of conduct in the areas of antitrust law, prevention of corruption, money laundering, conflicts of interest, fraud/embezzlement as well as the regulation of downstream kickback benefits in purchasing.

The aim of the compliance management system is to systematically and sustainably prevent, detect and sanction regulatory infringements within the stated areas of the company. METRO does so by regularly identifying conduct-related compliance risks, establishing the necessary organisational structures and consistently monitoring and controlling these risks. In its group-wide systematic reporting, key compliance risks and measures are transparently communicated and documented. The need for further development of the compliance management system is ascertained from the results of regular employee surveys, internal reviews and audits. An IT-based whistleblower system provides employees and external third parties with an opportunity to provide information on regulatory infringements within the company, under the protection of anonymity. All reported regulatory infringements, irrespective of whether the measures for ensuring compliance with these rules falls within the area of responsibility of the compliance organisation, are investigated and sanctioned systematically by the compliance management system, which relies on the compliance incident handling system operated by the compliance organisation. The responsibility for regula-

tory compliance measures that fall outside of the area of responsibility of the compliance organisation, with the exception of compliance incident handling, lies with the respective departments. For example, measures to ensure compliance with regulation on fair working conditions are the responsibility of the HR department.

METRO's risk management forms another integral component of our value-based corporate management. This takes the form of a systematic, group-wide process that assists the management team in identifying, assessing and managing risks and opportunities. As such, risk and opportunity management form a unity. Risk management reveals unfavourable developments and events at an early stage and analyses their implications. This allows the company to put the necessary countermeasures in place as early as possible and simultaneously make targeted use of arising opportunities. Both the risk and opportunity management system and the compliance management system are continually refined.

Risks and opportunities are also managed by the internal control systems (ICS) and the internal auditing unit. As an independent function, the latter provides auditing of key business processes, performs event-related assessments and reviews the compliance and risk management system as well as the internal control systems.

METRO has further advanced its management systems in financial year 2016/17. We also assessed selected components on their effectiveness. The analyses have confirmed that METRO employs adequate management systems. The reviews also provide an important foundation for the further optimisation of the systems and their continuous modification in response to changing business processes within the company.

- **For more information about the subjects of compliance and risk management, see the combined management report – 5 risk and opportunity report – as well as the statement on corporate management pursuant to § 289 a of the German Commercial Code (HGB) and § 315 Section 5 of the German Commercial Code (HGB). The statement is available on the website [www.metroag.de](http://www.metroag.de) in the section Company – Corporate Governance.**

## Transparent corporate management

Transparency is an essential element of good corporate governance. The website [www.metroag.de](http://www.metroag.de) is an important source of information for the shareholders of METRO AG, the capital market and the general public. Aside from a host of information on METRO, the site contains the financial reports of METRO AG, investor news, ad hoc statements and other legal notices. METRO AG publishes the dates for the most important recurring publications and events (announcements of sales results, reports as well as quarterly and half-year reports, annual results press conferences and annual general meetings) in a financial calendar on its web-

site. The timing of the publication allows for a reasonable lead time. The website also offers information published for the annual business conference, roadshows, investor conferences and information events.

### **Annual General Meeting**

The Annual General Meeting of METRO AG gives shareholders the opportunity to exercise their legal rights, in particular to exercise their voting right (where these apply) and to direct questions to the company's Management Board. The first Annual General Meeting of METRO AG following the company's listing on the stock exchange is scheduled for February 2018. To assist shareholders with exercising their rights at the Annual General Meeting, METRO AG posts documents and information for each Annual General Meeting on its website during the lead-up to the Annual General Meeting.

The registration and legitimisation procedure for the Annual General Meeting of METRO AG complies with German stock corporation law and international standards. Each shareholder intending to attend an Annual General Meeting of METRO AG and exercise his or her voting right there must register and produce proof of his or her right to attend the meeting and exercise voting rights. Written proof of share ownership in German or English issued by the institution administering the securities deposit account satisfies this requirement. It is not necessary to deposit the shares. Proof of share ownership must be established by the beginning of the 21st day prior to the Annual General Meeting. Identical to the registration for the Annual General Meeting, it must be submitted to METRO AG at the address specified in the invitation letter within the time frame stipulated by law and in the Articles of Association. The particulars with regard to registration and attendance conditions are set out in the invitation letter for each Annual General Meeting.

Shareholders who are unable to attend the Annual General Meeting in person may authorise a proxy to exercise them on his or her behalf. The necessary proxy authorisation must be provided in written form. Shareholders are granted eased formal requirements in the cases described in the invitation to the Annual General Meeting. These are, for example, for issuing voting right authorisations issued to banks or shareholder associations.

Shareholders may also authorise company-appointed proxies to exercise their voting rights (known as proxy voting). The following rules apply: In addition to voting right authorisations, shareholders must also provide instructions on how to exercise these voting rights. The proxies appointed by the company are obligated to vote according to these instructions. For the assignment of voting rights during the Annual General Meeting for those shareholders who initially participate in the Annual General Meeting but who want to leave early without forgoing the exercise of their voting rights, proxies appointed by METRO AG are also available. The right to grant authority to other persons remains unaffected. The details on proxy

voting are set out in the invitation letter for the Annual General Meeting.

In the interest of shareholders, the chairperson of the Annual General Meeting, who is usually the chairperson of the Supervisory Board, ensures that the Annual General Meeting is conducted efficiently and effectively. The objective is to conclude a regular METRO AG Annual General Meeting after no more than 4 to 6 hours.

### **Managers' transactions**

Pursuant to Article 19 of the Regulation (EU) No. 596/2014 of the European Parliament and of the Council dated 16 April 2014 on market abuse (market abuse regulation), members of the Management and Supervisory Boards, in their capacity as persons discharging managerial responsibilities, must inform METRO AG of any transactions involving their own METRO shares, METRO bonds or related financial instruments. This notification requirement also applies to persons closely associated with members of these corporate bodies. However, a minimum threshold has been introduced for reporting such transactions, with transactions under €5,000 in any calendar year not reportable.

- **Notifications of managers' transactions during financial year 2016/17 have been published on the website [www.metroag.de](http://www.metroag.de) in the section Media Centre – Legal Announcements.**

### **Audit of the annual financial statements**

#### **Audits 2016/17**

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was elected auditor of the annual financial statements on 8 November 2016 and in the context of the transformation of the current METRO AG into a public limited company (Aktiengesellschaft). On 30 May 2017, KPMG was also elected auditor of the consolidated financial statements for financial year 2016/17. The Supervisory Board's instructions to perform an audit of the annual financial statements considered the recommendations contained in Section 7.2 of the German Corporate Governance Code.

Throughout the audit, which was completed in November 2017, KPMG made no reports to the Supervisory Board regarding grounds for disqualification or conflicts. There was also no evidence that any existed. Furthermore, in the course of the audit, there were no unexpected substantial findings or events concerning Supervisory Board functions. As a result, an extraordinary report from the auditor to the Supervisory Board was not required. The auditor found no deviations from the Management and Supervisory Boards' statements of compliance with the German Corporate Governance Code.

**Independence of the auditor**

The auditor performs 2 key functions. The auditor supports the Supervisory Board in supervising the affairs of a company. At the same time, the auditor's activities provide the foundation for trust awarded by the general public and capital market participants in particular in the accuracy of the annual accounts, notes to the financial statements and the management reports. The auditor's independence is a key prerequisite for the performance of these 2 func-

tions. The Audit Committee of METRO AG was therefore particularly concerned with establishing the auditor's independence.

- **For more information about the topic of corporate governance at METRO, please refer to the website [www.metroag.de](http://www.metroag.de) and select the section Company - Corporate Governance.**



# GOALS AND STRATEGY

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# GOALS AND STRATEGY

## METRO

As a leading international specialist in the wholesale and food retail trade, METRO sees itself as a partner committed to its customers' success and satisfaction every day. To ensure that we remain relevant to our customers and successful in the long term, we have set ourselves the goal of taking the food retail and food service sector to a new level. We will take advantage of the unique opportunities arising from the digitisation of the entire industry sector.

METRO essentially consists of the METRO Wholesale and Real segments, which are responsible for our operations. The METRO Wholesale segment comprises the METRO/MAKRO Cash & Carry wholesale stores and the delivery business. It is primarily targeting business customers (B2B) and is characterised by trusting relationships with our approximately 21 million customers in 35 countries. The Real segment focuses on the retail industry in Germany and thus on end consumers (B2C). Real is one of the leading hyper-market companies in Germany. Additionally, the business unit HoReCa Digital, founded in 2015, consolidates the group's digitisation initiatives, such as METRO Accelerator powered by Techstars. This initiative sponsors 2 programmes that last for 3 months and are aimed at supporting start-ups developing digitisation solutions in the hospitality and retail industry.

For us, sustainability does not stop at focusing on environmental and social issues. The notion of sustainability encompasses every single aspect of our actions and is a fixed item on the agenda of our corporate strategy.

- **For more information about our innovation strategy, see chapter 2 principles of the group – 2.3 innovation management in the combined management report.**
- **For more information about our sustainability strategy see chapter 2 principles of the group – 2.4 sustainability management in the combined management report.**

Beyond that, more than 150,000 highly motivated employees worldwide also shape our company. They fill our open corporate culture with life and combine passion, a cooperative approach and outstanding performance in our core business. With courage for new ideas they challenge the status quo time and again and drive our business forward.

## METRO WHOLESale

In financial year 2016/17, our METRO Wholesale segment had more than 100,000 employees. As a multi-channel supplier, we combine a wide network of modern wholesale stores with extensive food service distribution (FSD). Our customers can choose between shopping in-store, having their purchases delivered or, in France, shopping online via click-and-collect services and picking up the goods at the market. Our wholesale business is also characterised by a strong international presence: we are active in 35 countries in Western Europe, Eastern Europe and Asia. Under the METRO and MAKRO brands, we operate a total of 759 wholesale stores in 25 countries, whereas we only offer delivery services in the remaining 10 countries. The FSD area is reinforced by dedicated delivery specialists whom we acquired in recent years, including Classic Fine Foods, Pro à Pro and Rungis Express.

### Focus on customer benefits

Our goal is to improve our customers' competitive advantage to make them more successful. Most of our wholesale customers are small and medium-sized companies and sole traders. We want to help them better master their business challenges by supplying long-term solutions with superior added economic value. To achieve this, we leverage our knowledge, our resources and our global presence. We consistently align our business model with customer value and strengthen our local organisations to establish a closer relationship with our B2B customers.

We summarise our B2B customers in 3 groups: HoReCa, Trader and Service Companies and Offices (SCO). HoReCa includes hotels and hospitality businesses, restaurants, bars and cafés as well as catering companies and canteen operators. The Trader section includes small grocery stores, kiosks, street food retailers, petrol stations and wholesalers. SCO are professional service companies and organisations, such as offices and institutions.

Our markets are divided into core customer groups and regions. Depending on our primary customer focus in each country, we endeavour to offer a customised experience to suit the specific behaviour and needs of our clients. By tailoring our products, services and sales channels to local needs, we ensure that our customers enjoy coming back. This allows us to exploit the local market opportunities as much as possible.

Our METRO Own Business Day exemplifies our idea and implementation of our customer orientation. We have established it to support our HoReCa customers in their most important task: marketing their own services. Our digital platform allows business owners to publish their campaign offers to acquire new customers and advance their business.

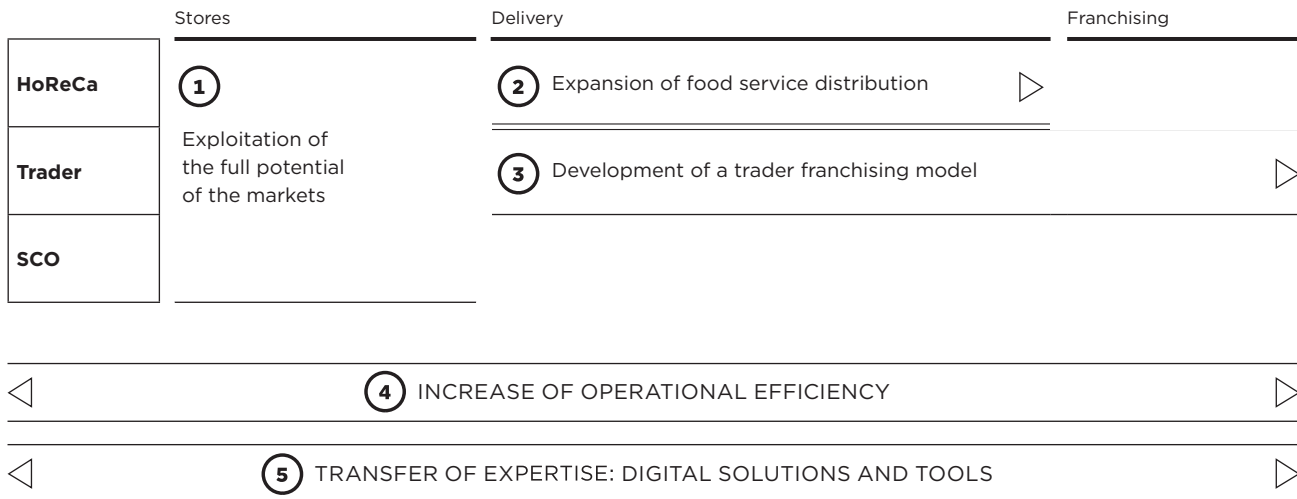
**Value leverage for the business**

Based on our business model, our local companies develop and implement their individual Value Creation Plans that enable transformation and growth according to local conditions. The central organisation supports local value creation and actively manages the portfolio. Based on the country-specific and locally generated Value Creation Plans, we have identified 5 major strategic value enhancers for our wholesale business (see also wholesale strategy chart):

- We exploit the full potential of our markets across all customer groups. We accomplish this by distinguishing the wholesale stores, for example, by designing stores that are specifically tailored to the different customer groups and their respective needs. Moreover, we are replacing our centrally managed, unified growth model, which is based on the opening of new wholesale stores, with a distinguished, sustainable model focused on like-for-like sales growth.

- We continue to expand our Food Service Distribution and the delivery business because they represent an attractive addition to our core business in the wholesale stores. In many of our markets, delivery is an important procurement channel for HoReCa customers. By expanding our delivery services, we strengthen relationships with these customers and their commitment to us.
- We are expanding the trader franchising model in countries such as Poland, Romania and especially Russia. METRO Cash & Carry operates in a similar way as a franchisor with its own brand identity. It provides products and offers additional services to the participating independent grocery stores, such as training courses and assortment consultancy. The expansion of the model helps open up new growth opportunities in relevant markets.
- We are increasing operational capacity to reduce our cost base and focus on managing liquidity in our local companies.
- We pass on our know-how to our customers by offering training programmes, further education, professional advice and more. We also develop digital solutions and tools for our customers, such as the creation of a free website or efficient personnel management. This is how we improve our business processes and make the relationship between us and our customers more efficient.

**WHOLESALE STRATEGY**





## REAL

With more than 34,000 employees and 282 stores, Real is one of Germany's leading hypermarket operators. Real stores offer a wide assortment that includes both food and several non-food product categories.

Real's declared goal is to sustainably increase its customer relevance in the coming years. That's why in financial year 2015/16, Real laid the foundation for a strategic realignment, which it systematically pursued and expanded in 2016/17. Real's overall strategy includes the expansion of promising sales channels, such as the online shop and click-and-collect services, but also the comprehensive optimisation of the existing store network. The strategic realignment also requires for employees and management to think outside the box. Real promotes these cultural changes through the training programme "Werte in Aktion" (values in action), which focuses on the core values positivity, attentiveness and joint commitment for all kinds of cooperation in the company.

### Strategic priorities

- **Customer orientation:** Real designs its product range and services with a greater focus on the wishes and needs of its customers. This is accompanied by the modernisation and spatial transformation of hypermarkets to increase productivity per square metre. We also continue to implement our so-called Food Lover concept. This is a new hybrid-store concept that combines the focus on customers with the benefits of large areas and addresses the specific needs of today's and tomorrow's retail customers. As a grocery store operator, our vision is to provide a unique shopping experience at all customer touchpoints, that is, at all possible points of contact between customers and our company. The opening of Markthalle Krefeld in November 2016 has set new standards for the shopping experience of the future. The concept takes into account both emotional and rational customer wishes and was extremely well received by the customers. Therefore, we want to extend the successful concept to other selected markets in the coming years.
- **Selected investments:** Real is making selected investments to establish itself as a multichannel retailer, strengthen its ultra-fresh categories and further expand its procurement partnerships and joint ventures. In April 2017, we established the RTG Retail Trade Group based in Hamburg. The established retail companies Real, Bartels-Langness, Bünning, Netto ApS, Klaas & Kock and Georg Jos. Kaes want to use this to considerably strengthen their competitiveness. The new network is an innovative high-performance platform of independent companies and operates nationwide across all sales formats – store-based and online. In e-commerce, the real.de website constitutes another step forward. In February 2017, we completed the integration of the previous Hitmeister online presence. Since then, the Real online marketplace has been offering customers a vast amount of items in 5,000 categories. External online retailers can also market their products there. In the e-food sector, Real has been testing the online food shop since April 2017, where customers can conveniently order their goods online and pick them up from any one of 10 markets. This also prepares the company for any potential increase in e-food demand.
- **Increase in cost efficiency:** We have streamlined our management structures, leveraged synergies within the group and restructured our core functions. In addition, we are restructuring our administration and consolidating functions within the group. In mid-2016, Real and the Verdi trade union agreed on a future collective agreement. The goal is to create structures that are competitive and offer good working conditions. Real generally accepts the regional collective agreements of the retail industry and is, beyond that, negotiating with Verdi trade union for a new remuneration structure.
- **For more information about the implementation of the sustainability strategy at Real as well as key figures, see chapter 2 principles of the group – 2.4 sustainability management in the combined management report.**



# COMBINED MANAGEMENT REPORT

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# COMBINED MANAGEMENT REPORT

## 1 OVERVIEW OF FINANCIAL YEAR 2016/17 AND OUTLOOK

### Earnings position

- Due to positive currency and portfolio effects, reported sales for financial year 2016/17 increased by 1.6% to €37.1 billion in local currency: (+1.1%)
- Like-for-like sales at METRO climbed by 0.5% in financial year 2016/17
- Reported EBIT amounts to €852 million (2015/16: €1,219 million)
- EBIT before special items: €1,106 million (2015/16: €1,106 million) on par with the previous year
- Profit for the period before special items: €583 million (2015/16: €495 million)
- Earnings per share before special items improved to €1.55 (2015/16: €1.33)

### Financial and asset position

- Net debt declined by €0.1 billion to €3.1 billion (30/9/2016: €3.1 billion)
- Investments totalled €0.8 billion (2015/16: €1.0 billion)
- Cash flow from operating activities reached €1.0 billion (2015/16: €1.2 billion)
- Total assets amounted to €15.8 billion (30/9/2016: €16.0 billion)
- Equity: €3.2 billion (30/9/2016: €2.9 billion); equity ratio: 20.3% (30/9/2016: 18.3%)
- Long-term rating: BBB- (Standard & Poor's)

### Outlook for METRO

The outlook is based on the assumption of stable exchange rates without adjustments to the portfolio. In an effort to further improve the transparency of METRO's operative performance, METRO will in the future report its earnings in the form of EBITDA excluding earnings contributions from real estate transactions. As the restructuring measures associated with the transformation of the group have been completed to the greatest extent, our future reporting will no longer include special items. Our reporting will also assume a continuously complex geopolitical situation.

### Sales

For financial year 2017/18, METRO expects to see a slight rise in overall sales, despite the persistently challenging economic environment. We aim for our growth rate to at least match the 1.1% growth achieved in financial year 2016/17. The main growth driver will be METRO Wholesale.

METRO expects the like-for-like sales development to slightly surpass the 0.5% growth delivered in reporting year 2016/17. METRO Wholesale is expected to make a significant contribution to this growth.

### Earnings

METRO is confident to deliver significantly improved earnings. We expect EBITDA excluding earnings contributions from real estate transactions to increase by around 10% compared to the previous year's result (€1,436 million). Both segments are expected to contribute to this increase.

## 2 PRINCIPLES OF THE GROUP

### 2.1 GROUP BUSINESS MODEL

METRO is a leading international specialist company in the wholesale and food retail sector. The ultimate parent company is METRO AG, which acts as the central management holding company. It performs group management functions, particularly in the areas of finance, controlling, legal and compliance. The central management and administrative functions of METRO Cash & Carry are all anchored within METRO AG.

The group essentially consists of the 2 segments METRO Wholesale and Real. The wholesale company METRO Cash & Carry operates 759 wholesale stores across 25 countries. The delivery business (food service distribution) is also part of this segment, with

companies like METRO Delivery Service and the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express. Real operates 282 hypermarkets across Germany.

Additionally, the business unit HoReCa Digital, founded in 2015, consolidates the group's digitisation initiatives, such as METRO Accelerator powered by Techstars. This initiative sponsors 2 programmes that last for 3 months and are aimed at supporting start-ups developing digitisation solutions in the area of hospitality and retail.

Other service companies include METRO PROPERTIES, METRO LOGISTICS, METRO SYSTEMS, METRO ADVERTISING and METRO SOURCING. These companies provide group-wide comprehensive services in the areas of real estate, logistics, information technology, advertising and procurement to all group companies.

#### OVERVIEW OF METRO



## Overview of METRO

- METRO Cash & Carry**  
**MAKRO Cash & Carry**
- METRO Cash & Carry** is one of the leading international wholesale traders and operates 759 wholesale stores under the METRO and MAKRO brands across 25 countries in Europe and Asia. Its more than 21 million commercial customers worldwide are mainly hotels, restaurants, catering companies, independent retailers as well as service providers and authorities, to which the company offers a portfolio of products and solutions that has been tailored to their specific requirements.
- Classic Fine Foods**  
**Pro à Pro**  
**Rungis Express**  
**METRO**  
**Delivery Service**
- In the area of **food service distribution (FSD)**, METRO maintains a strong international presence with its METRO Delivery Service and the specialist companies Classic Fine Foods, Pro à Pro and Rungis Express. Classic Fine Foods is an Asian fine-food delivery specialist. The company delivers products to premium customers, such as 5-star hotels and upmarket restaurants in Asia and the Middle East. Pro à Pro has been augmenting this area since February 2017. The company delivers products to commercial customers across France, in particular in the fields of corporate catering, canteens and system catering. Rungis Express is an important food delivery company in Germany that mainly caters to HoReCa customers.
- HoReCa Digital**
- The group has pooled its **digitisation initiatives** in the HoReCa Digital business unit. The initiatives include, for example, METRO Accelerator powered by Techstars. This start-up network supports international teams of entrepreneurs in the development of digital solutions for the HoReCa and retail sectors.
- Real**
- Real** is an innovative food retail company in Germany, where it is a leading operator of hypermarkets with currently 282 stores. The hypermarkets are distinguished by a product range of around 80,000 individual products – many of them high-quality fresh-food products – and an attractive range of non-food products. In addition to its bricks-and-mortar retail operations, the company is also pursuing online sales. The integration of the Hitmeister online shop into real.de allowed Real to expand its online product range considerably. Since February 2017, it has been offering a very large product range.

**STORE NETWORK BY COUNTRIES AND SEGMENTS**

as of the closing date of 30/9

	METRO Wholesale <sup>1</sup>		Real		METRO	
	2016	2017	2016	2017	2016	2017
<b>Germany</b>	<b>106</b>	<b>104</b>	<b>285</b>	<b>282</b>	<b>391</b>	<b>386</b>
Belgium	16	16			16	16
France	94	97			94	97
Italy	49	50			49	50
Netherlands	17	17			17	17
Austria	12	12			12	12
Portugal	10	10			10	10
Spain	37	37			37	37
<b>Western Europe (excl. Germany)</b>	<b>235</b>	<b>239</b>			<b>235</b>	<b>239</b>
Bulgaria	11	11			11	11
Kazakhstan	6	6			6	6
Croatia	9	9			9	9
Moldova	3	3			3	3
Poland	30	30			30	30
Romania	30	30			34 <sup>2</sup>	30
Russia	89	89			89	89
Serbia	10	9			10	9
Slovakia	6	6			6	6
Czech Republic	13	13			13	13
Turkey	32	33			32	33
Ukraine	32	31			32	31
Hungary	13	13			13	13
<b>Eastern Europe</b>	<b>284</b>	<b>283</b>			<b>288<sup>2</sup></b>	<b>283</b>
China	86	90			86	90
India	23	24			23	24
Japan	9	10			9	10
Pakistan	9	9			9	9
<b>Asia</b>	<b>127</b>	<b>133</b>			<b>127</b>	<b>133</b>
<b>International</b>	<b>646</b>	<b>655</b>			<b>650<sup>2</sup></b>	<b>655</b>
<b>METRO</b>	<b>752</b>	<b>759</b>	<b>285</b>	<b>282</b>	<b>1,041<sup>2</sup></b>	<b>1,041</b>

<sup>1</sup> The locations and countries of Classic Fine Foods and the locations of Pro à Pro and Rungis Express are not shown in the table since they relate to distribution centres and warehouses, whereas this table only covers sales locations.

<sup>2</sup> Including 4 stores in "Others".



## 2.2 MANAGEMENT SYSTEM

Our company's rigorous focus on creating added value for customers is also reflected in our internal management system. The primary objective is to create sustained value for the company by focusing on added value for customers. For this reason, METRO has been using value-oriented performance metrics to plan, manage and monitor business activities. The corresponding value drivers that have a direct impact on value creation form the core of our operational management system. Our focus in this process is on growth (sales), operational earning power (EBIT or EBITDA) and optimised capital deployment. The key metrics for METRO in financial year 2016/17 are sales growth and EBIT before special items.

Business transactions or a number of uniform business transactions that do not recur regularly, that are reflected in the income statement and that have a significant impact on business activities are classified as special items.

Starting in financial year 2017/18, our focus will increasingly be on EBITDA instead of EBIT. In addition, the reporting on special items will be discontinued.

As the restructuring measures associated with the transformation of the group have been completed to the greatest extent, our future reporting will no longer include special items.

The calculation of key performance indicators generally follows the approach for calculating the key figures of the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). Specifically, these are sales growth, earnings per share, profit or loss for the period as well as cash flow before financing activities.

In addition, METRO is managed on the basis of alternative performance indicators such as like-for-like sales growth in local currency, EBIT before special items, EBITDA before special items (as of 2017/18 due to reporting discontinuation of special items: EBIT reported and EBITDA reported), investments, net working capital, net debt, free cash flow and free cash flow conversion and return on capital employed (RoCE). We believe that these alternative performance indicators offer our stakeholders additional useful information about fundamental business developments and METRO's current situation, providing a better foundation for an analysis of METRO's performance strength. These alternative performance indicators are calculated regularly based on a uniform approach, which ensures that metrics from different financial years can be compared. However, as they have not been defined on the basis of IFRS, direct comparisons with the key figures of other companies are not possible. As such, they cannot replace key figures calculated in accordance with IFRS.

Formally, it should be noted that the EBIT key figure in financial year 2017/18 is no longer part of the forecast report, but is still a key performance indicator. It is replaced by EBITDA. This is based on specifications of German Accounting Standard No. 20 (GAS 20), which stipulates that only the most meaningful key performance indicators are part of the outlook and the comparison with actual business developments in the following year that is based on this outlook. The outlook regularly applies to the current group structure on the date the forecast is issued.

### Key performance indicators: earnings position

As a key operational performance indicator, **sales growth** is reported both as total sales in euros and in local currency as well as like-for-like sales in local currency. Adjustments to group structures are called portfolio measures and are explained separately.

The like-for-like sales development reflects sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as delivery and online business. The figure only includes sales of locations with a comparable history of at least one year. Accordingly, sales from locations that were opened or closed in the reporting year or in the comparison year must be excluded from consideration. In addition, sales locations are excluded if their business operations have been materially affected by, for example, a change in selling space as a result of transformation or other changes in concept or if the sales are subject to other material external distortions. Delivery sales are included in like-for-like sales growth, provided that the location is part of the panel in question or the warehouse does not primarily serve new customers. Online sales are generally included in like-for-like sales growth. Sales from acquired companies are recognised in like-for-like sales growth after the business operated under our direction for a full financial year.

To enhance its assessments of operational developments, the Management Board also regularly informs itself about the key drivers of sales development, such as the delivery or online business.

— **For more information about these special items see chapter 3 economic report - 3.2 asset, financial and earnings position - earnings position.**

From financial year 2017/18, the second key performance indicator, in addition to like-for-like sales, will be **EBITDA excluding earnings contributions from real estate transactions**. This decision has been made in an effort to further improve the transparency of the operative performance of METRO. The development of real estate and the realisation of divestment income will continue to be a central component of our company's real estate strategy.

**Earnings per share** and **profit or loss for the period** are also included in our key performance indicators. They integrate the tax and net financial result into management of the earnings position and enable shareholders to better assess the group's earnings position.

- **For more information about these performance metrics, see chapter 3 economic report – 3.2 asset, financial and earnings position – earnings position.**

### **Performance metrics: financial and asset position**

METRO manages its financial and asset position to ensure the long-term liquidity of group companies and cover their funding requirements in a cost-efficient manner.

- **For more information about the financial and asset position, see chapter 3 economic report – 3.2 asset, financial and earnings position – financial and asset position.**

Key performance indicators include **investments** which are planned and reported on aggregate group level as well as separately for the sales lines. In addition, the Management Board conducts differentiated assessments of various investments (for example, expansion, delivery, IT/digitisation, modernisations and refurbishments) with a view to enhancing customer value and METRO's company value. Investments are defined as additions to non-current assets and finance leases based on the consolidated financial statements pursuant to IFRS with the exception of financial instruments and deferred tax assets.

Aside from the focus on investments, regular **net working capital** analyses are carried out to maintain a focus on operations and optimised capital deployment. Changes in net working capital result from changes in inventories, trade receivables and receivables due from suppliers included in the item other financial and non-financial assets. Furthermore, it includes changes in trade liabilities.

- **For more information about the composition of net working capital, see the notes to the consolidated financial statements in no. 41 – notes to the cash flow statement.**

Investments and net working capital not only impact customer benefits and the company's value creation, but also have an effect on the company's indebtedness and financial position. Moreover, **net debt** and **cash flow before financing activities** are used as key performance indicators to guarantee liquidity and optimise the capital structure.

Net debt is calculated by offsetting financial liabilities including finance leases against cash and cash equivalents according to the balance sheet as well as financial investments. Financial investments comprise bank deposits with residual terms of more than 3 to 12 months as well as near money market investments that are not classified as cash and cash equivalents, such as short-term, liquid debt instruments and shares in money market funds.

In addition, free cash flow conversion is analysed as a measure of the group's ability to translate generated earnings into cash inflows. Free cash flow conversion reflects the relationship between free cash flow and EBITDA. Free cash flow in turn is defined as EBITDA less investments (excluding acquisition of subsidiaries and extension of finance leases) plus the change in net working capital.

- **For more information about these performance metrics, see chapter 3 economic report – 3.2 asset, financial and earnings position – financial and asset position.**

### **Value-oriented performance metrics**

Since METRO's management system is strongly focused on value creation for the company, it also comprises value-oriented performance metrics such as return on capital employed (RoCE), which is based on the above-mentioned operational key performance indicators.

- **For more information about these key performance indicators, see chapter 3 the economic report – 3.2 asset, financial and earnings position – earnings position.**

## 2.3 INNOVATION MANAGEMENT

As a retail company, METRO does not make its own products and therefore does not conduct research and development in the strict sense of the term. As part of our innovation management, we rather aim to take the food retail and food service sector to a new level and taking advantage of the unique opportunities arising from the digitisation of the entire industry sector. We want to stay relevant to our customers and provide them with the best possible service. This means: we will create better, longer-lasting experiences for our customers at all touchpoints. In the store, while delivering goods, in e-commerce, with the apps we develop and while providing customer services. We are also optimising internal work processes.

Our development of digital innovations focuses on 3 different areas: customer-oriented solutions, user-centric solutions and solutions for our customers' own businesses. These 3 areas of development constitute an interlinked innovation process. They support our core business – stores, e-commerce, delivery and the trader franchise model – with requirements that vary for each country, on the one hand, and our customers with services, on the other hand.

In the field of customer-oriented solutions, our staff at METRO Cash & Carry France works closely with its customers to develop a new store format. We are using virtual reality in the developmental stage. Another example is the continuous improvement of the payment procedure as a central factor in customer satisfaction. Together with customers and employees, we are trialling and optimising self-scanning and self-checkout solutions.

In the field of user-centric innovations for internal users, we are constantly working on improving our range of internal and external IT solutions. In the field of food service distribution, this includes an innovative online ordering system and apps for customer managers and drivers.

In addition, our services also include the development of solutions for our customers' own businesses. We understand that assisting them in becoming more successful will also deliver rewards for our company.

### HoReCa Digital

One of the key target groups of our wholesale business are independent companies in the fields of hotels, restaurants and catering services (HoReCa). The hospitality industry is experiencing increasing pressure to adapt to its customers' changing lifestyles. Customers have been integrating digital technologies in their daily lives for a long time and are now keen to put their benefits to good use, for example, when visiting a restaurant. But many operators in the hospitality industry fall short of their customers' expectations. METRO is well aware of this situation thanks to its long-standing business relationships with millions of independent

companies. To survive and succeed in the future, these companies need to become more tech-savvy and embrace digitisation. In 2015, we established the new business unit HoReCa Digital with the objective of supporting the digital revolution in the hospitality industry.

Our international team is currently working on the following initiatives:

- Development of digital solutions for the food service industry
- Development of efficient sales channels (lead generation) for our own digital solutions and those offered by our partner companies (start-ups)
- Promotion of start-ups via the METRO Accelerator programmes
- Investments in relevant start-up companies
- Food technology and food innovation
- Community creation, exchange of experiences and observation of trends in the hospitality industry

### Development of digital solutions for the food service industry

Most small independent companies lack the time and financial resources necessary to deal with the issues brought about by digitisation. We know the daily work of food service operators by heart and develop targeted and simple digital products that require little time and money. For example, we give our customers an opportunity to create their own website in less than 5 minutes and free of charge. Financial year 2016/17 saw around 10,000 customers using this service.

Another example from practice is the "Gastro-cockpit", a clearly laid-out management tool for food service operators. It shows the most important key figures, such as sales (per day, week and month), a per-table analysis and a break-even analysis, all available in a single place. The tool also analyses and illustrates data from the cash register and incorporates certain global parameters, such as public holidays, weather data as well as individual parameters, for example, costs. A web application makes the data accessible from anywhere at any time. Analyses and intelligent forecasts can assist with process optimisation, cost saving and sales increase. They enable the hospitality operator to take targeted action rather than responding to situations as they arise. This approach in turn leaves the operator with more time for what's really important: customer service.

### Development of efficient sales channels

Our HoReCa Digital business unit also offers support services for the development of efficient sales channels. This allows us to provide our own digital solutions and assist start-ups in their efforts to offer suitable, usually digital solutions to independent companies from the food service and hotel industries. The objective is to offer digital solutions that have been tailored to the needs of the individual company and that can therefore support our HoReCa customers in their operative business. This process can also help

METRO Cash & Carry establish contact with new customers and nurture existing customer relationships. To ascertain which digital products and functions are particularly helpful and how they can help to significantly improve customers' daily operations, HoReCa Digital launched pilot projects in more than 500 restaurants in Berlin, Paris, Vienna, Barcelona and Milan. These projects give the start-ups important insights into user behaviour and preferences and connect them with potential future customers.

#### **Promotion of start-ups via the METRO Accelerator programmes**

In cooperation with the US company Techstars, we have been organising and promoting the development of innovative digital services for independent hospitality companies for 3 years. Since 2017, we offer the same service to the retail sector. The Accelerator initiative was established with the objective of promoting the development of innovative start-ups in this environment, for example, by helping them improve their chances of success and their access to growth capital from professional investors. The year 2017 saw the launch of the third hospitality programme and the first programme in the retail sector. 10 international teams compete in the programme, which is based in Berlin and spans over 3 months. They are supported by around 100 mentors from the start-up scene and investor communities, as well as food service and retail companies. HoReCa Digital invests in the companies participating in the Accelerator programme. Our partner Techstars supports us in our decisions in terms of accepting start-ups into the programme and placing our investments.

#### **Investments in relevant start-up companies**

We seek to accelerate the digitisation of the HoReCa industry by simplifying the target group's access to promising products and services. We therefore invest in start-up companies that develop solutions for the HoReCa industry. We frequently do this in partnership with other professional investors. Our objective is to participate in the growing value of these young companies. The acquisition and integration of these companies however does not serve the purpose of transforming METRO's core area of business. All investments are managed by a team of experienced experts. They are supported in their decision-making process by the Investment Committee, which is separated from the METRO Cash & Carry business. The investment strategy focuses on potentials to create additional value beyond METRO's core business. METRO also makes its resources available where advisable and helpful, thus providing opportunities to realise additional value. This is exemplified by METRO Sales Force, which is stimulating customer demand by providing proactive customer service.

In financial year 2016/17, HoReCa Digital invested in the start-up companies Planday from Denmark and Yoyo Wallet from the UK. Planday offers workforce

management solutions enabling companies to switch from paper and pen to a lean digital process for their staff roster planning. This delivers significant savings in terms of time and resources. Yoyo Wallet offers a combination of quick and easy technologies for mobile payments, mobile ordering and personalised customer loyalty and bonus programmes. The application is supported by an analysis and event platform for retail companies.

#### **Food technology and food innovation**

The Food Technology and Food Innovation department at HoReCa Digital is concerned with trends, innovations and new solutions for the food industry. HoReCa Digital considers itself an interface between new technologies, food concepts and consumers. From new farming technologies to new approaches in recycling – the context of digital disruption and global megatrends creates new concepts on a daily basis. These new concepts must be explained to the consumers and validated together with the respective companies.

HoReCa Digital offers a number of different programmes aimed at supporting young start-ups on their way to the market. Together with them, the company also develops strategies for assessing the marketability of products. Partnership projects, such as the initiatives with the Association for Vertical Farming, the Schmiede.one AgTech Accelerator or the incubator initiative at the University of Wageningen in the Netherlands provide us with the privilege of gaining early access to new approaches in food technology, which are then tested and trialled together with the Purchasing, Quality Assurance and Sustainability departments. Our community activities, such as "Innovation in Retail" and the "Rising Spoon" meetups, create an environment that allows entrepreneurs and innovators to discuss the latest developments and receive inspiration from novel ideas. The goal is to not merely gather the visionaries around a table, but to engage with them proactively in designing the future.










#### **Exchange of experiences and observation of trends in the hospitality industry**

HoReCa Digital promotes the exchange of experiences and community building in the HoReCa sector, for example, by establishing a cooperation with Ecole hôtelière de Lausanne (EHL), which started in February 2016. Our joint efforts have resulted in the establishment of an academic chair for digital innovation in the hotel, restaurant and catering sectors. The goal of the METRO Chair of Innovation is to research the digitisation in the HoReCa sector in key markets like France, Italy, Spain, Germany and Japan as well as to strengthen academic teaching in this area. HoReCa Digital further pursues systematic social media activities (for example, for the finalists of the METRO Accelerator powered by Techstars) to strengthen the company's online reputation and help advance digital solutions for the food service and hospitality sectors.





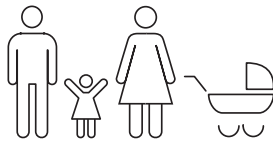

## 2.4 SUSTAINABILITY MANAGEMENT

In 2015, the United Nations declared the global community's Sustainable Development Goals (SDGs). A detailed global agenda was provided to assist governments, companies and private individuals in reaching the overall 17 goals required to achieve a sustainable development on an economic, social and environmental level. Also METRO considers itself an active member of the global community and strives to contribute to the creation of additional value and thereby the attainment of the SDGs. As companies, we have a moral obligation to balance our economic interests with both social demands as well as the demands of our customers, employees, investors and business partners and to not limit our efforts to the requirements imposed on us by the legislator. We must

respect the limits placed on us by humanity and the natural environment. For us, sustainability does not stop at focusing on environmental and social issues. The notion of sustainability encompasses every single aspect of our actions and is a fixed item on the agenda of our corporate strategy. Our thinking and actions go well beyond the next day. We strive to be an attractive employer for our employees and a reliable and service-focused system partner for our customers over the long term. We seek to facilitate the long-term success of our customers by making our expertise, products and solutions available for their benefit. Accordingly, our business activities are designed to create added value while reducing negative effects. This makes all aspects of our business sustainable. This is what drives us. This contributes to reaching a new level of sustainability in the food and food services industry.

We act sustainably for ...	This is how we do it.	Into which SDGs <sup>1</sup> we put most of our efforts.	What these goals require/mean.
<p><b>... the environment - in our own business operations for procurement and assortment management.</b></p> 	<p>We use resources responsibly in our own operations and avoid waste wherever we can. This is how we minimise our impact on the climate and protect the environment. A sustainable procurement process and product range further contribute to preserving precious resources for the future. This is how we help create a sound foundation for the retail of tomorrow.</p>	   	<p><b>7</b> Ensure access to affordable, reliable, sustainable and up-to-date energy for all.</p> <p><b>8</b> Promote durable, inclusive and sustainable economic growth, productive full-time employment and dignified work for all.</p> <p><b>9</b> Build a resilient infrastructure, promote inclusive and sustainable industrialisation and support innovation.</p> <p><b>13</b> Take immediate action to combat climate change and its effects.</p>
<p><b>... our customers - in regards to consumption.</b></p> 	<p>We provide our customers worldwide with locally sourced, safe, quality products through sustainable procurement and assortment. And with products that are produced, processed and recycled in a socially responsible, environmentally sound and resource-friendly manner. This is how we secure our future and promote sustainable consumption.</p>	  	<p><b>12</b> Ensure sustainable consumption and production behaviour.</p> <p><b>14</b> Preserve oceans, seas and marine resources and ensure sustainable development.</p> <p><b>15</b> Protect and restore terrestrial ecosystems and promote their sustainable use. Sustainably manage forests, prevent desertification, halt and reverse soil degradation and stop biodiversity loss.</p>

<sup>1</sup>SDGs = Sustainable Development Goals.

We act sustainably for ...	This is how we do it.	Into which SDGs <sup>1</sup> we put most of our efforts.	What these goals require/mean.
<p><b>.. for the people who work for us - in procurement and assortment management.</b></p> 	<p>We operate our business fairly and responsibly and ensure fair living and working conditions. This is how we demonstrate responsibility in the supply chain.</p>		<ul style="list-style-type: none"> <li>1 End poverty in every way and everywhere.</li> <li>2 End hunger, improve food safety and nutrition, and promote sustainable agriculture.</li> <li>8 Promote durable, inclusive and sustainable economic growth, productive full-time employment and dignified work for all.</li> <li>10 Reduce inequality within and between states and countries.</li> <li>16 Promote peaceful and inclusive societies for sustainable development, provide fair justice systems to all people, and build effective, accountable and inclusive institutions at all levels.</li> </ul>
<p><b>... for our employees.</b></p> 	<p>We respect, protect and support our employees at all times and build trusting relationships with them. We enable them to systematically integrate sustainability into their day-to-day operations and decisions. Thus, we create an attractive work environment that enables us to offer our customers optimal and sustainable solutions for their needs.</p>		<ul style="list-style-type: none"> <li>1 End poverty in every way and everywhere.</li> <li>3 Ensure a healthy lifestyle for all people of all ages and support their well-being.</li> <li>4 Ensure inclusive, just, high-quality education and promote lifelong learning opportunities for all.</li> <li>5 Achieve gender equality and empowerment for all women and girls.</li> </ul>
<p><b>... for the benefit of society.</b></p> 	<p>We align our business with the needs of society through stakeholder dialogue based on mutual trust and by contributing to our local communities wherever we operate. This is how we work on solutions to global challenges and contribute to sustainable development.</p>		<ul style="list-style-type: none"> <li>1 End poverty in every way and everywhere.</li> <li>2 End hunger, improve food safety and nutrition, and promote sustainable agriculture.</li> <li>17 Strengthen implementation tools and revitalise the global partnership for sustainable development.</li> </ul>

<sup>1</sup>SDGs = Sustainable Development Goals.

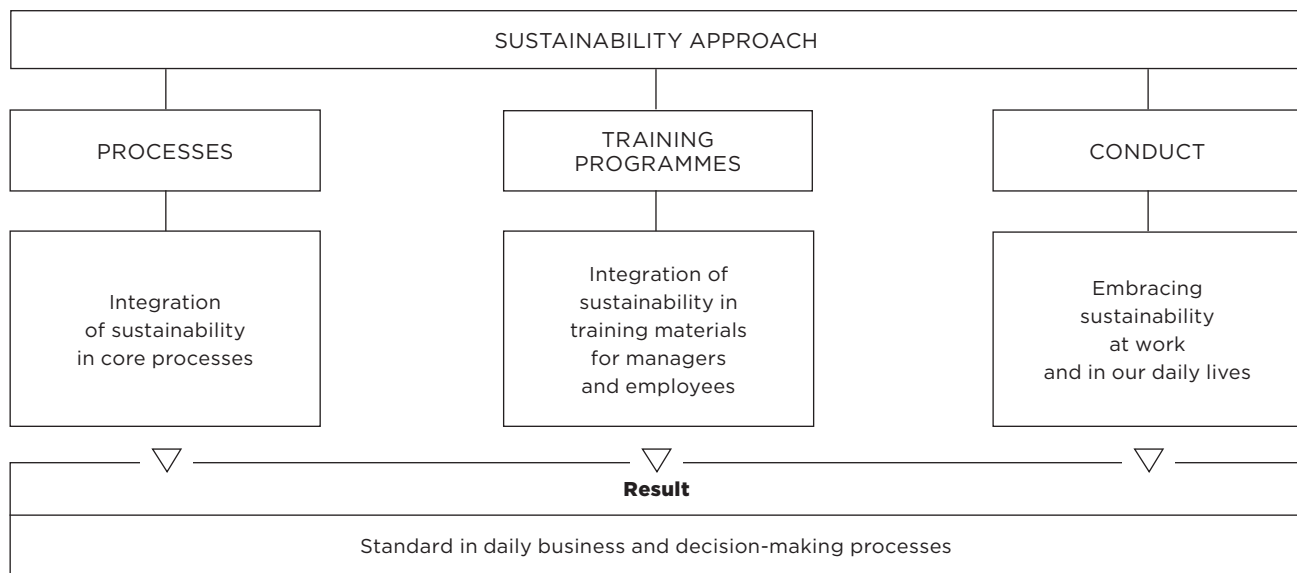
**Embedding sustainability**





To achieve our ambitious goals, we have embedded the notion of sustainability in our core business strategy. The implementation of this strategy is the responsibility of METRO's Sustainability Committee and its sub-committees. We also adapt relevant business processes and decision-making procedures and proactively involve our employees. We want each individual to ultimately appreciate the significance of sustainability, both personally and in the professional environment

and adjust his or her personal conduct accordingly. While METRO may be able to drive the issue in a top-down approach, it can only come to fruition once it is embraced by everyone in the company.

- **More information about sustainability-related employee communication is available online at [www.metroag.de/responsibility](http://www.metroag.de/responsibility). For general information about our personnel, see chapter 2.5 employees in this METRO annual report.**

**EMBEDDING SUSTAINABILITY**



Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>EMBEDDING SUSTAINABILITY WITHIN THE COMPANY</b>	METRO is systematically making sustainability an integral part of its daily operations.		Continuous implementation of the sustainability-related initiatives within our business processes (ongoing): METRO's sustainability measures include specific guidelines, the group also considers sustainability aspects in its decision-making processes. As an example, we invest between €20 and 25 million each year in energy-saving measures. The monetary value of CO <sub>2</sub> emissions is an important part of the decision-making process for investment applications.	
			Sharpen employees' understanding of sustainable behaviour.	
			Driving sustainability campaigns. - METRO prepares and distributes internal and external communications relating to the wider topic of METRO and sustainability throughout the year. A good example is the UN World Water Day celebrated by our company on 22 March 2017 at its head office in Düsseldorf and 20 METRO countries around the globe. In the future, METRO will shine the spotlight on this and other important international sustainability days, throughout our administrative offices and sales outlets. - Our company also conducts sustainability workshops within our business units and the national subsidiaries in particular. - METRO also frequently hosts sustainability events, such as a Sustainability Week in our head office and Sustainability Days in 16 METRO Cash & Carry national subsidiaries. - Sustainability also plays an important part in our annual employee survey METRO Voice. The survey is conducted among employees at 25 METRO Cash & Carry national subsidiaries, 10 service companies and METRO AG. The survey results for the reporting year indicate that 82% of surveyed employees state their employer is an environmentally conscious company that accepts social responsibility.	
			Integration of the notion of sustainability into existing training programmes (partially completed). - We have conducted the METRO Sustainable Leadership Program for the third consecutive time with the aim of reinforcing our executives' awareness for sustainability. - Sustainability aspects are also firmly embedded in our new executive development programme called Lead & Win.	

Annotations to the symbols can be found on page 66.

**Sustainability management**

Sustainability management serves the purpose of systematically and structurally anchoring the notion of sustainability in our core business operations and to consider the interdependencies between economic, environmental and social aspects in an efficient, solution-driven manner. It is closely tied to our management of risks and opportunities. This enables the Management Board to systematically identify, evaluate and control deviations from the sustainability goals and the ensuing risks and opportunities.

- For more information about risk and opportunity management, see chapter 5 risk and opportunity report.

The METRO Sustainability Committee charts the strategic course for the entire company's sustainability-related performance and develops targets for core issues.

The round table on corporate responsibility serves as the interface between the strategic and operational aspects of sustainability. This corporate body lays the groundwork for decisions taken by the Sustainability Committee and assists in their implementation. On the operational level, the sales lines are charged with defining specific goals and programmes, putting them into practice in their daily business operations and ensuring that the objectives are reached. They report their progress to the Sustainability Committee at the round-table meetings.

Our stakeholders use ratings to evaluate the sustainability measures carried out by METRO. These

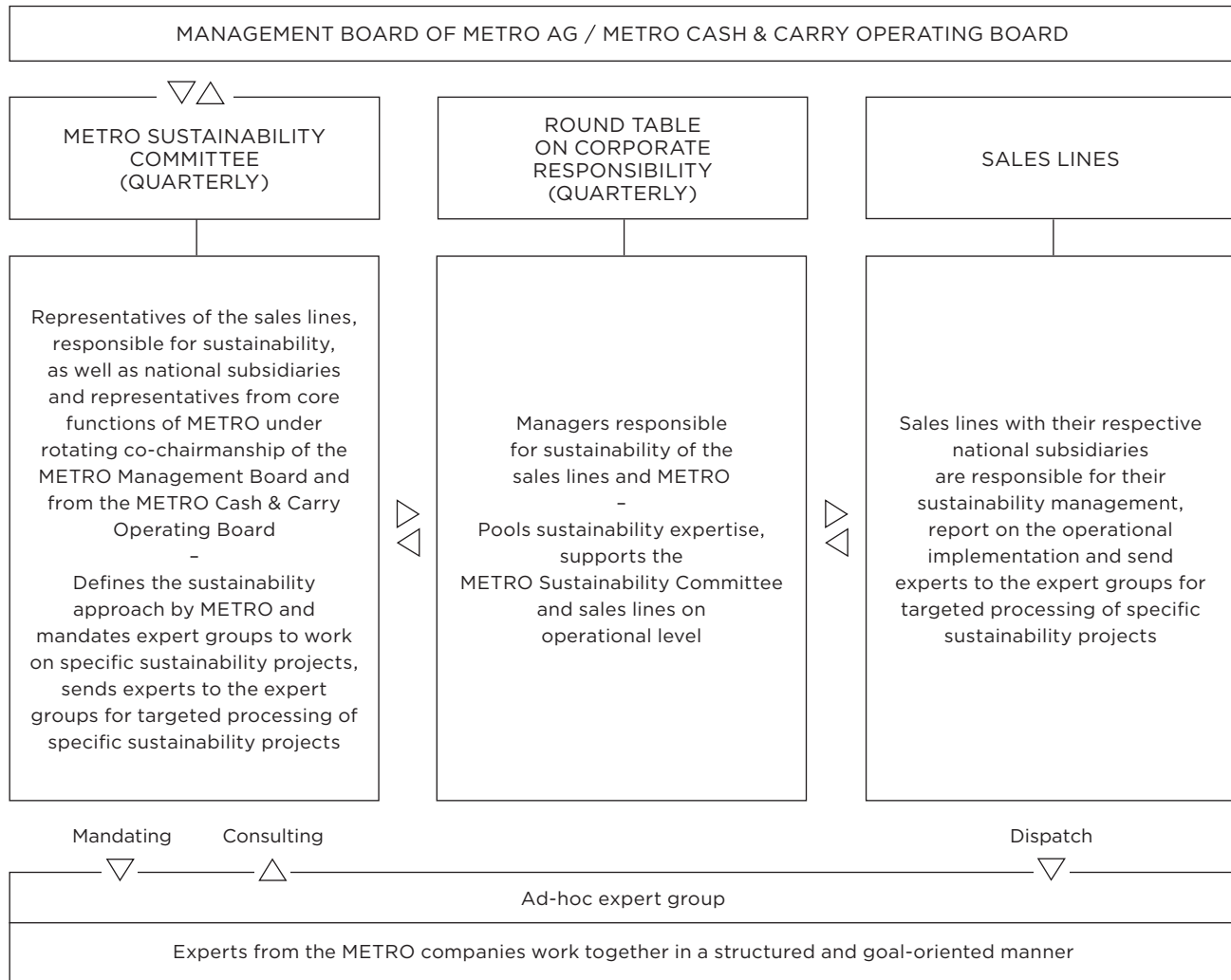


evaluations provide important motivation to us and serve as a management tool because they demonstrate the progress of and potential to improve our activities.

Oekom Corporate Rating awarded METRO in September 2017 the prime status C+ (on a scale from D- to A+). Financial year 2016/17 also saw the internationally

renowned sustainability indexes Dow Jones Sustainability World and Europe ranking our group as the leading company in its sector for the third consecutive time. In the CDP Climate Scoring and the CDP Water Scoring, METRO was awarded a score of A- (scale from F to A) in October.

**METRO SUSTAINABILITY COMMITTEE**



## Areas of responsibility

When it comes to defining our responsibilities and key focus areas, we do not just rely on our own internal perspective. We also participate in the economic and socio-political discourse, cooperate with external stakeholders and are consistently guided by the agenda designed to meet the SDGs. This enables us to identify our stakeholders' expectations and requirements in relation to our actions at an early stage. We select the areas and issues relevant to our sustainability efforts based on both the internal and the external points of view. This allows us to create a foundation for the development of strategic objectives and specific measures. The former METRO GROUP conducted an initial stakeholder survey in 2016. The results of this survey continue to bear relevance for METRO today. The survey assists us in reviewing the relevance of the identified issues and also plays a role in the simplified materiality analysis for financial year 2016/17. The materiality analysis for the current financial year is in particular shaped by the intensive exchange with our stakeholders conducted in the context of METRO unboxed, an updated desktop and media analysis, as well as the dialogue with the respective stakeholders via the email inbox of the METRO AG sustainability unit. The assessment of the issues' relevance ranges from "not material" to "very material". The result of this year's analysis does not significantly deviate from last year's materiality analysis.

Our commitment to sustainability focuses on those segments of the value chain and interaction with society where our company has the biggest influence. This results in the identification of the following areas of responsibility:

- Commitment to our employees
- Sustainable business operations
- Sustainable procurement and assortment management
- Sustainable consumption
- Social commitment

Below is an overview of the focal issues addressed in the context of the identified areas of responsibility. Integration of the concept of sustainability into our sales lines' strategy process has resulted in additional specific focal areas at the operating level. A current overview of examples from the METRO Cash & Carry national subsidiaries and Real can be found in the METRO Progress Report on Corporate Responsibility 2016/17.

- **More information and figures about the topic of sustainability on a company and sales line level is available online at [www.metroag.de/cr-progress-2016-17](http://www.metroag.de/cr-progress-2016-17).**

## Commitment to our employees

The success of METRO and its sales lines is only made possible by our more than 150,000 employees. It is their commitment and the decisions they make on a

day-to-day basis that ensure we create value for our customers and society. In terms of our sustainable corporate governance, we consider it our duty to create and ensure an attractive, fair and safe work environment. We take the approach of valuing the individuality of our employees, encouraging their diversity and strengthening their personal responsibility. This allows us to support them in implementing our strategy successfully and sustainably.

- **For a complete overview of our commitment to our employees and METRO's human resources policy as well as the related key figures, see chapter 2.5 employees. Sustainability-related employee figures are also available online in our METRO Progress Report on Corporate Responsibility 2016/17, which is accessible at [www.metroag.de/cr-progress-2016-17/employees](http://www.metroag.de/cr-progress-2016-17/employees).**

## Sustainable business operations

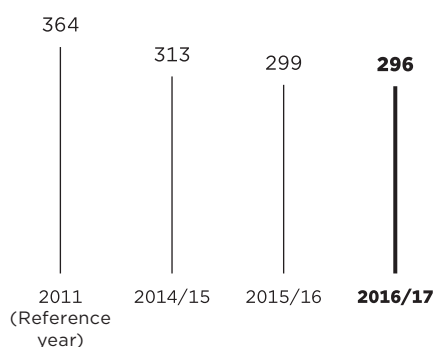
A responsible consumption of energy and other natural resources is crucial for all of us. The use of resources has a direct effect on our operating costs and may entail undesirable environmental implications, such as the emission of climate-damaging greenhouse gases. We strive to reduce the climate-relevant emissions caused by our business operations and our consumption of natural resources. We do this by focusing on intelligent energy consumption and investments aimed at increasing our energy efficiency. Adopting targeted measures enables us to reduce consumption levels as well as costs. In financial year 2016/17, our group has invested €18.2 million in programmes such as the METRO Cash & Carry Energy Saving Programme – predominantly for the installation of LED and other energy-efficient lighting systems and enclosed refrigeration counter units in the wholesale outlets and additionally for the development of renewable energies. Our goal is to save more than €4.6 million in energy costs per year. We are also committed to responsible resource management, for example in the areas of our logistics fleets, refrigerants and paper. Our group's facility management is also aligned with the notion of sustainability. We have invested in converting our refrigeration systems to natural refrigerants and have opened our second green store in Jinan, China.

Further key focal issues in relation to sustainable business operations are the prevention of waste, the reuse of resources and their recovery by means of recycling. The reduction of food waste is an issue of particular importance for the operational business of METRO. Every food product that is sorted out or discarded instead of being eaten represents wasted economic, social and environmental resources. METRO has therefore committed itself to the Resolution on Food Waste by the Consumer Goods Forum (CGF) and thus to eliminate 50% of the volume of food waste in our outlets by the year 2025.

**Status climate protection target**

From October 2016 to September 2017, METRO generated 296 kilograms of CO2 equivalent per square metre of selling space. This figure is down from 299 kg in the previous year's period. Our goal is to reduce these emissions to 184 kg by 2030. To achieve this goal, we are focusing our efforts on reducing our energy consumption and lowering our refrigeration emissions.

**CLIMATE PROTECTION TARGET STATUS**  
Greenhouse gas emissions in kg CO<sub>2</sub> (CO<sub>2</sub>-equivalent) per m<sup>2</sup> sales floor



Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>SUSTAINABLE BUSINESS OPERATIONS</b>	METRO will reduce its greenhouse gas emissions by 50%, from 364 kg of CO <sub>2</sub> e/m <sup>2</sup> in 2011 to 184 kg of CO <sub>2</sub> e/m <sup>2</sup> by 2030.		Energy-saving programme: Investments in renewable energies and to increase energy efficiency. Energy awareness programme: Increasing awareness for responsible use of energy. F-Gas exit programme: Investments to reduce the emissions of refrigeration equipment.	
	METRO has committed itself to the "Resolution on Food Waste" by the Consumer Goods Forum and thereby to reducing the volume of food products discarded in our own business operations by 50% until the year 2025 (reference value: 2016).		Establishment of a working group dedicated to the issue of waste as part of Operations Federation. Evaluation of the implementation of "Food Loss and Waste Protocol" in a selected pilot country.	







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


**Sustainable procurement and assortment management**





In our procurement activities, we strive to purchase high-quality and safe products that are socially acceptable and environmentally safe. This provides the foundation for a sustainability-focused management of our assortment. As a retailer, our business also depends on the long-term availability of resources, as these raw materials are needed to produce and package our products.

Therefore, our actions are consistently geared to implement our group-wide purchasing policy for sus-

tainable procurement across our entire product range. This policy sets out the fundamental requirements for sustainable supply chain and procurement management. At the same time, our purchasing policy forms the framework for various guidelines that address specific issues related to individual categories of products and raw materials. By developing and implementing these guidelines for sustainable purchasing, we are strengthening our procurement channels and help improve the sustainability of our products and thus our entire assortment.

Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>SUSTAINABLE PROCUREMENT AND ASSORTMENT MANAGEMENT</b>	<p>METRO committed itself to a company-wide mandatory guideline for sustainable fish purchasing.</p> <p>In 2016, METRO Cash &amp; Carry set itself the target to purchase 80% of the 12 most popular fish and seafood products from sustainable sources by 2020.</p>		<p>Positioning of METRO and active exchange with experts on the issue: METRO is actively involved in numerous external committees and partnerships, such as the Global Sustainable Seafood Initiative (GSSI), the North Atlantic Seafood Forum (NASF), the World Economic Forum (WEF) and the Marine Stewardship Council (MSC) for sustainable fisheries.</p> <p>Another example is the Tuna 2020 Traceability Declaration, which METRO joined as a signatory in July 2017. METRO Cash &amp; Carry further conducts sustainability workshops in the METRO Cash &amp; Carry national subsidiaries. Their objective is to develop a specific implementation plan for each country.</p>	
	<p>METRO committed itself to a group-wide mandatory guideline for the sustainable purchasing of products containing palm oil.</p> <p>METRO Cash &amp; Carry set itself the target to purchase 100% of its own brand products containing palm oil from sustainable sources by the year 2020.</p>		<p>Sustainability workshops conducted in the METRO Cash &amp; Carry national subsidiaries: Their objective is to develop a specific implementation plan for each country. Croatia, Poland and Italy have already switched pure palm oil to sustainability-certified palm oil.</p>	
	<p>Real has been purchasing 100% of its own brand range of food products containing palm oil from sustainable sources since the year 2015.</p> <p>During the reporting period, Real set itself a new goal: 100% of the palm oil used for its own brand food products must be certified with regard to "Segregation and Identity Preservation" criteria by the year 2025.</p>		<p>Comprehensive annual supplier review: The objective is to ascertain the availability and use of palm oil or palm kernel oil that is certified with regard to "Segregation and Identity Preservation" criteria.</p>	

Issue	Goals	Status of goal attainment	Measures	Status of measures
	<p>METRO committed itself to improving the environmental footprint of its own brand product packaging by adopting a group-wide mandatory guideline.</p> <p>In the period until 2018, METRO Cash &amp; Carry will take the following measures in the national organisations taking part in the project and the Global Own Brand Management:</p> <ul style="list-style-type: none"> <li>- Investigate the packaging of 10,000 own brand products for optimisation potentials,</li> <li>- Phase out polyvinyl chloride (PVC) packaging as much as possible and replace it with more sustainable packaging and</li> <li>- Obtain an FSC* (Forest Stewardship Council*) certification for 100% of SIG and Tetrapak beverage cartons.</li> </ul>		<p>Investigation of optimisation potentials: METRO has adopted the 5R principle: remove, reduce, reuse, renew and recycle.</p> <p>Assessment of the environmental footprint of product packaging: METRO Cash &amp; Carry uses PIQET, a system for analysing the life cycle of product packaging.</p> <p>Knowledge transfer and best-practice-sharing: METRO conducts regular packaging workshops.</p> <p>10 METRO Cash &amp; Carry national subsidiaries and the Global Own Brand Management have set themselves country-specific targets that will contribute to the overall target. In financial year 2015/16, METRO has successfully reduced the amount of packaging materials by 15%. 83% of Tetrapak and SIG private label beverage cartons are now FSC* certified, while 62% of PVC-based own brand packaging has been replaced by more sustainable alternative solutions.</p>	
	<p>Real will successively</p> <ul style="list-style-type: none"> <li>- Switch 100% of its paper and carton packaging for own brand food products to FSC®- and PEFC-certified materials and</li> <li>- Assess the packaging of all own brand products on potentials for improvement of their environmental footprint (e.g. use of less material, certified materials).</li> </ul>		<p>Numerous projects on reducing the amount of packaging are ongoing. Trials with alternative fruit and vegetable packaging are also conducted. This led to the discontinuation of plastic shopping bags in January 2017.</p>	

Issue	Goals	Status of goal attainment	Measures	Status of measures
	<p>In 2016, METRO Cash &amp; Carry adopted a guideline with the objective to source more than 50% of its own-brand products containing timber or paper from legal and sustainable sources by 2020.</p>		<p>Sustainability workshops in the METRO Cash &amp; Carry national subsidiaries prepare the country-specific implementation plans. We have already been using 100% recycling paper in our head office in Düsseldorf, Germany, since the year 2015. Moreover, all products belonging to our range of centrally procured own brand outdoor furniture range are already FSC®-certified.</p>	
	<p>Real intends to switch its own brand products to 100% sustainable timber and paper by 2020, provided at least 50% of weight of the product consists of these resources.</p> <p>All printing paper, copy paper and sanitary tissues used internally at Real will be switched to 100% sustainable timber and paper.</p> <p>Real also intends to switch service packaging, such as packaging materials used at fresh food counters, to 100% sustainable timber and paper by 2020.</p>		<p>Involvement of Real suppliers in the objective and implementation of a supplementary supplier agreement.</p>	

Annotations to the symbols can be found on page 66.

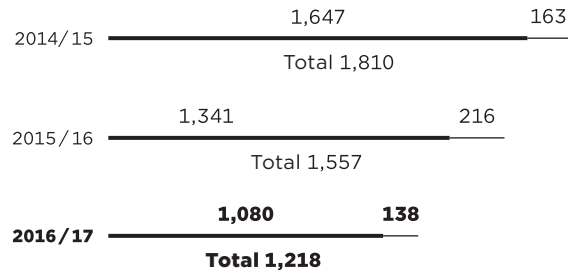
We aim to ensure socially acceptable working conditions within our sourcing channels. A systematic approach to achieving social standards is an integral part of the process as well as an important tool. It enables us to take effective action against any potential risks from violations. Irresponsible practices within the supply chain can damage the confidence in our conduct and, consequently, also our business. We will therefore require our producers to be audited to the standard set out by the Business Social Compliance Initiative (BSCI) or an equivalent standard. This applies to all producers in certain high-risk countries (based on the BSCI rating) that manufacture imported goods for METRO

SOURCING. It also applies to the producers of our own brand products and our own import products in the area of clothing, shoes, toys and household hardware. As of 30 September 2017, 1,218 producers have been audited. Of that group, 89% (1,080 producers) passed the audit. Producers who fail the audit are allowed a period of 12 months to provide proof of improvement by way of a follow-up audit. METRO Cash & Carry and Real have introduced more stringent supplier requirements on 1 January 2017: New suppliers will only be accepted if they are able to prove at least an acceptable audit result. Existing suppliers have been granted a transitional period of 2 years.

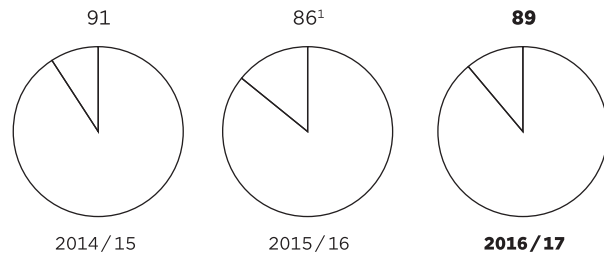
**SOCIAL AUDITS RELATING TO OWN IMPORTS BY METRO SOURCING AND NON-FOOD OWN BRAND PRODUCTS OF THE METRO SALES LINES**

as of the closing date of 30/9

**Factories with a valid audit (number)**



**Thereof with passed audit (in %)**



Factories that have passed the audit may prove the successful implementation of the BSCI system of social standards or an equivalent system by furnishing a certificate issued by an independent third party.

— thereof with passed audit  
 — thereof with failed audit

<sup>1</sup> Adjustment of the BSCI rating system from three rating levels (good / improvements needed / non-compliant) in 2015 to five levels (A/B/C/D/E). The result "improvements needed" has been counted as a "passed" result. Some of the results previously counted as "improvements needed" have been reassigned to either "C" (passed) or "D" (failed) under the new rating system. The adjustment resulted in a declining proportion of producers in financial year 2015/16 that passed the audit.

Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>SUSTAINABLE PROCUREMENT AND ASSORTMENT MANAGEMENT</b>	<p>METRO is intensifying its efforts for fair working conditions at all producers in high-risk countries<sup>1</sup> where import goods are manufactured for METRO SOURCING. Our efforts also target the producers of our own brand products or our own imports in the area of clothing, shoes, toys and household hardware.</p> <p>More stringent requirements for suppliers: All factories producing for us<sup>2</sup> must prove at least acceptable audit results by 1 January 2019.</p>		<p>Continued inclusion of all factories<sup>2</sup> producing non-food own brand products in a valid BSCI social standard system or equivalent.</p> <p>Increasing the proportion of current audits, e.g. by providing specific training to the producers. As of 1 January 2017, new listings will only be accepted with at least an acceptable audit result.</p>	

<sup>1</sup> BSCI definition of risk country.  
<sup>2</sup> This includes merchandise producers (non-food own brand products and own non-food imports) that carry out the final value-creating production step.  
 Annotations to the symbols can be found on page 66.

**Sustainable consumption**

The specific product mixes of our sales lines are tailor-made to perfectly match the diverse needs of our private and commercial customers. These products and services must not only meet quality and safety requirements. Increasingly, they must also satisfy critical social and environmental requirements – from production and procurement to usage and disposal. For this reason, we focus firmly on measures that enable us to shape the relevant product features on the basis of our

guidelines for sustainable purchasing. Our goal is to procure products that satisfy environmental, social and economic considerations. We also ensure transparency with regard to the resources used and the procurement of products by working closely with our respective business partners. Our harmonised international traceability solution Pro Trace further supports us in these efforts. METRO developed this solution in cooperation with other retailers, well-known partners and the standardisation organisation GS1 Germany. It enables us to gather relevant data electronically (e.g. data on



products and suppliers) and manage it on a single software platform. Our Pro Trace app makes access to this information much easier and more reliable, both for customers and for other users.





Furthermore, we offer our customers greater transparency by using product labels that indicate our compliance with certain sustainability standards. We also label our own brand products accordingly. In addition, we provide complementary information flyers and customer brochures in our outlets and engage in a dialogue with our customers. This allows us to facilitate and encourage responsible consumption.

Our sales lines' assortments include fair trade products as well as foods that bear the European organic product symbol. In financial year 2016/17, METRO Cash & Carry and Real generated sales of nearly €16 million in Germany from fair trade products. This figure includes all articles bearing a Fairtrade or GEPA label. In the same period, our sales lines generated nearly €140 million in Germany-wide sales of products certified in accordance with the EU regulation on organic products. Our assortment also includes products from sustainable fisheries and aquaculture. These are products carrying the seal of the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC) or the EU organic product label. In financial year 2016/17, METRO Cash & Carry and Real generated sales of more than €93 million from their sustainable fish assortment in Germany. Our objective is to meet the expectations of our customers and to contribute to the local economy. Our sales lines are therefore increasingly listing regional products in their assortments. Certain METRO Cash & Carry national subsidiaries already identify these products using special regional labels. The main characteristics of these regional products are superb freshness, outstanding quality and a regional connection to the supplier, both in terms of geographical proximity and in terms of close and mutually beneficial supplier relationships.

At Real, regionality refers to products that were produced within 100 km of the store that sells them. The Real sales line generated sales of more than

€440 million from regional products during the past financial year. The sales lines increasingly offer its customers products from sustainable forestry. Sales of products bearing either the Forest Stewardship Council (FSC®) or the Programme for the Endorsement of Forest Certification (PEFC) label exceeded €39 million in Germany. Given our customers' increasing interest in sustainable products and the resulting potential for our business, we continue to work on increasing the share of more sustainable products in our assortment, as well as further developing business solutions for our customers. In financial year 2016/17, Real has added an additional 1,500 sustainable food products to its shelves compared to the previous year. This means that Real has made good progress in achieving its goal of increasing the share of sustainable products in its revenues to 30% by 2019. In financial year 2016/17, a share of 26% was reached. Sustainable products are products carrying certified seals or labels or Real's own or an approved quality seal. This also includes regional, reusable and free-range products. Real will achieve its goal by focusing on regional products, produce from organic farming, fruit and vegetables from permaculture as well as projects relating to animal welfare.

Consumption, even at reasonable levels, always involves the use and depletion of resources. We therefore feel that it is our responsibility to minimise the resultant waste and emissions. We place great importance on promoting innovative manufacturing and recycling technologies and on thinking in terms of cycles. Since products and packaging find themselves in the hands of consumers when they reach the end of their useful lives, we also advise our customers when it comes to proper disposal: Selected stores provide our customers with information about natural resources, encourage them to avoid waste and offer incentives and opportunities for proper disposal. For example, METRO Cash & Carry France accepts waste oil returns from its customers. This allows us to do our part to ensure that waste materials are converted back into raw materials that can be reused.

Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>SUSTAINABLE PROCUREMENT AND ASSORTMENT MANAGEMENT / SUSTAINABLE CONSUMPTION</b>	METRO initiates and promotes the development of an international technical solution for global traceability that encompasses all industries and products.		Following successful implementation of the traceability solution Pro Trace for the fish and meat product categories at METRO Cash & Carry Germany, we started to introduce the solution in other countries at the beginning of 2015. At present, numerous countries and our international trading offices are involved in the project.	
	Real has set itself the target of achieving a 30% increase in the share of sustainable food and near food products by the year 2019.		<p>After extending the project scope on country level to include the fish and meat product ranges, we have optimised our approach in 2016/17 and are now capable of tracing internal processing steps with this solution.</p> <p>METRO also supports the international cross-industry initiative Global Dialogue on Seafood Traceability (GDST). The goal of the initiative is to ensure interoperability in this important area.</p> <p>A solid data pool has been prepared in order to ascertain the status quo and will now serve as the basis for the listing of new products. We also conduct specific training measures and initiate intensive discussions with our suppliers. Our priority are the modifications in the rack planograms, with the main focus firmly fixed on sustainable products.</p>	

Annotations to the symbols can be found on page 66.











### Social commitment

METRO views its commitment to society and the environment as a form of creating additional value by addressing the challenges faced by our society. Our diverse activities aim at promoting the intercultural dialogue, supporting our retail and wholesale outlets and their local communities and offering targeted help to people in need. Our community involvement programme We help allowed us to assist countless people in need in 170 projects across 9 countries since the launch. With our global partnership with the United Nations World Food Programme (UN WFP), we are committed to fighting starvation and famine worldwide. The cooperation project will also be rolled out in the METRO companies: This will enable us to conduct a diverse range of local activities for generating dona-









tions. METRO colleagues also offer their expertise on a pro-bono basis. As of 31 September 2017, the METRO countries Italy, Pakistan and Ukraine as well as METRO systems have joined the global partnership with the UN WFP.

### COMMUNITY INVESTMENTS

in thousands of €	2015/16	2016/17
Charitable donations	783	<b>1,121</b>
Community investments	2,809	<b>2,345</b>
Commercial initiatives	2,299	<b>2,021</b>
<b>Total</b>	<b>5,891</b>	<b>5,487</b>

Issue	Goals	Status of goal attainment	Measures	Status of measures
<b>SOCIAL COMMITMENT</b>	METRO is expanding its projects involving food donations to international food bank initiatives from the current 16 METRO Cash & Carry countries to at least 17 countries.		METRO Cash & Carry cooperates with food bank initiatives in 16 of the 25 METRO countries. Collaboration in the remaining countries is challenging due to external circumstances such as political or tax-related reasons.  At present, METRO Cash & Carry is holding talks with local relief organisations and politicians with the aim of advancing the cooperation in those countries where extraneous circumstances stand in the way of working together.	
	METRO launched the community involvement programme We help. The programme allows METRO to render non-bureaucratic help, assist in acute emergency situations and promote the integration of refugees. Our goal is to contribute a total of €1 million to refugee assistance projects in Europe by the end of financial year 2015/16. We have thus increased the budget for "community investments" (corporate citizenship) by €1 million.		The expansion of the programme and a group-internal round of applications - online and offline - has encouraged METRO colleagues to get involved.	
	Due to the great success of the community involvement programme We help, the Management Board has decided to continue the programme in financial year 2016/17. In 2017, all METRO subsidiaries may apply for special funding for their projects. All types of voluntary involvement are encouraged.		The expansion of the programme and an additional round of applications - online and offline - has encouraged METRO colleagues to get involved.  The application paperwork has been translated into all METRO languages.	
	METRO will be the title sponsor at the Düsseldorf Marathon for the 15th time in 2018. One of the reasons for sponsoring the marathon is to foster employee loyalty. Participation not only increases team spirit but also promotes the health of participants. On average, nearly 700 co-workers take part each year. We intend to sustain or even increase our involvement and are working on further increasing the number of METRO participants from 650 runners in 2017.		Intensified promotion of the METRO Marathon via the group's social intranet, both within Germany and abroad.	
	The inclusion of the UNWFP is scheduled for implementation in 6 national subsidiaries/service companies by the end of financial year 2017/18.		Creation of a contractual framework to assist with the preparation of local contracts.  METRO AG is engaged in intense cooperation discussions with our colleagues in the METRO companies.	

**Degree of goal achievement**

 Measure not yet started	 Measure started	 Measure ongoing	 Measure concluded	 New goal implemented	 In progress	 Goal reached	 Goal not reached
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## 2.5 EMPLOYEES

### Sustainable human resource strategy

Our objective is to achieve revenue growth and profits that are sustainable over the long term. We also aspire to lift the food and hospitality sector to a whole new level. To achieve these goals, we need dedicated employees who bring our strategy to life in their everyday work. One thing is certain: METRO can only grow if we support the growth of our employees. Our human resource strategy focuses on 2 key aspects: on human resource management, which includes employee recruitment, retention and development and on occupational safety and health management. Our objective is to attract the very best employees, to support them in accordance with their motivation and abilities and to strengthen their long-term loyalty to our company. By taking this approach, we strive to be the employer of choice among current and future employees.

### Recruiting employees

In competing for the most highly skilled employees and executives, we take steps to polish our image among potential applicants. This also includes offering initial training programmes to young professionals starting their career in retail, which in turn enables us to recruit employees from our own ranks.

#### INITIAL TRAINING AT METRO

	2015/16	2016/17
Number of apprentices in Germany	2,188	<b>2,064</b>
Number of apprentices internationally	1,222	<b>1,241</b>
Newly employed apprentices in Germany	783	<b>820</b>
Apprenticeship ratio (incl. interns and working students) in Germany	4.8%	<b>4.6%</b>
Proportion of apprentices passing the final examinations	92.2%	<b>92.1%</b>
Share of graduated apprentices retained by the company	70.1%	<b>71.8%</b>

In Germany, we focus on needs-based initial training with the goal of hiring a large portion of apprentices following graduation. Management and the Group Works Council have agreed that apprentices who complete the initial training programme with a positive aptitude assessment will generally be offered permanent, full-time positions. The individual METRO companies in Germany have defined their own specific

requirements and possible exceptions. The organisation and implementation of the initial training programmes and the specification of their curricula are the responsibility of the sales lines. They offer various projects and programmes for their junior employees and encourage them to quickly assume responsibility and become involved in social causes.

METRO Cash & Carry Germany, for example, organised regional trainee camps in the reporting period for all 323 new apprentices, which gave the apprentices an opportunity to become acquainted with each other. The camp also covered retail- and wholesale-specific topics, such as active selling and conduct towards customers. The concept of the trainee camps is arranged in such a way that the participants can structure many areas themselves. The initial training programmes at Real are geared towards activity orientation and building expertise. The project "Frisch vom Nachwuchs" (Fresh food from fresh people) is an example for the complex and comprehensive apprenticeship curriculum: In January 2017, around 35 apprentices took over the reins at the butchery department of the Real outlet in Karlsruhe and assumed responsibility for all tasks, from production and customer service to giving product advice and analysing the project. The apprenticeship programme at Real is among the highest rated in the country, which was once again confirmed by an independent panel of experts. In September 2017, the "Ausbilder des Jahres" competition (Apprenticeship programme of the year) saw Real finishing second place in the retail centres category. The distinction was awarded by the "Lebensmittel Praxis" magazine. This is already the fourth time the company's extraordinary initiative in the field of apprenticeships has received accolades.

In addition to the apprenticeship programme, METRO offers young people the opportunity to complete a special academic curriculum that includes practical modules. In reporting period 2016/17, 81 students were enrolled in Germany.

### Talent development

Since October 2014, METRO Cash & Carry has been offering the METRO Potentials programme in all countries in which the sales line operates. The programme targets the best university graduates and young professionals worldwide with 2 to 3 years of work experience. The goal is to build a sufficient pool of future managers and executives. During the 2-year trainee programme, participants have an opportunity to expand their knowledge by participating in various hands-on projects. They are also coached by their local mentor, who is a member of the respective country's management. The trainees complete various stations in their own country and abroad as well as at the company's headquarters in Düsseldorf. After completing the programme, they are offered management positions, such as store manager. But the career prospects go far beyond that, up to a position on the Management Board of the respective country. 21 trainees completed the programme in financial year 2016/17.

### Employer brand and human resources marketing

To strengthen the METRO employer brand specifically among graduates and (young) professionals, we joined forces with the Ecole hôtelière de Lausanne (EHL) in the year 2016 to establish an academic chair for digital innovation in the hotel, restaurant and catering (HoReCa) business. The goal of the “METRO Chair of Innovation” is to research the digitisation in the HoReCa sector in key markets like France, Italy, Spain, Germany and Japan and to strengthen academic teaching in this area. In 2017, METRO Cash & Carry exhibited at the EHL Career Day and presented career opportunities at METRO to the students. Financial year 2016/17 also saw us participating once again in the employer initiative Fair Company. This initiative allows us to offer interns, working students, career starters and trainees a direct entry point for their career.

METRO Cash & Carry has bolstered its investment into human resources marketing and aligned its recruiting activities in financial year 2016/17 to the corporate strategy. The focus was mostly on apprentices and professionals from the hospitality industry and the food trade. We have in particular improved our company’s visibility in social media. The company now uses platforms such as Kununu, Xing, LinkedIn, Hosco, which is the LinkedIn for hospitality professionals and Twitter. As a corporate partner in CEMS, a cooperation between leading business universities worldwide and multinational companies and NGO’s, METRO Cash & Carry also has the opportunity to recruit top-performing students and graduates from the leading management universities. In 2017, the annual “Top Employer” distinction was awarded to METRO Cash & Carry organisations in Croatia, France, Portugal, Spain, Belgium and Italy.

Real is also implementing numerous measures as part of human resource marketing, for example the career information events conducted at schools. These events are not only aimed at students, but also at others involved in preparing a choice of profession, such as teachers and advisers at the government’s employment agency. The hypermarkets also take part in national campaign days, such as “Girls’ Day” and “Boys’ Day”: in reporting period 2016/17, around 350 youths took a look behind the scenes at the company for an entire day and learned about the various apprenticeship options. In order to approach new talent, Real also relies on other formats, including apprenticeship information on private label products, contributions on the company’s career website and in social networks, information booths at apprenticeship fairs as well as sharing of experiences by apprentices or banners on online platforms focusing on career choices.

### Remuneration models and succession planning

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

#### Performance-based remuneration for executives

Our Perform & Reward remuneration system comprises a fixed monthly base salary as well as 1-year and multi-year variable remuneration components that are essentially tied to our company’s business performance. Additionally, the 1-year variable remuneration considers our executives’ individual achievements, generation of additional value for customers as well as their implementation of our guiding principles in their daily work. Among other things, the multi-year variable compensation incorporates a sustainability component.

#### Remuneration principles

The remuneration model for the approximately 350 top executives of METRO worldwide is based on the following 4 principles:

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

During the reporting year, we used the sustainable development of the wholesale and retail segments as a basis of assessment for the 1-year and multi-year variable remuneration. This means that the managers are directly involved in the success of their respective units.

For both business segments, the 1-year variable remuneration is based on sales and profits. In the wholesale segment, customer satisfaction is an additional relevant key performance indicator. As part of the multi-year variable remuneration (long-term incentive, LTI), a specific plan has been developed for each top manager of the group. These plans focus on the value generation of each business segment. The key indicator of sustainability is used as a key figure in both plans.

Within the framework of METRO’s Green Car Policy, the carbon emission limits are specified in a bonus-malus system, while plug-in, hybrid and electric vehicles are allowed as company cars. Furthermore, the unused leasing budget for cars can continue to be converted into post-employment benefits plans in Germany. In addition, we offer our executives a company pension scheme that includes both contribution-based and performance-based components. The compensation principles described above are applied in all national subsidiaries. Local (labour) legislation is taken into consideration in all cases.

### **Performance reviews and succession planning**

The systematic development of executives is a core responsibility of the general management teams of the respective group companies, as well as of the strategic management holding company METRO AG. By taking this approach, we ensure that the skills and abilities of our managers are consistently aligned with the requirements and strategic objectives of our company. It also allows us to offer suitable international career opportunities to our executives – independent of the sales line or company they are employed with. Our career-planning processes also allow us to identify and support suitable candidates for key positions in the company. This ensures that we can fill vacancies from our own ranks. The in-house succession rate for the senior executives – in particular the general managers and section heads at METRO – was 76.4% in the reporting period.

### **Individual performance reviews**

We conduct annual individual performance reviews for all our sales lines as part of the Results & Growth process. The objective of these reviews is to better measure progress and abilities and to create a culture of feedback that focuses on individual job performance and personal development. We define the corresponding priorities at the beginning of each financial year; a mid-year performance review allows for these priorities to be re-examined and adjusted as necessary. The performance review is then conducted at the end of each financial year and also incorporates a feedback session. The review focuses on attaining the priorities and adherence to guiding principles, but also takes the respective employee's role-specific performance into account.

### **Systematic succession planning**

As part of the Leadership Talent Review (LTR) process, succession planning for our key positions is conducted once a year. When performing the LTR, we examine the expertise, abilities and experience of every potential succession candidate and rate these individuals according to the particular responsibilities of their respective positions. This ensures that we identify and support suitable candidates for key positions at an early stage. The employee and his/her line manager then create a career development plan and determine targeted measures. The Leadership Talent Review serves as a long-term-oriented development process for candidates who can potentially fill top positions in our company. This process is complemented by additional methods, such as 360-degree feedback meetings.

### **Executive development**

We are convinced that growth can only be generated if the people working for our company are given opportunities for their personal development. To bolster our management capabilities and to achieve sustainable growth, METRO Cash & Carry launched an executive development initiative in financial year 2016/17. More than 15,000 executives across 25 METRO countries are taking part in the Lead & Win programme. This integrated learning concept is broken down into 3 learning pathways of 6 to 8 months and offers executives an opportunity to explore the issues relating to their respective management level in learning groups. The objective is for all executives to have completed the programme by the end of 2019.

Financial year 2016/17 saw more than 150 level-2 executives participating in the programme. More than 60 internal trainers have already been trained to teach the Lead & Win programme to executives on lower levels in their countries.

Pushing ahead with the group-wide focus on sustainability, METRO conducted the second "METRO Sustainable Leadership Programme" for young executives in financial year 2016/17. This programme saw 27 international participants completing an 18-month programme focusing on the development of in-house sustainability projects. The current project line-up, which covers the topics of packaging, humans and mobility, is proposed to be implemented by mid-2018.

### **Continued development of employees**

Our goal is to promote lifelong learning among our staff as a way of responding to current and future challenges in the retail and wholesale industry. The House of Learning business unit provides customised personnel development measures, learning solutions and services for the management holding company METRO AG as well as the METRO Cash & Carry sales line. The focus is on employees and executives from the sales, field service, delivery, purchasing and finance departments. The training contents are geared to the implementation of METRO Cash & Carry's corporate strategy and guiding principles, as well as the advancement of decision-making skills and personal development. Thanks to a sophisticated cascading process, all training programmes can be translated, adapted to local circumstances and – in the case of seminars and on-the-job training courses – delivered by internal full-time and part-time trainers.

### TRAINING COURSES AT METRO CASH & CARRY AND METRO AG

	E-learning modules	Seminars, on- the-job trainings, online courses and webinars	Total
Number	321,538	24,418	345,956
Participants	320,055	243,090	563,145
Participant hours	205,130	2,778,332	2,983,462
Training costs (€/participant)	4.04	82.04	37.71

At Real, a total of 28,811 participants were trained using e-learning modules during the reporting period. This corresponds to 15,610 hours of study. Furthermore, a total of 4,575 employees, excluding trainees, were trained over a total of 60,164 programme hours delivered in the form of seminars.

By digitising our learning arrangements and the administrative side of our training measures, we offer access to digital study content for all employees in the METRO Cash & Carry sales line and the management holding company METRO AG. The open learning platform on the social intranet offers e-learning modules, moderated expert and study groups, thematically arranged online-learning sources, a digital library for abstracts of business literature and internally developed online courses on company-specific topics. This allows us to actively promote self-directed learning, independent of time and place, as well as an exchange of information between our employees. The global learning management system SAP Learning Solution supports the training administration and the associated operative and strategic reporting system in the planning and evaluation of our internal training measures. To deliver an efficient implementation of digital learning modules and a lean process for the SAP Learning Solution, the House of Learning cooperates closely with a team at METRO Global Business Services in Pune, India.

Financial year 2016/17 also saw METRO opening new training facilities at our site at the Albertus Lake in Düsseldorf. The facilities provide training measures that are unsuitable for digital delivery. This varied, informal and flexible facility promotes the exchange among seminar attendees from across the world.

In financial year 2016/17, professional development programmes for group strategy were designed and implemented for METRO Cash & Carry. They include qualification initiatives on the topics related to food service delivery and HoReCa customer service as well as the interdisciplinary understanding of financial context. A central focus for advanced training in all sales lines is the digitisation of the workplace. As an example, METRO Cash & Carry Germany has revised its apprenticeship curricula. The “apprentice training events 2.0” teach important learning content in the area of merchandise management in an initial online learning phase with an assessment, followed by attendance phases – both in virtual space by way of online meetings and physically by way of workshops. The promotion of proactive work methods is another key focal area at METRO Cash & Carry Germany. Suitable methods, such as design thinking, are successively and consistently instilled in the organisation by the executives. This process started with the top-level executives in the reporting year.

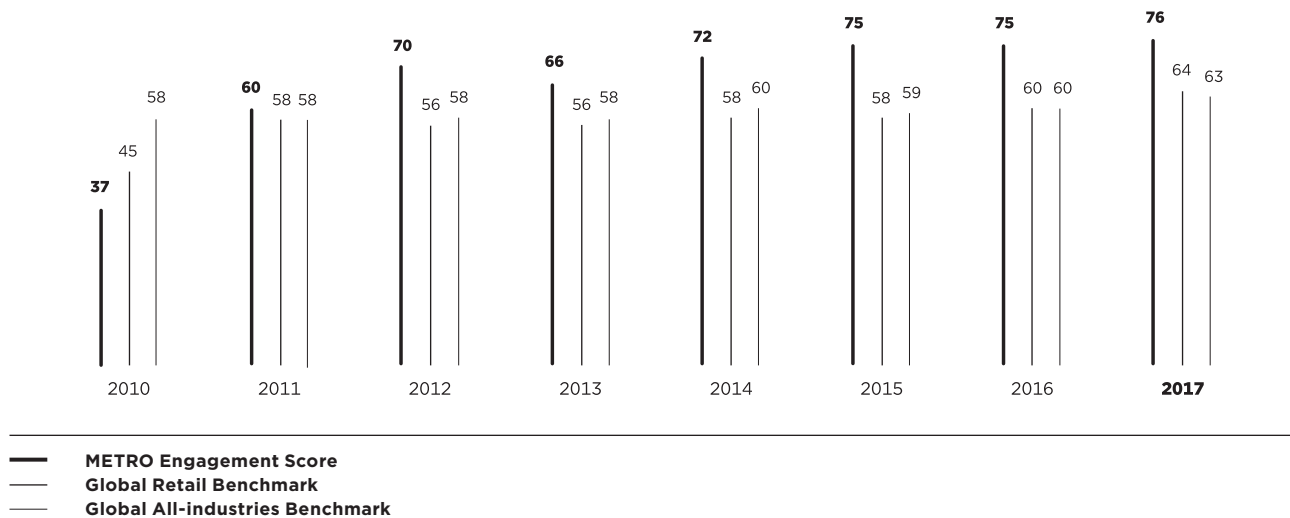
#### Employee commitment

Our global employee survey METRO Voice is an important tool used to determine the commitment of the workforce and their loyalty to the company. We conduct the survey regularly in all countries with METRO Cash & Carry operations, in the service companies and at METRO AG. Under the slogan “Your opinion. Our dialogue.”, about 104,000 employees were invited to participate in the survey during the reporting period. 89% of employees at the surveyed business units took part in the survey. The level of commitment, which indicates the degree of connection, pride in the company, loyalty and motivation, increased by 1% to 76% during the reporting period. It far exceeds the score of Aon Hewitt’s Global Retail Benchmark (64%) and continues the positive trend of previous years (see illustration).

This positive development can be attributed to an intensive follow-up process. Managers receive detailed insight into the survey results and discuss them together with their teams. The aim is to develop suitable measures that can effectively raise the level of commitment. We have also established group-wide initiatives that we use to increasingly promote a focus on innovative ideas and encourage the appreciation and recognition of our staff.

**DEVELOPMENT OF THE ENGAGEMENT SCORE**

in %



**Occupational safety and health management**

As an international retail company, we are facing a variety of challenges in the area of human resources, such as the competition for quality personnel in the retail and wholesale industry sector and the demographic changes in our society as well as our workforce. This awareness raises the priority of issues such as occupational safety and health management as well as preventative measures aimed at protecting our personnel at METRO. METRO Großhandels-gesellschaft mbH, Real SB-Warenhaus GmbH, METRO AG, METRO Services GmbH, METRO LOGISTICS Germany GmbH, METRO SYSTEMS GmbH as well as METRO PROPERTIES GmbH & Co. KG have implemented a reporting system that allows for an evaluation of the causes of accidents and the identification of areas with high accident rates as well as especially vulnerable employee groups. The reporting system covered 97% of employees of German METRO group companies during the reporting period. The companies listed above have been able to reduce the number of accidents compared to the equivalent period in the previous year. In financial year 2016/17, an accident rate of 31.1 per 1,000 employees was determined for these companies (2015/16: 30.9). Regarding the accident ratio per 1,000 employees, accidents (not including commuting accidents) are recorded with a downtime of more than 3 days. This figure denotes the relative accident frequency for every 1,000 full-time employees and corresponds to 1,341 reported accidents (2015/16: 1,401).

In order to comply with international reporting standards, the accident ratio per 1,000 employees will be replaced by the Lost Time Injury Frequency Rate (LTIFR). This system records the number of accidents that cause a downtime of at least 1 day (excluding the day of the accident) per 1 million working hours. Deaths and long-term incapacity or disability are also

included, but commuting accidents are not. The LTIFR for the companies listed above is 45.0 for financial year 2016/17. Assuming a minimum sick leave of 3 days per reportable accident, the average loss of productivity therefore decreased from approximately €806,300 last year to approximately €763,200 in the year under review for these companies.

To make our employees understand that occupational safety is the responsibility of every single employee, we participate in the World Day for Safety and Health at Work, an initiative by the International Labour Organization (ILO), which is held on 28 April of each year.

As a basic instrument for the management of occupational safety and health, we have introduced a standard process description for METRO Cash & Carry, METRO AG, METRO PROPERTIES, METRO LOGISTICS and METRO SYSTEMS during the reporting period. This description documents the responsibilities, the structure and the areas of activity for occupational safety and a proactive health management system and defines minimum standards. Our companies implemented numerous projects on a national and local level that related to occupational safety and health management during financial year 2016/17: in cooperation with the trade association trade and goods logistics (Berufsgenossenschaft Handel und Warenlogistik, BGHW) Real concluded the project "Healthy Work in Retail" with a focus on psychological stress.

METRO AG and a number of service companies with registered offices in Düsseldorf have agreed on a standardised process for assessing the potential risks incurred by being exposed to psychological stress at the workplace. A pilot project under the leadership of METRO AG conducted a simultaneous risk assessment at all participating companies: All employees received an online questionnaire on potential psychological stress experienced at their workplace.

In a cooperation project with the trade association trade and goods logistics (Berufsgenossenschaft



Handel und Warenlogistik, BGHW), Real contributed to the development of a certain range of instruments for the assessment of risks caused by exposure to psychological stress at the workplace. The “health workshop”, an instrument developed specifically for Real, was trialled and conducted in 15 Real outlets over the reporting years 2015/16 and 2016/17. Additionally, a version that is geared to industry-specific requirements and entails less effort was trialled in another Real outlet in financial year 2016/17. The long-term objective of Real is to further reduce the number of accidents and to achieve an accident ratio that is 25% below the average for the retail risk class. The accident ratio at Real is currently 15% below the average. Real intends to achieve this objective by increasing the accountability of its executives for occupational safety. Moreover, current work accidents will become a regular item on the agenda of meetings of the Occupational Safety and Health Committee. The company physician will be involved in the review of work accidents. Other measures are currently being developed. Real intends to further develop the risk assessment process in the upcoming financial year and trial an online tool provided by the trade association BGHW.

## Diversity management

	2015/16	2016/17
Average employee age (years)	40.4	<b>40.6</b>
Newly hired employees in the 50-plus age group in Germany	458	<b>678</b>
Newly hired employees in the 50-plus age group at international level	848	<b>954</b>
Share of employees in the 50-plus age group as a proportion of the total workforce in Germany	42.4%	<b>43.5%</b>
Share of employees in the 50-plus age group as a proportion of the total workforce at international level	13.4%	<b>13.6%</b>
Employees with a recognised severe disability or equivalent status in Germany	4,182	<b>4,124</b>
Employees with a recognised severe disability or equivalent status at international level	1,353	<b>1,317</b>

We firmly believe that inclusion and diversity lead to better business results for METRO through an improved representation of our customers within the company, access to a larger talent pool and greater employee initiative and development. Going beyond mere gender diversity, we aspire to create an inclusive work environment and open work culture, in which individual differences are respected, valued and developed, resulting in a highly diverse workforce in which each

individual can fully unfold and leverage his or her individual potential and strengths.

In financial year 2016/17, METRO developed an international diversity strategy with the aim of promoting inclusion and diversity with even more emphasis than previously. As a part of this strategy, certain inclusion and diversity targets will in the future be agreed with our executives. We intend to expand this strategy to all METRO countries. METRO will also launch a mentor programme for women working in operational activities.

As part of METRO’s diversity management, the group is also concerned with the issue of inclusion. The number of persons with disabilities employed at METRO goes far beyond the statutory minimum requirements. The proportion of employees with a recognised severe disability or equivalent status in METRO exceeds the statutory minimum requirement of 5%.

METRO is actively pursuing numerous initiatives in the area of Inclusion & Diversity. These include, for example, the Diversity Charter, the LEAD Network and Proud at Work. The employee networks Women in Trade (WiT) and METRO Pride are also involved in the topics.

### Career prospects for underprivileged youths

Our sales line Real also focuses on specific target groups, such as people with learning disabilities, socially underprivileged persons and youths who failed to secure an apprenticeship position or who have yet to qualify for being admitted to an apprenticeship programme. This gives Real the opportunity to participate in the company’s entry qualification programme (EQ) and to support certain initiatives, such as a speed dating event for apprentices that specifically targets underprivileged youths in cooperation with the Federal Employment Agency. Real’s diverse initiatives assisting persons with disabilities was awarded the German Inclusion Award in 2015. The distinction is awarded by the corporate panel “UnternehmensForum” under the patronage of the Federal Ministry of Labour and Social Affairs.

### Equal opportunities at work

The purpose of our diversity management is to promote equal opportunities at work for men and women. METRO aims at further increasing the proportion of women in executive positions. The objective is for 20% of employees on the first management level below the Management Board and 35% of employees on the 2nd management level below the Management Board to be women by June 2022. METRO has also adopted a voluntary target for the share of women in executive positions at METRO Cash & Carry. By June 2022, 1 quarter of executive positions at METRO Cash & Carry locations worldwide will be filled by women. We will incorporate these goals in our succession planning and recruitment activities. Additionally, the Supervisory Board has stipulated the objective of having at least 1 female member appointed to the METRO AG Management Board by June 2022. This represents a

female quota of 25% at the current Management Board consisting of 4 members.

At Real, the proactive development of female talent and attractive career opportunities for women have been part and parcel of talent management for many years. Real offers its female employees individual arrangements to assist them with achieving a better balance between work and family. This includes issues like part-time apprenticeships, parental leave and women in executive positions.

Financial year 2016/17 saw Real being the first retailer to be awarded the golden seal “top4women” for its exemplary initiative. The company was distinguished for its integrative approach, the successful fostering of commitment to the company among its female high potentials and for offering long-term career prospects specifically for women.

### **Life stage-based initiatives to balance work and family**

Our head office in Düsseldorf operates 3 day care centres with 242 full-time places for children from the age of 4 months. The staff speak German and English to the children.

The share of part-time employees at METRO rose slightly to 26.3% over previous year's period (2015/16: 27.1%). In Germany, 52.5% (2015/16: 52.8%) of our employees worked in part-time positions; the international share of part-time employees was 11.6% (2015/16: 12.2%). METRO wants to support its employees in all stages of their lives – including when they have to care for family members. Helpful advice on this particular issue is available to all employees.

### **Employer-employee relationships**

Our objective is to ensure good working conditions that are sustainable over the long term. This is why we have defined our company's guiding principles on fair working conditions and social partnership. These principles are based on the UN Guiding Principles on Business and Human Rights, the core labour standards of

the International Labour Organisation (ILO) as well as the 3 main principles of the Resolution on Forced Labour by the Consumer Goods Forum. They also help us to refine our corporate principle of being a responsible employer. Our guiding principles deal with issues such as free unionisation, the right to collective agreements, the prohibition of forced labour, child labour and discrimination, structured working hours and wages as well as occupational health and safety.

We ensure that our sales lines and their national subsidiaries comply with the principles relating to fair working conditions by auditing our head offices, outlets and logistics centres and work on developing a joint action plan together with our colleagues on-site. Financial year 2016/17 saw extensive audits on compliance with the METRO principles conducted in the METRO/MAKRO Cash & Carry national subsidiaries in Pakistan, Bulgaria, China, Japan and Hungary. Many areas returned encouraging results, while others have potential for improvement, in particular in the area of occupational safety. All on-site audits were followed by a comprehensive training in the METRO principles relating to fair working conditions. Audits are scheduled for a further 6 METRO/MAKRO Cash & Carry national subsidiaries in financial year 2017/18.

We place great emphasis on a smooth and open dialogue between our employees, employee representatives and managers. To facilitate this dialogue, METRO plays an active role at the annual UNI Global METRO Alliance conference, which was held at the head office of UNI Global Union in Nyon in November 2016. Employee representatives met with METRO management representatives in Berlin to discuss their views on developments within METRO in the various countries.

It is planned to introduce a new committee to assume the function of an European works council. The agreement is envisaged to be put into place by a negotiating committee comprising the elected representatives of the works councils in the EU countries where METRO operates, union representatives and the METRO management. Initial negotiations were conducted in September 2017.

METRO has also persevered in the social dialogue with the works councils and unions and encouraged its management team to engage in a continuous dialogue about our business with our employees and their representatives and to also solicit their feedback. This allows us to create an open and trusting working environment, in which our employees feel empowered to share their ideas and needs. This dialogue resulted in several collective employment agreements at the level of business units, countries or individual outlets – depending on local laws and customary practices. Out of 25 METRO/MAKRO Cash & Carry national subsidiaries, employees in 22 countries are now actively organised in a union. Collective agreements were put in place in 15 countries. Additionally, all Real outlets have elected and organised work councils.

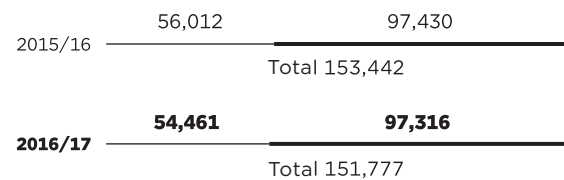
**Development of employee numbers**

During the reporting period, METRO employed an average of 137,136 (2015/16: 138,089) employees on the basis of full-time equivalents. This is a decrease of 0.7% from the same period of the previous year. The majority of our employees work outside of our home market Germany. In Western Europe (excluding Germany), Eastern Europe and Asia, we had 92,611 full-time equivalents, 0.2% more than during the same period of the previous year. In Germany, the workforce by full-time equivalents decreased slightly to 44,525 (2015/16: 45,702). During the reporting period, the METRO Wholesale segment employed an average of 102,368 full-time equivalents. This represents an increase of 0.3% over the same period of the previous year. The workforce by full-time equivalents at Real declined by 2.5% to 26,601 while the number of full-time equivalents in the Others segment decreased by 7.7% to 8,167.

**EMPLOYEE DEVELOPMENT OF METRO**

**Average**

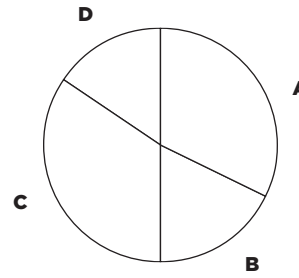
**Workforce by headcount**



— Germany  
 — International

**NUMBER OF EMPLOYEES BY REGION**

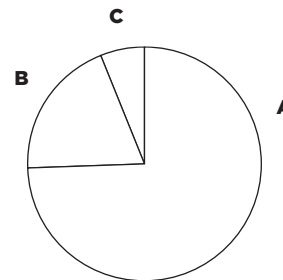
full-time equivalents



- A 32.5%** Germany
- B 17.7%** Western Europe (excl. Germany)
- C 34.5%** Eastern Europe
- D 15.4%** Asia

**NUMBER OF EMPLOYEES BY SEGMENT**

full-time equivalents



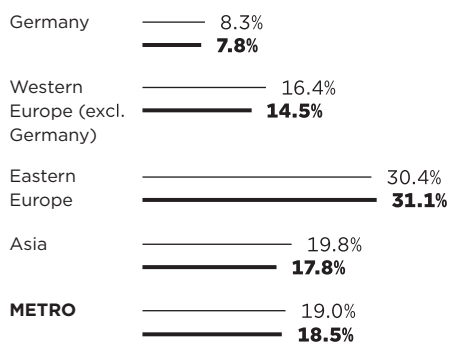
- A 74.6%** METRO Wholesale
- B 19.4%** Real
- C 6.0%** Others

**Employee turnover rate**

The average length of employment in the reporting period was 10.3 years (2015/16: 10.3 years). Turnover rates varied widely between the regions. The development of the regional fluctuation rates is illustrated in the figure below.

**METRO FLUCTUATION**

by regions



— 2015/16  
 — 2016/17

**Development of personnel expenses**

Our personnel expenses decreased by 5.1% to €4.0 billion compared to the same period of the previous year (2015/16: €4.2 billion). This amount includes €3.2 billion (2015/16: €3.4 billion) for wages and salaries, including payroll tax and the employer’s social security contribution. The remainder was attributable to social welfare contributions, pension expenses and employee benefits. We encourage our staff to set up their own private pension accounts. Our group-wide future package provides them with voluntary benefits that exceed the collective bargaining standards generally seen in the industry. During the reporting year, 31,517 employees took advantage of this possibility (2015/16: 32,034 employees). This represents a quota of 63.1% (2015/16: 61.3%).

**DEVELOPMENT OF EMPLOYEE NUMBERS BY COUNTRIES AND SEGMENTS**

by headcount as of the closing date of 30/9

	METRO Wholesale		Real		Others		METRO	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>Germany</b>	<b>14,656</b>	<b>14,105</b>	<b>35,121</b>	<b>34,195</b>	<b>5,842</b>	<b>5,832</b>	<b>55,619</b>	<b>54,132</b>
Belgium	3,072	2,897					3,072	2,897
France	8,493	10,151			0	1	8,493	10,152
Italy	4,233	4,225					4,233	4,225
Netherlands	3,660	3,523			11	3	3,671	3,526
Austria	2,101	2,037			0	8	2,101	2,045
Portugal	939	976					939	976
Switzerland	80	84			78	67	158	151
Spain	3,690	3,714					3,690	3,714
<b>Western Europe (excl. Germany)</b>	<b>26,268</b>	<b>27,607</b>	<b>0</b>	<b>0</b>	<b>89</b>	<b>79</b>	<b>26,357</b>	<b>27,686</b>
Bulgaria	2,240	2,268					2,240	2,268
Kazakhstan	827	930					827	930
Croatia	1,085	943					1,085	943
Moldova	609	603					609	603
Poland	5,521	5,401			370	371	5,891	5,772
Romania	3,906	3,842			1,450	764	5,356	4,606
Russia	17,571	16,053			2	0	17,573	16,053
Serbia	1,229	1,237					1,229	1,237
Slovakia	1,257	1,292					1,257	1,292
Czech Republic	3,464	3,339					3,464	3,339
Turkey	4,294	4,376			86	74	4,380	4,450
Ukraine	2,828	2,768					2,828	2,768
Hungary	2,587	2,558			5	3	2,592	2,561
<b>Eastern Europe</b>	<b>47,418</b>	<b>45,610</b>	<b>0</b>	<b>0</b>	<b>1,913</b>	<b>1,212</b>	<b>49,331</b>	<b>46,822</b>
China <sup>1</sup>	12,142	12,520			383	334	12,525	12,854
India	4,624	5,101			687	724	5,311	5,825
Japan	1,137	1,166					1,137	1,166
Myanmar	0	7					0	7
Pakistan	1,837	1,891					1,837	1,891
<b>Asia</b>	<b>19,740</b>	<b>20,685</b>	<b>0</b>	<b>0</b>	<b>1,070</b>	<b>1,058</b>	<b>20,810</b>	<b>21,743</b>
<b>USA<sup>2</sup></b>	<b>5</b>	<b>0</b>					<b>5</b>	<b>0</b>
<b>International</b>	<b>93,431</b>	<b>93,902</b>	<b>0</b>	<b>0</b>	<b>3,072</b>	<b>2,349</b>	<b>96,503</b>	<b>96,251</b>
<b>METRO</b>	<b>108,087</b>	<b>108,007</b>	<b>35,121</b>	<b>34,195</b>	<b>8,914</b>	<b>8,181</b>	<b>152,122</b>	<b>150,383</b>

<sup>1</sup> All employees of Classic Fine Foods are attributed to the Asia (China) region.<sup>2</sup> US employees were employed by the Boston Trading Office (BTO), which closed on 28 February 2017.

**DEVELOPMENT OF EMPLOYEE NUMBERS BY COUNTRIES AND SEGMENTS**full-time equivalents as of the closing date of 30/9<sup>1</sup>

	METRO Wholesale		Real		Others		METRO	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>Germany</b>	<b>12,697</b>	<b>12,153</b>	<b>27,087</b>	<b>26,460</b>	<b>5,729</b>	<b>5,694</b>	<b>45,512</b>	<b>44,307</b>
Belgium	2,601	2,437					2,601	2,437
France	8,192	9,777			0	1	8,192	9,778
Italy	3,702	3,710					3,702	3,710
Netherlands	2,162	2,097			11	3	2,172	2,100
Austria	1,915	1,869			0	6	1,915	1,875
Portugal	899	935					899	935
Switzerland	78	80			73	64	151	144
Spain	3,323	3,344					3,323	3,344
<b>Western Europe (excl. Germany)</b>	<b>22,871</b>	<b>24,249</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>74</b>	<b>22,954</b>	<b>24,323</b>
Bulgaria	2,235	2,259					2,235	2,259
Kazakhstan	820	929					820	929
Croatia	1,077	938					1,077	938
Moldova	609	603					609	603
Poland	4,877	5,254			368	368	5,245	5,622
Romania	3,874	3,809			1,444	762	5,318	4,571
Russia	17,319	15,905			1	0	17,320	15,905
Serbia	1,229	1,237					1,229	1,237
Slovakia	1,245	1,277					1,245	1,277
Czech Republic	3,227	3,082					3,227	3,082
Turkey	4,149	4,220			86	74	4,235	4,294
Ukraine	2,782	2,694					2,782	2,694
Hungary	2,549	2,517			5	3	2,554	2,520
<b>Eastern Europe</b>	<b>45,993</b>	<b>44,724</b>	<b>0</b>	<b>0</b>	<b>1,903</b>	<b>1,207</b>	<b>47,896</b>	<b>45,930</b>
China <sup>2</sup>	12,137	12,518			379	331	12,516	12,849
India	4,610	5,021			686	723	5,296	5,744
Japan	826	846					826	846
Myanmar	0	7					0	7
Pakistan	1,813	1,884					1,813	1,884
<b>Asia</b>	<b>19,386</b>	<b>20,276</b>	<b>0</b>	<b>0</b>	<b>1,065</b>	<b>1,054</b>	<b>20,451</b>	<b>21,330</b>
<b>USA<sup>3</sup></b>	<b>5</b>	<b>0</b>					<b>5</b>	<b>0</b>
<b>International</b>	<b>88,254</b>	<b>89,248</b>	<b>0</b>	<b>0</b>	<b>3,052</b>	<b>2,334</b>	<b>91,306</b>	<b>91,582</b>
<b>METRO</b>	<b>100,950</b>	<b>101,402</b>	<b>27,087</b>	<b>26,460</b>	<b>8,781</b>	<b>8,028</b>	<b>136,818</b>	<b>135,890</b>

<sup>1</sup> Rounding differences may occur.<sup>2</sup> All employees of Classic Fine Foods are attributed to the Asia (China) region.<sup>3</sup> US employees were employed by the Boston Trading Office (BTO), which closed on 28 February 2017.

## 2.6 CHARACTERISTICS OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AND EXPLANATORY REPORT OF THE MANAGEMENT BOARD

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

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

### Group-wide framework

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

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

— **Design of controls:** Taking a top-down approach, the company has identified the risk of material errors relating to the financial reporting for significant financial and accounting-related processes. In addition, the Corporate Accounting department

has stipulated binding group-wide control objectives which the group companies must meet by employing company-specific control activities.

- **Implementation of controls:** The group companies must keep records of the implementation of these controls. These provide the basis for an independent review of the controls' effectiveness by the Group Internal Audit department and the group's auditor.
- **Effectiveness of controls:** The major group companies are obligated to evaluate the effectiveness of controls at the end of each financial year (self-evaluation). In the process, they must apply the uniform, group-wide method stipulated by the Corporate Accounting department. In addition, the effectiveness of controls is reviewed as part of the risk-oriented, independent audits conducted by the Group Internal Audit department.
- **Reporting:** The results of the self-evaluations must be reported to the Corporate Accounting department using a standardised reporting format. The group companies must confirm that their self-evaluations were conducted using the prescribed method. Aside from the control activities, the group companies must also report on the other 4 components of the COSO framework: control environment, risk assessment, information and communication, as well as monitoring. The companies' individual reports are validated by the Corporate Accounting department and compiled in an overall report on METRO accounting-related internal control system. This is reported to the Governance, Risk, and Compliance Committee (GRCC) as well as the Management Board of METRO AG.

As of financial year 2014/15, these 4 phases of the internal control cycle are mapped by all METRO sales lines, the essential service companies and METRO AG itself using the RSA Archer GRC software. The key requirements (for example, the IFRS accounting guideline), accounting processes, individual controls and independent review by the Group Internal Audit department and the auditor are described in detail below.

### IFRS accounting guideline

The interim consolidated financial statements and the consolidated financial statements of METRO AG are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. A group-wide IFRS accounting guideline that is compulsory for all companies included in the consolidated financial statements ensures the uniform group-wide application of accounting procedures in accordance with IFRS. The guideline explains IFRS regulations to the group companies and makes stipulations regarding accounting measurements. To monitor compliance with the IFRS accounting guideline, the management of each major group

company is obligated to confirm compliance by means of a letter of representation. The IFRS accounting guideline covers all IFRS relevant to METRO AG and does not relate only to certain accounting events. The Corporate Accounting department of METRO AG is responsible for ensuring compliance with this guideline. Amendments to IFRS are continually updated in the IFRS accounting guideline and communicated to all companies included in the consolidated financial statements.

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

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

The consolidation of financial data for the purpose of group reporting is performed by a centralised consolidation system (CCH Targetik). Without exception, all consolidated METRO companies must work within this system. It provides a uniform accounts table to be used by all consolidated companies in accordance with the IFRS accounting guideline. The accounts tables for the individual IFRS financial statements and the consolidated financial statements are interlinked.

Aside from failure to comply with accounting rules, risks can also arise from failure to observe formal deadlines. An online planning tool was introduced to help avoid these risks and document the obligatory processes required as part of the preparation of individual and consolidated financial statements under IFRS, their chronological order and the responsible persons. This tool is used to monitor content and timing of the processes related to the preparation of the individual and consolidated financial statements under IFRS. It provides for the necessary tracking and tracing systems to ensure that risks incurred by superordinate group units can be detected and eliminated early on.

The planning tool divides the process of preparing the individual financial statements into key milestones, which in turn are divided into individual activities. In terms of content, these milestones and activities are geared towards METRO's IFRS accounting guideline and thus reflect its implemented state. Compliance with additional deadlines and milestones that are centrally provided by the planning tool for the purpose of structuring and coordinating the preparation of the

consolidated financial statements is monitored by METRO AG's Corporate Accounting department. The scheduling and monitoring of the milestones and activities required to achieve these group milestones in the preparation of individual financial statements are part of the responsibilities of the respective company's management.

Once they have been transmitted from the individual financial statements under IFRS to the consolidation system, the financial data are subjected to an automated plausibility review in relation to accounting-specific contexts and dependencies. Any errors or warning messages generated by the system during this validation process must be addressed by the person responsible for the individual financial statements before the data are transmitted to the consolidation facility.

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

To warrant the security of the group's information technology systems (IT), access to the accounting-related IT systems (SAP FI) is regulated. Each company included in the consolidated financial statements is subject to the regulations concerning IT security. These regulations are summarised in an IT security guideline, with group-wide compliance being monitored by the Group Internal Audit department of METRO AG. This ensures that users only have access to the information and systems needed to fulfil their specific tasks.

### **Accounting processes for consolidation purposes**

The planning tool used to evaluate the accounting processes of the consolidated companies also structures the process of preparing the consolidated financial statements by defining key milestones, activities and deadlines. The typical tasks entailed in the preparation of the consolidated financial statements are defined as specific milestones to be completed. These milestones include, for example, the task of evaluating the completeness of the consolidation group, the evaluation of timely, complete and accurate submission of data, the completion of typical consolidation measures (including revenue elimination as well as the consolidation of expenses, income, debts and capital) and ultimately the completion of the annual report. The respective responsibilities and stand-in arrangements for the aforementioned milestones are documented.

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



The consolidation measures required to prepare the consolidated financial statements are subject to various systematic and manual controls. The automated plausibility reviews (validations) used in individual financial statements data also apply to the consolidation measures. Additional monitoring mechanisms at group level include target-performance comparisons as well as analyses dealing with the composition and movements of individual items in the balance sheet and the income statement. Compliance with internal controls covering the preparation and accounting process in the context of the compilation of the consolidated financial statements is regularly monitored by the Group Internal Audit department of METRO AG.

Access regulations for the consolidation system are implemented to ensure adherence to IT security regulations (write/read authorisations). Authorisations to use the consolidation system are managed centrally by METRO AG. The approval is granted only by the Corporate Accounting and Corporate Controlling & Finance departments. This ensures that users only have access to the specific data they require to fulfil their specific tasks.

## **Independent audit/validation**

### **Group Internal Audit (Group Internal Audit department)**

The Group Internal Audit department of METRO AG provides independent and objective audit and consulting services within METRO and supports the Management Board of METRO AG and the management of the group companies in reaching their goals by subjecting the key management and business processes to a potential-oriented evaluation. In consultation with the Management Board and the group companies, the Group Internal Audit department develops a risk-oriented annual audit and project plan.

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

### **External audit**

The IFRS accounting guideline is reviewed by the auditor and made available to the auditors of the companies included in the consolidated financial statements. These, in turn, confirm the consistent application of the IFRS accounting guideline by the companies included in the consolidated financial statements.

The respective auditors further evaluate and assess the individual IFRS financial statements prepared by the main group companies for consolidation purposes, as well as the consolidated financial statements and combined management report of METRO AG for compliance with the applicable accounting standards, additional rules and regulations. The auditors review the half-year financial report and conduct an audit of the consolidated financial statements at the end of each year. The auditor's final opinion on the consolidated financial statements is then represented in an audit certificate, which is published as part of the of the annual report.

**3 ECONOMIC REPORT**

**3.1 MACROECONOMIC AND SECTOR-SPECIFIC PARAMETERS<sup>1</sup>**

**Global economy**

The global economy delivered a better and more harmonious performance in financial year 2016/17 than in the previous year. The economic upswing continued in virtually all Western European countries, with the national economies continuing to benefit from the ongoing low interest rate environment and a moderate inflation rate. The development in Eastern Europe also presented a more harmonious picture: The countries in Central Europe continued their steady growth path. In the Eastern European countries, in particular the Russian economy, signs are pointing to an economic recovery. Turning to Asia, the growth in China continued, albeit at a slightly slower pace than in the previous years. The greater region of Asia nevertheless delivered the strongest growth rate, which was accompanied by abating economic risks. The overall global economic dynamics of the past financial year were more favourable than in the previous year.

**Germany**

Germany continued its stable growth across all industry sectors in financial year 2016/17. The sustained positive development on the country's labour market bolstered Germany's consumption and trade economy, albeit to a slightly lesser extent than in the previous year. The reinvigorated global trade further bolstered the export economy, which reverberated across the entire national economy.

**Western Europe**

The growth in Western Europe accelerated in 2016/17, which is in particular attributable to an improved situation within the labour market and a stimulated export activity. Some countries also scaled back their efforts to consolidate their national budgets by way of austerity programmes, which also had a positive flow-on effect on the economy. The retail and wholesale sector benefited of invigorated private consumption at a very moderate inflation rate during the past financial year. The year 2016/17 saw Spain once again spearheading the economic upswing in Western Europe.

**Eastern Europe**

The performance of the economies in Eastern Europe in financial year 2016/17 was distinguished by solid growth, which gained track towards the end of the financial year. The Central European countries showed an overall stable development with economic growth particularly in the Eastern European countries. When adjusting the growth rate for inflation, the Russian economy appears to also have returned to at least measured growth. This was made possible by the significant stabilisation of the Russian currency and the resultant lower inflation rate. Retail and wholesale revenues were among the sectors benefiting from the lower inflation rate and stabilisation of the labour market and returned a slight price-adjusted growth in the second half of financial year 2016/17.

**Asia**

The Asian economy continued to deliver strong growth rates in financial year 2016/17. The economic development in China and India was slightly weaker than in the previous year, but both countries remained on a stable growth trajectory of around 6.5%. Japan's economy has recently picked up pace, but growth continues to be subdued. Domestic revenues and growing trade of the Asian countries followed the positive economic output and were assessed as uniformly positive.

	2016 <sup>1</sup>	2017 <sup>2</sup>
World	3.2	<b>3.6</b>
Germany	1.9	<b>2.0</b>
Western Europe	1.8	<b>2.0</b>
Eastern Europe	1.2	<b>2.8</b>
Asia	5.3	<b>5.1</b>

Source: Feri  
<sup>1</sup> The previous year's figures may deviate from the Annual Report 2015/16, as final figures were not yet available at the reporting date and reporting practices shifted to stating figures adjusted for purchasing power.  
<sup>2</sup> Forecast.

<sup>1</sup> The numbers representing the development of gross domestic product in the chapter "macroeconomic parameters" refer to the full years of 2016 and 2017. The 2017 figures are estimates. The qualitative statements in the text refer to the reporting period unless indicated otherwise.

### **Sector development self-service wholesale**

The revenues generated in the self-service wholesale trade segment have taken a positive overall development, but with differing results across the METRO regions.

Sales revenues in the German self-service wholesale trade business were regressing slightly in financial year 2016/17; the development fell marginally short of matching the overall development in the food retail industry, which once again reported a moderate growth. Revenues in the reporting year were bolstered by growing sales to commercial customers from the HoReCa sector (hospitality operators).

The self-service wholesale trade business in Western Europe mirrored the moderate overall economic growth in these countries. This growth was underpinned by the HoReCa sector, especially in Portugal and Spain.

The overall development in the Central and Eastern European countries was also characterised by moderate growth. The Turkish market has delivered an inflation-adjusted growth in revenues despite being faced with difficulties in the hotel and restaurant industry. Turning to Russia, the industry sector has recovered on the back of a falling interest rate and a general economic upswing. Growth in the Central European countries is characterised by a differentiated economic development.

The economic development in the METRO markets in Asia remained stable, with an especially positive trend in India. Growth in China experienced some moderation in comparison to the growth rates experienced in previous years. The delivery business remains a growth driver.

### **Real: development in the modern food retail sector**

The food retailing business (excl. discounters) was stagnant and reported a slight nominal decline in sales of -0.4% in financial year 2016/17. The last 5 years' biggest winners were supermarkets and consumer outlets with a broad product range followed by organic food outlets. The discounter business model was able to overcome a brief period of weakness, with revenues now back on a growth trajectory. With regards to hypermarkets, the operators of nationwide store networks are continuing the already commenced restructuring process. The small grocery stores are continually losing significance in the overall market.

The online food business continues to only play a minor, yet rapidly growing, role. Online sales accounted for around 1% of total food sales in the year 2016 and delivered an impressive growth of 11% in the previous year.

## 3.2 ASSET, FINANCIAL AND EARNINGS POSITION

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

In financial year 2016/17, global economic growth was much more solid and improved slightly compared to the previous year. Nevertheless, there are uncertainties regarding future development, especially in the political sphere.

Overall, the Management Board can look back on a good year. The transitional year was completed successfully and business was refocused by dividing up the existing METRO GROUP. The IPO of the new METRO on 13 July marked a milestone. Customer orientation is the top priority for the new METRO. METRO's sustainable business models and digital solutions aim at generating additional value for our customers, which in turn delivers additional value to our shareholders.

Overall, the Management Board is satisfied with the company's performance. As a result, we will once again propose an attractive dividend to our shareholders.

## FINANCIAL AND ASSET POSITION

### Financial management

#### Principles and objectives of financial activities

Our financial management ensures the long-term liquidity of the company, reduces financial risks where economically feasible and grants loans to group companies. METRO AG centrally performs and monitors these activities for the group. The objective is to ensure that group companies can cover their funding requirements in a cost-efficient manner and, where possible, via the international capital markets. This applies to operating activities as well as to investments. As a matter of principle, METRO AG bases its selection of financial products on the maturities of the underlying transactions.

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

METRO AG's current long-term investment grade rating of BBB- and short-term rating of A-3 by Standard & Poor's both ensure access to international financial and capital markets. We are utilising this access within the scope of our commercial paper programme as well as our ongoing capital market programme as required.

We support our access to the capital markets by engaging in regular dialogue with credit investors and analysts. Our Creditor Relations Team presents our company to all key European financial markets during its annual roadshow. Moreover, credit investors and analysts can learn about METRO's impressive capabilities in face-to-face meetings and on guided factory tours. The following principles apply to all group-wide financial activities:

#### FINANCIAL UNITY

METRO presents itself as a coherent financial entity in order to gain access to the most important financial instruments on the financial and capital markets at favourable conditions.

#### FINANCIAL SCOPE

In our relationships with banks and other business partners in the financial arena, we consistently maintain our scope of action in order to remain independent. In the context of our banking policy, limits have been defined to ensure that the group is able to substitute one financing partner with another at any time.

#### CENTRALISED FINANCIAL RISK MANAGEMENT

Our financial instruments on the international money and capital markets serve the purpose of ensuring our group's funding requirements. They also serve the purpose of hedging underlying transactions that are exposed to interest rate and currency risks. METRO's entire portfolio of financial instruments is monitored centrally by METRO AG.

#### CENTRALISED RISK MONITORING

Changes in financial parameters, such as interest rate or exchange rate fluctuations, can impact the funding of METRO. The associated risks are regularly quantified via scenario analyses by METRO AG. Open risk positions, such as financial instruments without an underlying business transaction, may only be incurred if approved by the Management Board of METRO AG.

#### APPROVED BUSINESS PARTNERS

For financial instruments, only contractual partners that have been approved by METRO AG are considered. The creditworthiness of these business partners is assessed on a daily basis by tracking their ratings and monitoring their credit risk ratios (essentially credit default swap analyses). This also provides the basis for the continual monitoring of compliance with the approved limits by the Treasury Controlling unit of METRO AG.

#### MANDATORY APPROVAL

As a matter of principle, all transactions involving financial instruments that are conducted by any group company are contractually conducted by METRO AG. In cases where this is not possible for legal reasons, these transactions are concluded on behalf of the group company or directly between the group company and an external contractual partner in coordination with METRO AG.

#### AUDIT SECURITY

Our company employs the 4-eyes principle. All processes and responsibilities are laid down in group-wide guidelines. The conclusion of transactions involving financial instruments is separated from settlement and controlling in organisational terms.

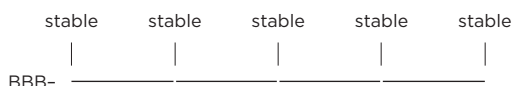
- **For more information about the risks stemming from financial instruments and hedging relationships, see the notes to the consolidated financial statements in no. 43 – management of financial risks.**

#### Rating

Ratings provide a standardised evaluation of a company's ability to meet its financial obligations. They document the current creditworthiness of the company to its contractual partners independently and publicly. In addition, ratings can facilitate access to international finance and capital markets and, in turn, the utilisation of the main financial instruments. METRO AG has instructed Standard & Poor's to assess and monitor its credit rating.

#### RATING DEVELOPMENT AND OUTLOOK

##### Long-term



##### Short-term



— Standard & Poor's

Standard & Poor's current assessment of METRO's credit rating is as follows:

Category	2017
Long-term	BBB-
Short-term	A-3
Outlook	stable

These ratings mean that METRO currently has full access to all financial markets.

#### Financing measures

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €6 billion. On 22 February 2017, the remaining due amount of a maturing bond in the amount of approximately €622 million with a coupon of 4.25% and on 27 July 2017, a maturing bond of €50 million with variable interest were repaid on time. By 30 September 2017, €2.451 billion had been utilised from the ongoing bond issuance programme.

Short-term financing requirements are covered through the Euro Commercial Paper Programme and a commercial paper programme geared especially to French investors. Both programmes have a maximum volume of €2 billion each. The Commercial Paper Programme aimed at French investors was not extended due to lower demand. In financial year 2016/17, only the Euro Commercial Paper Programme was used. On average, the programme was used at €658 million during the reporting period. As of 30 September 2017, the utilisation amounted to €754 million (unused as of 30 September 2016).

Bilateral credit facilities totalling €281 million were used as of 30 September 2017. As a cash reserve, 2 syndicated credit facilities worth €1,750 million and additional multi-year credit facilities worth €250 million were concluded. They were not used at any stage. After the demerger was registered, this cash reserve was adjusted to the volume that will be required in the future.

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

Aside from the established issuance programmes, the group thus had access to sufficient liquidity at all times. The undrawn credit facilities are shown in note 36 financial liabilities.

## Investments/Divestments

In financial year 2016/17, METRO invested €827 million, considerably less than in the previous year. As part of our expansion strategy and concept and modernisation measures, our ongoing capital efficiency programme has saved us investments. At the same

time, the acquisition of Pro à Pro has advanced the expansion of our delivery business. Overall, the increased focus of our expansion activities is reflected in a smaller number of 13 store openings in financial year 2016/17 (compared with 22 store openings in financial year 2015/16).

### METRO INVESTMENTS

€ million	2015/16	2016/17	Change	
			absolute	%
METRO Wholesale	614	<b>547</b>	-66	-10.8
Real	260	<b>131</b>	-129	-49.6
Others	133	<b>149</b>	15	11.4
METRO	1,007	<b>827</b>	-180	-17.9

In the METRO Wholesale segment, we invested €547 million in financial year 2016/17, €66 million less than in the previous year's period. Following our acquisition of the delivery specialists Classic Fine Foods (2014/15) and Rungis Express (2015/16) in the previous years, we have once again expanded our delivery network by acquiring Pro à Pro (2016/17). This move strengthens our competencies in the field of food service distribution in the French wholesale industry. Even including the investments for this acquisition, we have been able to optimise our investment processes in the METRO Wholesale segment. Overall, our investment volume has decreased. Our international priorities and the increased efficiency resulting from our ongoing capital efficiency programme, which comprises new, smaller and leaner formats, have made this possible. In financial year 2016/17, our expansion efforts focused on China and France. We added 5 and 3 new METRO Cash & Carry stores, respectively, to the existing store network in these countries. At the same time, we continued our expansion in India by opening 2 new METRO Cash & Carry stores in that country. Our store network in Turkey, Italy and Japan gained 1 new METRO Cash & Carry Markt store each. In Germany, 2 stores closed down; 1 store each closed down in China, India, Serbia and Ukraine.

Real invested €131 million in financial year 2016/17, €129 million less than in the previous year's period. This decline in the investment volume is mainly due to the extension of 4 Real store lease financings during the previous year. As part of a concept conversion/modernisation project, Real opened its Markthalle Krefeld, the first store featuring the new Food Lover concept. Real closed 3 stores in Germany during financial year 2016/17.

Investments in the Others segment totalled €149 million in financial year 2016/17 (2015/16: €133 million). They related mostly to modernisation measures and intangible assets. This primarily refers to investments in digitisation/IT and the modernisation of our German logistics network. It further includes investments in start-ups such as Planday.

Divestments (including disposals of subsidiaries but excluding financial investments) generated cash for METRO in the amount of €221 million (2015/16: €642 million), mainly resulting from the sale of real estate. In the previous year, the sale of the Vietnamese wholesale activities in particular had an effect here.

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

## Liquidity (cash flow statement)

METRO's liquidity is derived on the basis of the cash flow statement. The cash flow statement serves to calculate and display the cash flows that METRO generated or employed during the financial year from operating, investing and financing activities. In addition, it shows the changes in cash and cash equivalents between the beginning and end of the financial year.

Cash inflow from operating activities in financial year 2016/17 amounted to €1,027 million (2015/16: €+1,173 million). Investing activities led to cash outflow

of €601 million (2015/16: €+512 million). Compared with the previous year's period, this represents a decrease in cash flow before financing activities of €1,259 million to €426 million. Cash outflow from financing activities totalled €438 million (2015/16: €-3,513 million).

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

### CASH FLOW STATEMENT<sup>1</sup>

€ million	2015/16	2016/17
Cash flow from operating activities	1,173	<b>1,027</b>
Cash flow from investing activities	512	<b>-601</b>
Cash flow before financing activities	1,685	<b>426</b>
Cash flow from financing activities	-3,513	<b>-438</b>
<b>Total cash flows</b>	<b>-1,828</b>	<b>-12</b>
Currency effects on cash and cash equivalents	-11	<b>-25</b>
<b>Total change in cash and cash equivalents</b>	<b>-1,839</b>	<b>-37</b>

<sup>1</sup> Abridged version. The complete version is shown in the consolidated financial statements.

## Capital structure

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 the MWFS GROUP were prepared for the IPO prospectus of METRO AG. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of the 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 and the capital reserve were recognised at the carrying amounts from the annual

financial statements of METRO AG as of 30 September 2017. For this purpose, a reclassification 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 the MWFS GROUP. The remaining negative amount of this equity item was reclassified to reserves retained from earnings. It cannot be traced back to a history of loss. In addition, the measurement of an option to sell held by a minority shareholder, which became effective in the demerger, in the amount of €53 million was recognised in reserves retained from earnings as part of the division of net assets in accordance with the legal structure.

The equity ratio stood at 20.3% (30/9/2016: 18.3%).

€ million	Note no.	30/9/2016	30/9/2017
<b>Equity</b>	31	<b>2,924</b>	<b>3,207</b>
Net assets attributable to former METRO GROUP		3,748	0
Other components of equity		-860	0
Share capital		0	363
Capital reserve		0	6,118
Reserves retained from earnings		0	-3,320
Non-controlling interests		36	46

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

Net debt increased slightly by €0.1 billion and amounted to €3.1 billion as of 30 September 2017 (30/9/2016: €3.1 billion). This is calculated by netting financial liabilities, including finance leases of €4.7 billion (30/9/2016: €4.7 billion), with cash and cash equivalents according to the balance sheet of €1.6 billion (30/9/2016: €1.6 billion) as well as monetary investments of €5 million (30/9/2016: €90 million). In the reporting year, current financial investments decreased as a result of the reallocation of €85 million into the cashpool of METRO AG.

€ million	30/9/2016	30/9/2017
Cash and cash equivalents according to the balance sheet	1,599	1,559
Short-term financial investments <sup>1</sup>	90	5
Financial liabilities (incl. finance leases)	4,740	4,706
<b>Net debt</b>	<b>3,051</b>	<b>3,142</b>

<sup>1</sup> Shown in the balance sheet under other financial and non-financial assets (current).

As of 30 September 2017, non-current liabilities amounted to €4.2 billion (30/9/2016: €5.0 billion). The decline by €0.8 billion was essentially due to lower long-term financial liabilities totalling €3.1 billion (30/9/2016: €3.8 billion) that resulted from the repayment of a bond issuance programme. In addition, provisions for post-employment benefits plans and similar obligations decreased by €89 million to €0.6 billion (30/9/2016: €0.6 billion).

As of 30 September 2017, METRO had current liabilities totalling €8.4 billion (30/9/2016: €8.1 billion). This increase is largely due to a €667 million increase in current financial liabilities to €1.6 billion (30/9/2016: €0.9 billion), resulting from additional liabilities incurred from a commercial paper programme. By contrast, other financial and other liabilities decreased by €0.2 billion to €1.3 billion (30/9/2016: €1.6 billion). This is the result of the previous year, where this item included a liability in connection with the initial liquidity conditions of CECONOMY amounting to €221 million, which was settled in the financial year.

Compared to 30 September 2016, the debt ratio declined by 2.0 percentage points to 79.7%. The share of current liabilities in total liabilities rose to 66.6%, representing a slight increase from 62.1% on 30 September 2016.

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



€ million	Note no.	30/9/2016	30/9/2017
<b>Non-current liabilities</b>		<b>4,954</b>	<b>4,197</b>
Provisions for pension and similar obligations	32	646	<b>557</b>
Other provisions	33	297	<b>283</b>
Financial liabilities	34, 36	3,796	<b>3,095</b>
Other financial and non-financial liabilities	34, 37	127	<b>162</b>
Deferred tax liabilities	24	88	<b>100</b>
<b>Current liabilities</b>		<b>8,114</b>	<b>8,376</b>
Trade liabilities	34, 35	4,892	<b>4,782</b>
Provisions	33	559	<b>456</b>
Financial liabilities	34, 36	944	<b>1,611</b>
Other financial and non-financial liabilities	34, 37	1,591	<b>1,345</b>
Income tax liabilities	34	128	<b>167</b>
Liabilities related to assets held for sale	30	0	<b>15</b>

— 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. 44 - contingent liabilities and no. 45 - other financial liabilities.

### Asset position

In financial year 2016/17, total assets decreased by €213 million to €15.8 billion (30/9/2016: €16.0 billion).

In financial year 2016/17, non-current assets decreased slightly by €0.2 billion to €9.2 billion (30/9/2016: €9.4 billion).

€ million	Note no.	30/9/2016	30/9/2017
<b>Non-current assets</b>		<b>9,434</b>	<b>9,225</b>
Goodwill	18	852	<b>875</b>
Other intangible assets	19	420	<b>473</b>
Property, plant and equipment	20	6,979	<b>6,822</b>
Investment properties	21	163	<b>126</b>
Financial assets	22	89	<b>92</b>
Investments accounted for using the equity method	22	183	<b>183</b>
Other financial and miscellaneous non-financial assets	23	239	<b>217</b>
Deferred tax assets	24	509	<b>439</b>

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

Other current assets remained at the level of the previous year. Increases in trade receivables, mainly from Pro à Pro, and entitlements to income tax refunds were offset by lower other financial assets and cash compared to the previous year.

€ million	Note no.	30/9/2016	30/9/2017
<b>Current assets</b>		<b>6,558</b>	<b>6,554</b>
Inventories	25	3,063	<b>3,046</b>
Trade receivables	26	493	<b>575</b>
Financial assets		0	<b>1</b>
Other financial and miscellaneous non-financial assets	23	1,280	<b>1,214</b>
Entitlements to income tax refunds		123	<b>148</b>
Cash and cash equivalents	29	1,599	<b>1,559</b>
Assets held for sale	30	0	<b>11</b>

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

## EARNINGS POSITION

### Overview of group business development

Supported by positive currency effects and the acquisition of Pro à Pro, METRO's reported **sales** for financial year 2016/17 increased by 1.6% to €37.1 billion. Sales rose by 1.1% in local currency. Like-for-like sales at METRO climbed by 0.5%. METRO Wholesale underwent particularly positive developments, while the sales of Real decreased after a difficult first half of the year.

The **EBIT before special items** amounted to €1,106 million, reaching the level of the previous year (2015/16: €1,106 million). This figure contains income from the sale of real estate amounting to €175 million (2015/16: €153 million). In 2016/17, the EBIT included 3 material real estate transactions, 2 of which in China (contributing approximately €110 million to the result) and 1 in Germany (approx. €40 million). Adjusted for positive currency effects of €37 million, EBIT before special items was €37 million lower than in the previous year.

Reported **group EBIT** totalled €852 million in financial year 2016/17 (2015/16: €1,219 million). This decrease was due in particular to income from the sale of the activities in Vietnam during the previous year (€446 million). Adjusted for the one-time income gained from the Vietnamese sale in the previous year, the special items are below the previous year's level due to fewer restructuring activities.

### Comparison of forecast with actual business developments

There are no forecasts for financial year 2016/17, as the demerger and stock market listing of the METRO shares only took place in mid-July 2017.

### Development of group sales by region

At €12.0 billion, reported sales in **Germany** were 2.6% lower than in the previous year. Like-for-like sales decreased by 1.7%. Following a difficult first half of the year during which sales at METRO Wholesale and Real declined considerably, the trend improved significantly during the second half of the year.

The reported sales in the **international business** increased by 3.7% to €25.2 billion. This is especially due to the opening of new stores and the acquisition of Pro à Pro. Currency effects also played a part. International sales rose by 3.0% in local currency. Like-for-like sales increased by 1.6%. The international share of total sales stood at 67.8% (2015/16: 66.4%).

The reported sales in **Western Europe (excl. Germany)** increased by 3.6% to €10.5 billion. This is especially due to the acquisition of Pro à Pro. Like-for-like sales decreased slightly by 0.3%.

The reported sales in **Eastern Europe** increased by 4.5% to €10.3 billion. Especially positive currency effects in Russia influenced this development. Particularly positive sales trends were recorded in Turkey. Sales rose by 1.8% in local currency. Like-for-like sales increased by 2.3%.

The reported sales in **Asia** increased by 2.3%. All countries contributed to this positive development. Sales rose by as much as 4.2% in local currency. Like-for-like sales climbed by 4.7%.

**SALES DEVELOPMENT OF METRO****by segments and regions**

Change in % compared with the previous year's period

	2015/16 € million	2016/17 € million	in group currency (€)	Currency effects in percentage points <sup>1</sup>	in local currency	Like-for-like sales in local currency
METRO Wholesale	29,000	<b>29,866</b>	3.0	0.7	2.3	0.9
Real	7,478	<b>7,247</b>	-3.1	0.0	-3.1	-1.0
Others	72	<b>27</b>	-62.4	-0.3	-62.1	-
<b>METRO</b>	<b>36,549</b>	<b>37,140</b>	<b>1.6</b>	<b>0.5</b>	<b>1.1</b>	<b>0.5</b>
thereof Germany	12,279	<b>11,962</b>	-2.6	0.0	-2.6	-1.7
thereof international	24,270	<b>25,177</b>	3.7	0.8	3.0	1.6
Western Europe (excl. Germany)	10,173	<b>10,543</b>	3.6	0.0	3.6	-0.3
Eastern Europe	9,828	<b>10,266</b>	4.5	2.7	1.8	2.3
Asia	4,269	<b>4,368</b>	2.3	-1.9	4.2	4.7

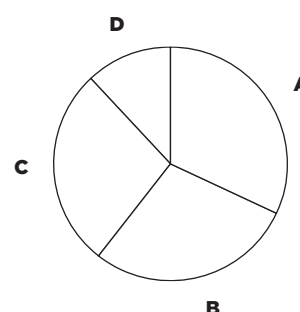
<sup>1</sup> The currency effect is calculated by comparing reported sales of the current financial year in euros with sales of the previous period, converted at the average exchange rate of the current financial year.

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

€ million	2015/16	2016/17
Total sales in € (as reported)	36,549	<b>37,140</b>
Total sales in local currency <sup>1</sup>	36,735	<b>37,140</b>
Sales of stores that were not part of the like-for-like panel in 2016/17 <sup>2</sup>	2,356	<b>2,584</b>
<b>Like-for-like sales in local currency</b>	<b>34,378</b>	<b>34,555</b>

<sup>1</sup> Sales in local currency of the previous year were calculated by converting reported sales of the previous year at the average exchange rate of the current financial year

<sup>2</sup> Not included in the like-for-like panel are, among others, new openings, stores in start-up phase, closures, service companies and major refurbishments.

**GROUP SALES OF METRO 2016/17****by regions**

<b>A 32.2%</b>	Germany
<b>B 28.4%</b>	Western Europe (excl. Germany)
<b>C 27.6%</b>	Eastern Europe
<b>D 11.8%</b>	Asia

**DEVELOPMENT OF GROUP EBIT AND EBIT OF THE SEGMENTS**

	EBIT <sup>1</sup>	
€ million	2015/16	2016/17
METRO Wholesale	1,048	<b>1,114</b>
Real	105	<b>80</b>
Others	-43	<b>-86</b>
Consolidation	-5	<b>-1</b>
<b>METRO</b>	<b>1,106</b>	<b>1,106</b>

<sup>1</sup> Before special items.

## Sales and earnings development of the segments

### METRO Wholesale (previously METRO Cash & Carry)

METRO Cash & Carry launched the New Operating Model in financial year 2015/16 to improve its business management. As part of the introduction of the New Operating Model, the METRO Cash & Carry countries were classified into the clusters HoReCa, Multispecialist, Trader and Others.

Supported by positive currency effects among other factors, METRO Wholesale's reported sales for financial year 2016/17 increased by 3.0% to €29.9 billion. Since its acquisition in February 2017, Pro à Pro also contributed to the overall sales revenue with approximately €470 million. The company is one of the leading food service distribution providers (FSD) in France. Sales rose by 2.3% in local currency. Like-for-like sales increased by 0.9%. Like-for-like sales increased in all quarters and have now risen in every quarter for 4 years in a row.

The delivery business of METRO Wholesale continued to develop highly dynamically. Sales in financial year 2016/17 rose by more than 25% to more than €4.6 billion. The share of sales attributable to the delivery business for the entire year amounts to 15.6%. The acquisition of Pro à Pro has also contributed to this.

Reported sales in the **HoReCa** cluster rose by 3.1% in financial year 2016/17. Sales rose by 4.5% in local currency. Like-for-like sales increased slightly by 0.3%. Especially Turkey contributed to the growth in like-for-like sales, while Germany recorded a decline.

In the **Multispecialist** cluster, sales increased by 3.7% in financial year 2016/17. Sales rose by 0.5% in local currency. Like-for-like sales slightly increased by 0.5%. Russia and the Netherlands recorded declining sales, in particular, while China, Pakistan and India achieved significant increases.

In the **Trader** cluster, sales increased by 3.3% in financial year 2016/17. Measured in local currency, sales in the Trader cluster rose by 3.9%. Sales rose by as much as 5.5% like-for-like. With the exception of Poland, like-for-like sales climbed in all countries.

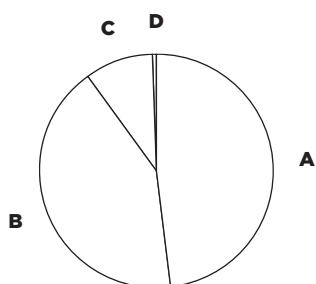
**EBIT before special items** amounted to €1,114 million (2015/16: €1,048 million), supported by positive currency effects amounting to €37 million. Adjusted for these effects, EBIT before special items improved by €29 million. This particularly includes 2 real estate transactions in China, which contributed approximately €80 million (Q2) and €30 million (Q4) to the result. In the previous year, material real estate transactions only accounted for €34 million. Before these real estate transactions and currency effects, EBIT before special items amounted to €47 million less than the previous year. This decline is in particular attributable to developments in Russia, the Netherlands and Belgium, which could not be offset by earnings improvements in most of the other METRO Cash & Carry companies.

**EBIT** at METRO Wholesale totalled €1,035 million in financial year 2016/17 (2015/16: €1,271 million). This decrease was due in particular to income from the sale of the activities in Vietnam during the previous year (€446 million). Adjusted for the one-time income gained from the Vietnamese sale in the previous year, the special items are considerably below the previous year's level due to fewer restructuring activities.

On 30 September 2017, METRO Wholesale operated 759 stores located in 25 countries. Of these stores, 104 were in Germany, 239 in Western Europe (excluding Germany), 283 in Eastern Europe and 133 in Asia. Additional countries were covered by the activities of Classic Fine Foods and Rungis Express. Overall, METRO Wholesale has operations in 35 countries.

### SALES OF METRO WHOLESALE 2016/17

by clusters



- A 48.3%** HoReCa
- B 41.9%** Multispecialist
- C 9.7%** Trader
- D 0.1%** Others

**KEY FIGURES METRO WHOLESALE 2016/17****in year-on-year comparison**

	2015/16 € million	<b>2016/17</b> <b>€ million</b>	Change in % compared with the previous year's period			
			in group currency (€)	Currency effects in percentage points <sup>1</sup>	in local currency	like-for-like sales in local currency
Sales	29,000	<b>29,866</b>	3.0	0.7	2.3	0.9
HoReCa	13,993	<b>14,429</b>	3.1	-1.4	4.5	0.3
Multispecialist	12,066	<b>12,518</b>	3.7	3.3	0.5	0.5
Trader	2,802	<b>2,895</b>	3.3	-0.5	3.9	5.5
Others	138	<b>23</b>	-	-	-	-
EBIT <sup>2</sup>	1,048	<b>1,114</b>	-	-	-	-
EBIT margin (%) <sup>3</sup>	3.6	<b>3.7</b>	-	-	-	-
Locations (number)	752	<b>759</b>	-	-	-	-
Selling space (1,000 m <sup>2</sup> )	5,380	<b>5,307</b>	-	-	-	-

<sup>1</sup> The currency effect is calculated by comparing reported sales of the current financial year in euros with sales of the previous period, converted at the average exchange rate of the current financial year.

<sup>2</sup> Before special items.

<sup>3</sup> Before special items; the EBIT margin shows the EBIT/sales ratio.

**Real**

Compared to the previous year, Real's reported sales declined by 3.1% to €7.2 billion in financial year 2016/17. This was particularly due store disposals. Like-for-like sales decreased by 1.0%. After a difficult first half of the year, the sales trend stabilised over the further course of the financial year: following growth in the 3rd quarter, like-for-like sales increased by 0.6% in the 4th quarter.

Online sales continued to develop very positively. Again, it rose markedly by more than 50% to €105 million in financial year 2016/17. This positive development was driven by the integration of the acquired online shop Hitmeister.

**EBIT before special items** decreased from €105 million to €80 million. This is due to a decline in sales and increased expenses for advertising and the expansion of the online business. In many food categories, the development was influenced by continuing high competition, while lower personnel costs had the opposite effect.

In financial year 2016/17, **EBIT** totalled €19 million (2015/16: €108 million). This decline is primarily attributable to expenses incurred by the restructuring of the headquarters.

In financial year 2016/17, Real's German store network was reduced by 3 to 282 stores.

**KEY FIGURES REAL 2016/17****in year-on-year comparison**

	2015/16 € million	2016/17 € million	Change in % compared with the previous year's period			
			in group currency (€)	Currency effects in percentage points	in local currency	like-for-like sales in local currency
Sales	7,478	<b>7,247</b>	-3.1	0.0	-3.1	-1.0
Germany	7,478	<b>7,247</b>	-3.1	0.0	-3.1	-1.0
EBIT <sup>1</sup>	105	<b>80</b>	-	-	-	-
EBIT margin (%) <sup>2</sup>	1.4	<b>1.1</b>	-	-	-	-
Locations (number)	285	<b>282</b>	-	-	-	-
Selling space (1,000 m <sup>2</sup> )	1,967	<b>1,941</b>	-	-	-	-

<sup>1</sup> Before special items.<sup>2</sup> Before special items; the EBIT margin shows the EBIT/sales ratio.**Others**

The Others segment comprises, among others, METRO AG as the management holding company of METRO group the procurement organisation in Hong Kong, which also operates on behalf of third parties, as well as logistics services and real estate activities of METRO PROPERTIES, which are not attributed to any sales lines. These include, for example, speciality stores, warehouses and head offices.

In financial year 2016/17, **sales** in the Others segment totalled €27 million (2015/16: €72 million). The decline can primarily be attributed to the disposal of 4 Real stores in Romania. Among other things, sales include commissions for third-party business through METRO's procurement organisation in Hong Kong.

**EBIT** totalled €-201 million in financial year 2016/17 (2015/16: €-156 million). Special items amounted to €115 million (2015/16: €112 million) and primarily related to one-time expenses in connection with the demerger of METRO GROUP. EBIT before special items amounted to €-86 million (2015/16: €-43 million). This development was driven by lower real estate income (€60 million less).

**Net financial result and taxes**

€ million	2015/16	2016/17
<b>Earnings before interest and taxes EBIT</b>	<b>1,219</b>	<b>852</b>
Earnings share of non-operating companies recognised at equity	3	<b>0</b>
Other investment result	-3	<b>-11</b>
Interest income/expenses (interest result)	-211	<b>-156</b>
Other financial result	-114	<b>-37</b>
<b>Financial result</b>	<b>-325</b>	<b>-204</b>
<b>Earnings before taxes EBT</b>	<b>894</b>	<b>649</b>
Income taxes	-375	<b>-304</b>
<b>Profit or loss for the period</b>	<b>519</b>	<b>345</b>

**Financial result**

The net financial result primarily comprises the interest result of €-156 million (2015/16: €-211 million) and the other financial result of €-37 million (2015/16: €-114 million). The interest result improved thanks, in particular, to the lower level of interest. The €77 million improvement in the other financial result is mainly due to negative effects from the deconsolidation of METRO Cash & Carry Vietnam in the previous year and lower negative negative currency effects in the reporting period, primarily from Kazakhstan. In the decreased other investment result, the change mainly reflects the amortisation of the shares in real,- Digital Payment & Technology Services GmbH.

- For more information about the net financial result, see the notes to the consolidated financial statements in no. 6 - earnings share of operating / non-operating companies recognised at equity, no. 7 other investment result net, no. 8 interest income/interest expenses and no. 9 other financial result.

### Taxes

The reported income tax expenses of €304 million (2015/16: €375 million) are €71 million lower than in the previous year and essentially concern deferred taxes.

€ million	2015/16	2016/17
Actual taxes	271	<b>222</b>
thereof Germany	(32)	<b>(27)</b>
thereof international	(239)	<b>(195)</b>
thereof tax expenses/income of current period	(316)	<b>(217)</b>
thereof tax expenses/income of previous periods	(-45)	<b>(5)</b>
Deferred taxes	104	<b>82</b>
thereof Germany	(77)	<b>(1)</b>
thereof international	(27)	<b>(81)</b>
	<b>375</b>	<b>304</b>

The group tax rate in the reporting period amounted to 46.9% (2015/16: 42.0%). The comparatively low tax rate of the previous year is mainly due to the sale of METRO Cash & Carry Vietnam. Before special items,

the tax rate amounted to 34.9% (2015/16: 38.7%). Adjusted for deferred tax income from the reversal of deferred tax liabilities in connection with the reallocation of goodwill, the tax rate before special items in the reporting period was 39.8%. The group tax rate represents the relationship between recognised income tax expenses and earnings before taxes.

- For more information about income taxes, see the notes to the consolidated financial statements in no. 11 - income taxes.

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

Profit for the period in financial year 2016/17 totalled €345 million, a decline of €174 million compared with the previous year's figure (2015/16: €519 million).

Net of non-controlling interests, profit for the period attributable to the shareholders of METRO AG totalled €325 million (2015/16: €506 million). This corresponds to a decline of €181 million.

In financial year 2016/17, METRO recorded earnings per share of €0.89 (2015/16: €1.39). The calculation was based on a weighted number of 363,097,253 shares. Profit for the period attributable to the shareholders of METRO AG of €325 million was distributed according to this number of shares. There was no dilution from so-called potential shares in financial year 2016/17 or in the previous year.

At €1.55, earnings per share before special items are €0.22 higher than in the previous year (2015/16: €1.33). This result forms the basis for the dividend recommendation.

		2015/16	2016/17	Change	
				absolute	%
Profit or loss for the period	€ million	519	<b>345</b>	-174	-33.5
Profit or loss for the period attributable to non-controlling interests	€ million	13	<b>20</b>	7	53.9
Profit or loss for the period attributable to the shareholders of METRO AG	€ million	506	<b>325</b>	-181	-35.8
Earnings per share (basic = diluted) <sup>1</sup>	€	1.39 <sup>2</sup>	<b>0.89</b>	-0.50	-36.0
Earnings per share before special items <sup>1</sup>	€	1.33 <sup>2</sup>	<b>1.55</b>	0.22	16.5

<sup>1</sup> After non-controlling interests.

<sup>2</sup> Pro forma disclosure of combined financial statements.

## Special items<sup>1</sup>

### SPECIAL ITEMS

#### by segments

€ million	2015/16 as reported	2016/17 as reported	2015/16 Special items	2016/17 Special items	2015/16 before special items	2016/17 before special items
<b>EBITDA</b>	<b>1,918</b>	<b>1,611</b>	<b>-127</b>	<b>199</b>	<b>1,791</b>	<b>1,810</b>
thereof METRO Wholesale	1,700	<b>1,528</b>	-236	<b>25</b>	1,464	<b>1,553</b>
Real	250	<b>159</b>	-3	<b>60</b>	247	<b>219</b>
Others	-23	<b>-73</b>	112	<b>115</b>	89	<b>41</b>
Consolidation	-9	<b>-3</b>	0	<b>0</b>	-9	<b>-3</b>
<b>EBIT</b>	<b>1,219</b>	<b>852</b>	<b>-113</b>	<b>254</b>	<b>1,106</b>	<b>1,106</b>
thereof METRO Wholesale	1,271	<b>1,035</b>	-222	<b>79</b>	1,048	<b>1,114</b>
Real	108	<b>19</b>	-3	<b>61</b>	105	<b>80</b>
Others	-156	<b>-201</b>	112	<b>115</b>	-43	<b>-86</b>
Consolidation	-5	<b>-1</b>	0	<b>0</b>	-5	<b>-1</b>
Financial result	-325	<b>-204</b>	27	<b>-7</b>	-298	<b>-210</b>
<b>EBT</b>	<b>894</b>	<b>649</b>	<b>-86</b>	<b>247</b>	<b>808</b>	<b>896</b>
Income taxes	-375	<b>-304</b>	63	<b>-9</b>	-313	<b>-313</b>
<b>Profit or loss for the period</b>	<b>519</b>	<b>345</b>	<b>-23</b>	<b>239</b>	<b>495</b>	<b>583</b>
Profit or loss for the period attributable to non-controlling interests	13	<b>20</b>	0	<b>0</b>	13	<b>20</b>
Profit or loss for the period attributable to the shareholders of METRO AG	506	<b>325</b>	-23	<b>238</b>	483	<b>563</b>
<b>Earnings per share in € (basic = diluted)</b>	<b>1.39<sup>2</sup></b>	<b>0.89</b>	<b>-0.06</b>	<b>0.66</b>	<b>1.33<sup>2</sup></b>	<b>1.55</b>

<sup>1</sup> For an explanation of special items, see chapter 2 principles of the group - 2.2 Management system.  
<sup>2</sup> Pro forma disclosure of combined financial statements.



**SPECIAL ITEMS****by regions**

€ million	2015/16 as reported	2016/17 as reported	2015/16 Special items	2016/17 Special items	2015/16 before special items	2016/17 before special items
<b>EBITDA</b>	<b>1,918</b>	<b>1,611</b>	<b>-127</b>	<b>199</b>	<b>1,791</b>	<b>1,810</b>
thereof Germany	151	<b>167</b>	169	<b>162</b>	320	<b>329</b>
Western Europe (excl. Germany)	380	<b>464</b>	106	<b>-4</b>	487	<b>460</b>
Eastern Europe	738	<b>698</b>	42	<b>35</b>	780	<b>733</b>
Asia	650	<b>273</b>	-445	<b>6</b>	205	<b>279</b>
Consolidation	-1	<b>9</b>	0	<b>0</b>	-1	<b>9</b>
<b>EBIT</b>	<b>1,219</b>	<b>852</b>	<b>-113</b>	<b>254</b>	<b>1,106</b>	<b>1,106</b>
thereof Germany	-182	<b>-165</b>	170	<b>164</b>	-12	<b>-1</b>
Western Europe (excl. Germany)	258	<b>291</b>	114	<b>33</b>	372	<b>324</b>
Eastern Europe	561	<b>527</b>	48	<b>39</b>	610	<b>566</b>
Asia	582	<b>190</b>	-445	<b>18</b>	137	<b>208</b>
Consolidation	-1	<b>9</b>	0	<b>0</b>	-1	<b>9</b>
Financial result	-325	<b>-204</b>	27	<b>-7</b>	-298	<b>-210</b>
<b>EBT</b>	<b>894</b>	<b>649</b>	<b>-86</b>	<b>247</b>	<b>808</b>	<b>896</b>
Income taxes	-375	<b>-304</b>	63	<b>-9</b>	-313	<b>-313</b>
<b>Profit or loss for the period</b>	<b>519</b>	<b>345</b>	<b>-23</b>	<b>239</b>	<b>495</b>	<b>583</b>
Profit or loss for the period attributable to non-controlling interests	13	<b>20</b>	0	<b>0</b>	13	<b>20</b>
Profit or loss for the period attributable to the shareholders of METRO AG	506	<b>325</b>	-23	<b>238</b>	483	<b>563</b>
<b>Earnings per share in € (basic = diluted)</b>	<b>1.39<sup>1</sup></b>	<b>0.89</b>	<b>-0.06</b>	<b>0.66</b>	<b>1.33<sup>1</sup></b>	<b>1.55</b>

<sup>1</sup> Pro forma disclosure of combined financial statements.

2015/16		Special items				
€ million	as reported	Portfolio measures	Restructuring and efficiency-enhancing measures	Risk provisions and impairment losses on goodwill	Other special items	before special items
<b>EBITDA</b>	<b>1,918</b>	<b>-454</b>	<b>283</b>	<b>-</b>	<b>45</b>	<b>1,791</b>
<b>EBIT</b>	<b>1,219</b>	<b>-454</b>	<b>296</b>	<b>-</b>	<b>45</b>	<b>1,106</b>
Financial result	-325	27	-	-	-	-298
<b>EBT</b>	<b>894</b>	<b>-427</b>	<b>296</b>	<b>-</b>	<b>45</b>	<b>808</b>
Income taxes	-375	78	-12	-	-3	-313
<b>Profit or loss for the period</b>	<b>519</b>	<b>-349</b>	<b>284</b>	<b>-</b>	<b>42</b>	<b>495</b>
Profit or loss for the period attributable to non-controlling interests	13	-	-	-	-	13
Profit or loss for the period attributable to the shareholders of METRO AG	506	-349	284	-	42	483

2016/17		Special items				
€ million	as reported	Portfolio measures	Restructuring and efficiency-enhancing measures	Risk provisions and impairment losses on goodwill	Other special items	before special items
<b>EBITDA</b>	<b>1,611</b>	<b>6</b>	<b>88</b>	<b>-</b>	<b>105</b>	<b>1,810</b>
<b>EBIT</b>	<b>852</b>	<b>6</b>	<b>124</b>	<b>19</b>	<b>104</b>	<b>1,106</b>
Financial result	-204	-7	-	-	-	-210
<b>EBT</b>	<b>649</b>	<b>-1</b>	<b>124</b>	<b>19</b>	<b>104</b>	<b>896</b>
Income taxes	-304	1	-9	-	-1	-313
<b>Profit or loss for the period</b>	<b>345</b>	<b>0</b>	<b>116</b>	<b>19</b>	<b>103</b>	<b>583</b>
Profit or loss for the period attributable to non-controlling interests	20	-	-	-	-	20
Profit or loss for the period attributable to the shareholders of METRO AG	325	0	116	19	103	563

## Value-based management

METRO's strength is reflected, among other things, in its ability to continuously increase the company's value through growth and operational efficiency as well as optimal capital deployment. In order to ensure sustained value creation, we have been using value-oriented key figures for group management for many years.

The use of performance metrics generally enables METRO to focus on the key drivers of the operating business that management can influence: value-adding growth, increases in operational earnings strength and the optimisation of capital employed. Value-adding growth is achieved through our strategy of focusing on like-for-like sales growth in the company's existing markets, complementing the store-based business through targeted new sales channels such as delivery services and online retail as well as continuing the company's expansion in select countries. In this context, we further strengthened our delivery business in financial year 2016/17, for example, through the acquisition of Pro à Pro.

Our customers are always at the core of our thoughts and actions. For example, we are enhancing customer value for our target customer groups HoReCa, Trader and SCO by offering customised digital and operational solutions. Among other things, a customer-oriented product group management that is geared towards their specific needs with regard to assortment, price groups, packaging and marketing plays an important role in this context. In addition, we continue to implement measures to ensure operational and administrative efficiency and are forging ahead with the optimisation of capital deployment. We accomplish this by, for example, country-specific investment strategies, the needs-oriented design of our market formats and cooperation in purchasing and administrative functions.

To assess the operating business performance, the metric return on capital employed (RoCE) is used, among others. RoCE measures the return on capital employed in a given period, thus enabling an assessment of the business performance of the various segments. For the purpose of comparing these segments,

capital employed also includes cash rental values to account for the different ownership structures of real estate assets. We base the calculation of RoCE on EBIT before special items because it adequately reflects the units' operational earnings strength independent of special effects. Like capital employed, EBIT is also adjusted for the financing component of rents.

$$\text{RoCE} = \text{EBIT}^1 / \text{capital employed}$$

<sup>1</sup> EBIT before special items.

Capital employed represents interest-carrying assets. It comprises segment assets plus cash and cash equivalents less trade liabilities as well as other operational liabilities and deferred income. Hereby, we use an average capital employed that is calculated from quarterly financial statements in order to also consider developments in capital employed that occur during the relevant period.

Once the RoCE is established, it is contrasted with the segment-specific cost of capital before taxes as the latter represents a market-oriented minimum rate of interest on capital employed based on capital market models.

Another important application for value-oriented key figures at METRO is the assessment of planned and completed investments. In addition to the discounted cash flow method, we are using the key figure of Economic Value Added (EVA) and liquidity-oriented key figures such as the amortisation period for investment decisions.

As the group continued to position itself for value-adding growth, so-called Value Creation Plans were implemented as a key instrument in financial year 2015/16. These plans provide the management with binding long-term benchmarks regarding strategy, key value drivers and the derived financial targets at the level of individual countries and also serve as a reference point in the context of the remuneration system. In the past financial year, the units of the various countries continued to push ahead with the implementation of the adopted Value Creation Plans.

## 4 REPORT ON EVENTS AFTER THE CLOSING DATE AND OUTLOOK

### REPORT ON EVENTS AFTER THE CLOSING DATE

#### Events after the balance sheet date

No events subject to mandatory disclosure occurred between the closing date (30 September 2017) and the date of preparing the annual financial statements (30 November 2017).

### OUTLOOK

The outlook prepared by METRO considers relevant facts and events that were known at the time of preparing the consolidated financial statements and that may impact the future development of our business. Nevertheless, it is possible that unknown risks, uncertainty and other factors may cause actual market and industry developments to differ from those set forth in this section. The outlook on economic parameters is based on an analysis of primary data used to derive forecasts. Feri Trust is the main source of the data used to forecast anticipated business conditions. The following conclusions reflect a mid-range scenario of expectations. All descriptions in this section are forward-looking statements.

#### Macroeconomic parameters

##### Global economy

The global economy in financial year 2016/17 was characterised by a significantly more stable and pronounced growth than in the preceding years. This economic recovery is expected to continue in financial year 2017/18, with the United States and important emerging countries, such as Russia and Brazil, returning to an economic growth trajectory on the back of a recovering oil price. These countries will continue to drive growth in financial year 2017/18. The economies in the European countries also delivered a more stable performance and benefited from the European Central Bank (ECB) taking a very gradual approach in reducing its bond purchasing programme (quantitative easing) in combination with a very moderate increase in the inflation rate. The future development will nevertheless be shaped by numerous economic and political factors that could potentially also have a negative impact on the global economy growth. Among these uncertain factors are: the withdrawal of the United Kingdom from the European Union, continuing sanc-

tions against Russia stemming from the Russia/Ukraine conflict, unpredictable economic and trade politics in the United States, China's economy losing steam, as well as political unrest worldwide.

On balance, we expect the inflation-adjusted global economic growth for the year 2018 to resemble growth in the year 2017 with a growth rate of approximately 3.7%.

##### Germany

The sound development of the German economy will continue in financial year 2016/17. As the current economic upswing is supported by a variety of factors that are unlikely to change significantly, we only expect a slight drop in the growth rate to +1.8% for the year 2018. The continued positive development on the German labour market continues to invigorate private consumption. The growth trend in retail sales in Germany is expected to retreat slightly in 2018, so realistically growth will be just under 2%. This is due to an assumed rise in the inflation rate, which could possibly result in declining real wages.

##### Western Europe

In Western Europe, financial year 2016/17 was characterised by a beginning economic recovery. For 2018, we expect 1.8% of growth and thus anticipate another year of stable growth, as the labour market recovery and strong consumer confidence should continue. Spain and Italy are however exposed to other political risks that could potentially subdue the expected growth rates. The most recent monetary policy decisions by the ECB appear to indicate a very slow return to higher interest rates, which continue to drive growth in the European economies at their relatively low current levels. Retail sales are expected to experience a similar growth as in the previous year, which should be positive after adjustment for inflation.

##### Eastern Europe

The performance of the economies in Eastern Europe in financial year 2016/17 was distinguished by solid growth, especially in the later months of the financial year. This positive trend will be sustained in the year 2018 and we expect an inflation-adjusted economic and sales growth of +2.7% for this region. Our outlook for the Russian economy is a continued economic recovery and sustained growth in 2018. We also expect the economy in Ukraine to pick up, whereas the Turkish economy will not quite reach the level of the positive development of 2017 in 2018 due to the political situation and increasing isolation. The economic performance of the Central European countries was slightly divergent, but the consistently positive development on the labour markets in these countries results in a positive outlook for 2018.

##### Asia

The Asian economies continued their dynamic growth trajectory in financial year 2016/17. The Chinese economy reported solid growth rates. Signs for an economic recovery were also observed in Japan. We expect

this region to deliver an inflation-adjusted economic growth of just over 5% in the year 2018, a similar level as in the previous year. With a growth rate of close to 8%, we expect India to be among the drivers of economic growth in the region. While retail sales will also grow in 2018, their development may still lag behind the overall economic growth.

## Future sector trends

### Cash-and-Carry wholesale trade business

The global development of the cash-and-carry wholesale trade business in financial year 2016/17 was satisfactory and varied across the regions. This will also be the case in financial year 2017/18.

In comparison to the reporting period, we expect financial year 2017/18 to only deliver a slight growth in revenues for companies operating in this industry sector in Germany. We do however still see potential for additional growth in the food delivery segment. Another year of strong sales is expected for the HoReCa business segment, which is an important customer group for METRO Cash & Carry.

Following a slight growth in financial year 2016/17, the cash-and-carry wholesale trade business is expected to experience a more pronounced nominal growth in financial year 2017/18, which will be slightly lower than in the METRO Cash & Carry countries. The positive outlook for Western Europe is in particular supported by the continued stable macroeconomic situation in important countries, as well as the expected better or at least stable development in the hotel and restaurant industries, for example, in France and Portugal.

The cash-and-carry wholesale trade business segment in Central and Eastern Europe is expected to enjoy a stable positive development throughout financial year 2017/18, with growth rates anticipated to exceed those in Western Europe. Sales revenues are expected to track the significantly improved economic situation in a number of Central European countries, in particular in the Russian and Ukrainian markets.

The cash-and-carry wholesale trade markets in Asia, in particular India, but also in China and Pakistan, are forecasted to deliver a stable economic development in financial year 2017/18. The delivery business remains to be one of the most significant growth drivers in this region.

### Food retail business

According to Feri Trust, real consumer expenditure by private households in Germany will increase by 1.8% in the year 2018. Private consumption therefore continues to support the positive macroeconomic development. In combination with sustained economic growth, falling unemployment rates and increasing disposable income, private consumption remains an important economic driver in Germany. The retail industry will also benefit of rising consumer expenditure and deliver an inflation-adjusted growth in line with private consumption expenditure in 2018. Planet Retail expects the food retail sector to deliver a growth of 2.5% in the year 2018.

## Earnings outlook: Outlook for METRO

The outlook is based on the assumption of stable exchange rates without portfolio adjustments. In an effort to further improve the transparency of its operative performance, METRO will in the future report its earnings in the form of EBITDA excluding earnings contributions from real estate transactions. As the restructuring measures stemming from the transformation of the group have been completed to the greatest extent, our future reporting will no longer include special items. Our reporting will also assume a continuously complex geopolitical situation.

### Sales

For financial year 2017/18, METRO expects to see a slight rise in overall sales, despite the persistently challenging economic environment. We aim for our growth rate to at least match the 1.1% growth achieved in financial year 2016/17. The main growth driver will be METRO Wholesale.

METRO expects the like-for-like sales development to slightly surpass the 0.5% growth delivered in the reporting year 2016/17. METRO Wholesale is expected to make a significant contribution to this growth.

### Earnings

METRO is confident of its ability to significantly improve earnings. We expect EBITDA excluding earnings contributions from real estate transactions to increase by approximately 10% compared to the previous year's result (€1,436 million) with both segments contributing to the increased earnings.

## 5 RISK AND OPPORTUNITY REPORT

### Risk and opportunity management system

In a dynamic market environment, the early identification and systematic exploitation of opportunities is a fundamental entrepreneurial task. This is an essential prerequisite for our company's long-term success. We are continuously exposed to risks that can impede the realisation of our short-term and medium-term objectives as well as the implementation of long-term strategies. In some cases, we must consciously take manageable risks to be able to exploit opportunities in a targeted manner. We define risks as internal or external events resulting from uncertainty over future developments that can negatively impact the realisation of our corporate objectives. We define opportunities as possible achievements that extend beyond the defined objectives and can thus facilitate and drive our business development. We consider risks and opportunities as inextricably linked. Risks can, for example, emerge from missed or poorly exploited opportunities. Conversely, exploiting opportunities in dynamic growth markets or in new business areas always entails risks.

With this in mind, we understand our company's risk and opportunity management system as a tool that helps us to achieve our corporate goals. It is a systematic process that encompasses the entire group. It helps the company's management to identify, classify and control risks and opportunities. As such, risk and opportunity management form a unity. Our risk management identifies developments and events that could potentially prevent us from reaching our business targets at an early stage and analyses their implications. This allows us to put the necessary countermeasures into place in a timely manner. At the same time, this forecasting process allows us to systematically exploit emerging opportunities.

### Centralised management and efficient organisation

Group-wide risk and opportunity management tasks and responsibilities are clearly defined and reflect our corporate structure. We combine centralised business management by the management holding company METRO AG with the decentralised operating responsibility of the individual sales lines.

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

is intended to render structures and processes more transparent and to harmonise the procedural-organisational framework for the subsystems. This is the foundation for our efforts to increase the overall efficiency of the GRC system and to continuously enhance its effectiveness.

The group committee for governance, risk and compliance (GRC Committee) is chaired by the CFO of METRO AG and regularly discusses methods and new developments of the GRC subsystems. The committee also conducts regular reviews of the current risk and opportunity situation. Permanent members include representatives of Corporate Accounting (including Risk Management, Internal Control Finance and Internal Control Operations), Corporate Legal Affairs & Compliance and Group Internal Audit. The committee meetings are also attended by Corporate Controlling & Finance, Corporate Treasury, Group Strategy and Corporate Communications and Public Policy. Experts are invited to attend the events as required.

### Risk management

The Management Board of METRO AG assumes overall responsibility for the effectiveness of the risk management system as part of the GRC system. The group companies are responsible for identifying, assessing and managing financial risks. Key elements of internal monitoring include effectiveness checks in the form of self-assessments by the management teams as well as internal audits.

The Supervisory Board of METRO AG also oversees the effectiveness of risk management. In compliance with the provisions of the German Corporate Sector Supervision and Transparency Act (KonTraG), the external auditor subjects the company's risk warning system as part of the risk management system to a periodic audit. The results of this audit are presented to the Management Board and Supervisory Board.

Our Corporate Risk Management unit is responsible for managing and developing our risk management system. This unit is part of the Group Governance department of METRO AG. It determines the company's risk management approaches, methods and standards in consultation with the GRC Committee. The Corporate Risk Management unit coordinates the underlying process, ensures information is shared within the company and supports the further development of risk management across all group companies and central business units.

In this context, the GRC Committee keeps the Management Board of METRO AG continuously updated on the essential developments concerning risk management.

The risk management system is organised as a closed-loop system to ensure the design's effectiveness with respect to the defined risk management rules. This also allows us to guarantee effective implementation and continuous improvement of the system based on results and experiences.

- **For more information, see chapter 2 principles of the group - 2.6 characteristics of the accounting-related internal control and risk management system.**

### **Opportunity management**

The systematic identification and communication of opportunities is an integral part of the management and controlling system of METRO. Opportunities include internal or external events and developments that can have a beneficial impact on our business development. In principle, we strive to balance opportunities and risks.

We conduct macroeconomic analyses, study relevant trends and evaluate market, competition and locality analyses. We also analyse the critical success factors of our business models and the relevant cost drivers of our company. The Management Board of METRO AG specifies the derived market and business opportunities as well as efficiency enhancement potential in the context of strategic as well as short-term and medium-term planning. It does so by seeking to engage in a regular dialogue with the management of the group companies and units at the central holding company. As a company, we focus primarily on business approaches driven by the market and by customers. We continuously review the various elements of our sustainable long-term growth strategy.

### **Reporting**

Group reporting is the central element of our internal risk and opportunity communications. It is comple-

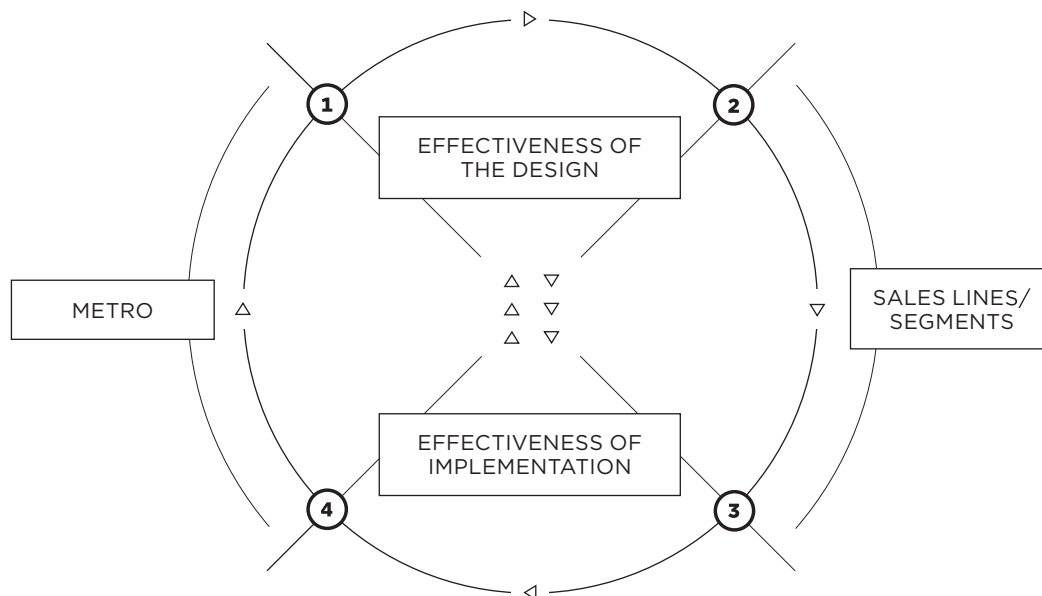
mented by the risk and opportunity management reporting. The objective is to allow for a structured and continuous monitoring of risks and opportunities, which is documented in accordance with legal and regulatory stipulations.

We ascertain our group's risk inventory on an annual basis by systematically mapping and assessing all significant group-wide risks based on quantitative and qualitative indicators and uniform criteria relating to the loss potential and the probability of occurrence. The results of the risk inventory and the risk portfolio are updated on a regular basis.

The topically responsible risk coordinators, for example those responsible for procurement, sales or administrative functions, validate the results reported by the group companies and central business units. In a second step, they summarise these results in a functional risk profile accompanied by a detailed description of significant individual risks. Important issues are then validated in direct consultation with the GRC Committee and specific action for an improved spreading of risks is developed.

In addition, we consider the results of the analyses concerning strengths, weaknesses, opportunities and threats carried out as part of the strategic planning process. We also consider analyses of the reports compiled by us as part of our medium-term planning and projections. Furthermore, we examine relevant results from the internal control system, the compliance management system, the issues management system, the opportunity management system and internal auditing.

**RISK MANAGEMENT AS A CLOSED LOOP SYSTEM**



**1**

**Defining rules**

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

**2**

**Introduction and implementation**

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

**3**

**Monitoring/audit (decentralised)**

- Self-assessment of effectiveness of risk management
- Internal risk management controls
- Confirmation by management

**4**

**Monitoring/audit (centralised)**

- Validation of the risk inventory
- Effectiveness assessment by the internal audit unit
- Internal risk management system controls

The overarching risk and opportunity portfolio at METRO that emerges from these findings enables us to gain a very good overall understanding of the company's risk and opportunity situation. The so-called GRC report describes the current situation and includes recommendations for risk management and measures to improve the effectiveness of the GRC subsystems.

The Management Board regularly informs the Supervisory Board and the Audit Committee about issues relating to the management of risks and opportunities. Once a year, the Supervisory Board is furnished with a comprehensive written report on the organisation and direction of our risk and opportunity management as well as the current risk and opportunity situation.

When preparing the half-year financial report, we regularly review and update the overarching risk and opportunity portfolio compiled in the previous year.

We also use an emergency notification system in the case of unexpected serious risks arising for our asset, financial and earnings position. In this case, the Management Board of METRO AG directly and promptly receives the necessary information.

**Strict risk policy principles**

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

We bear the risks incurred in conjunction with the core wholesaling and retailing processes ourselves. These core processes include the development and implementation of business models, decisions about store locations and the procurement and sale of merchandise and services. Risks from support processes are mitigated within the group or, to the extent expedient, transferred to third parties. We generally do not assume risks that are not related to core processes or support processes. Risks that are likely to materialise are included in our business plans and our outlook.



## Risk management details clearly defined

We ensure the coordinated application of risk management tools by setting out all relevant facts in our corporate regulation. These include the Articles of Association and by-laws of group companies, internal group guidelines and our group-wide risk management guideline, which defines

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

Based on the internationally recognised COSO II standard, the risk management framework addresses the 3 levels of risk management: corporate objectives, processes and organisation.

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

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

On the second risk management level – the process level – the definition of objectives also serves as the starting point for risk mapping. In this context, we identify, classify and manage risks that would jeopardise or inhibit the achievement of our objectives, should they materialise. We also work with a list of standardised risks which must be assessed by the risk units. This ensures that all typical operational risks that apply to our business operations are validated. As a rule, we consider all external and internal risks.

On the third level, clusters are delineated in terms of functional categories based on the group's organisational structures, such as procurement, sales, human resources or real estate. We generally assess risks over a prospective 1-year period, strategic risks cover at least the medium-term planning horizon (3 years). METRO monitors and assesses longer-term risks and

opportunities, for example related to climate change, using its issues management system. The Corporate Public Policy department's Issues Management unit continuously monitors and identifies topics of special interest and media issues of relevance to the group. This enables us to address the public debate with swift, clear and uniform statements. The group's issues management and risk management systems are closely interconnected.

### Risk classification

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

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

All risks are assessed on the basis of their potential impact at the time of the risk analysis and before potential risk-minimising measures (presentation of gross risks, meaning before the implementation of risk-limitation measures).

### Risk units

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

## Presentation of the risk position

We have allocated the entire METRO risk portfolio to risk groups. In addition to general risks, the Manage-

ment Board of METRO AG identified and assessed the particularly relevant risks (gross risks) METRO was exposed to during the reporting period. These are listed in the following overview.

Risk group	No.	Particularly relevant risks 2016/17	Potential extent of damages	Probability of occurrence	
Risks related to the business environment	1	Macroeconomic and political risks	Significant	Low	
	2	Interruption of business activities	Significant	Low	
Specific industry sector risks	3	Challenges in the business model	Material	Possible	
	4	Real estate risks	Deficient rental cover	Minor	Likely
Economic performance risks	5	Supplier and product risks	Quality risks	Significant	Low
Financial risks	6	Planning reliability	Significant	Possible	
	7	Strategic risks	Risks associated with the demerger	Significant	Unlikely
Other risks	8	Development of employee numbers and attractiveness as an employer	Moderate	Possible	
	9	Human resources risks	Failed collective bargaining negotiations at Real	Significant	Possible
	10	More stringent regulation on subsequent benefits	Moderate	Possible	
Other risks	11	Legal and tax risks	Tax risks	Moderate	Possible

## Transition of the reporting from the former METRO GROUP to the new METRO

Due to the thematic proximity and conceptual association, we have included the following risks reported in the previous year for the former METRO GROUP in risk no. 3 “challenges in the business model”: “insufficient implementation of the strategy and strategic projects”, “non-profitable use of selling space”, “insufficient or ineffective internal controls with regard to investment and costs related to expansion and construction as well as in operational processes” and “impairment of goodwill and assets”.

The risk “geopolitical situation in Russia / Ukraine” reported in the previous year has now been included in risk no. 1 “macro-economic and political risks”.

The risks bearing relevance in their own right are the following risks reported in the previous year: “interruption of business activities” (see risk no. 2), “budget and forecast reliability” (see risk no. 6 “reliability of planning”), “insufficient development and maintenance of talent pool” (see risk no. 8 “development of employee numbers and attractiveness as an employer”) and “more stringent regulation pertaining to deferred compensation” (see risk no. 10).

Judging by the current market environment, we believe that there is only a low probability of Standard & Poor’s lowering their current METRO credit ranking (BBB-) by 2 levels to BB. We have therefore assessed the associated risks as bearing little relevance. A separate representation as in the previous year (risk “rating downgrade METRO AG”) is therefore obsolete. The relevance of the risk “infringements against antitrust law” represented in the previous year has diminished and has therefore also been omitted.

The following sections outline the risks bearing particular relevance and the essential risk control measures. In principle, all group segments are affected.

### Risks related to the business environment

#### MACROECONOMIC AND POLITICAL RISKS (RISK 1)

As a company with global operations, METRO depends on the political and economic situation in the countries in which it operates. The fundamental business environment can change rapidly. Changes in political leadership, civil unrest, terrorist attacks or natural disasters can jeopardise METRO’s business. For the reporting year 2016/17, the political and economic situations in Russia, Ukraine, China and Turkey were of particular relevance. The potential risks include the loss of property and real estate assets, changes in the

exchange rate, trade restrictions, capital controls and regulatory restrictions. The stand-off between North Korea and the United States as well as the UK's withdrawal from the European Union (Brexit) are further threatening the entire global economy. A 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. Our international presence comes with the advantage of being able to balance the economic, legal and political risks as well as fluctuations in demand between the countries.

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

#### INTERRUPTION OF BUSINESS ACTIVITIES (RISK 2)

Our business operations could, for example, be interrupted by a failure of IT systems, natural disasters, pandemics or terrorist attacks. Important business processes such as purchasing/product ordering, marketing and sales have used IT systems for many years. Systems for online retailing must be continuously available, as these systems are a prerequisite for unlimited access outside normal store hours. As a result, the continuous availability of the infrastructure is a critical factor in the development and implementation of our IT solutions. Systems that are essential for business operations in the stores, especially checkouts, are largely self-contained and can continue to be used for some time even during events such as network failures or the failure of central systems. In case of partial network failures, they can automatically reroute data or switch to redundant routes. Modern technologies such as remote server management and cloud computing allow us to use our hardware efficiently. In addition, our centralised IT systems can be quickly restored in the event of one or several servers failing. We operate several central IT centres, which enables us to compensate for major business interruptions or limit their duration to the absolute minimum. We also have a contingency plan to restore IT centres in Germany after extended outages (that is outages caused by fire, natural disasters or criminal actions). We also prepare ourselves for the risk of an interruption of our business activities by employing a comprehensive business continuity management system. A professional crisis management allows for a rapid crisis response and thereby ensures the protection of our employees and customers. This includes evacuation plans, training measures and specific instructions. We insure ourselves against the loss of tangible assets and any impending loss of revenues or profits resultant from business interruptions wherever it is possible and serves the purpose.

#### Specific industry sector risks

##### RISKS RELATED TO THE RETAIL BUSINESS

#### CHALLENGES IN THE BUSINESS MODEL (RISK 3)

The retail and wholesale trade in the saturated markets of Western Europe is characterised by rapid changes and fierce competition. A fundamental risk is consumers' fluctuating propensity to consume. Changes in consumer behaviour and customer expectations pose additional risks, among others, in the face of demographic change, rising competition and increasing digitisation. A failure to adequately address our customers' needs and price developments, or if we miss trends with regard to our assortments or appropriate sales formats and new sales channels, could potentially impede the development of our sales and income and also jeopardise our objectives in terms of growth and profitability. We address these risks by developing country-specific customer-focused Value Creation Plans. The operating partners and international working groups (federations) monitor and support the implementation and achievement of objectives. We are, for example, expanding our range of regionally traded products in all sales lines and are progressively gearing our assortments to meet our customers' increasing demands with regard to environmental, social and health considerations. We are also expanding our sales channels by employing a multi-channel strategy to grow our delivery business and online activities. Franchise concepts are used to develop new store locations. At the same time, we are monitoring our competitors even more closely. Our various strategic projects aim at further optimising our purchasing and sales processes and to create additional value for our customers. We aim at achieving sustainable growth in our revenues and income and to ensure the recoverability of assets and thereby master the challenges faced by our business model. As a wholesale and food specialist, we want to further increase our customer focus, accelerate our growth, simplify our structures and increase the implementation speed, thereby improving our overall operational performance. Decisions on new store locations are subject to an extensive assessment. As we continually monitor the profitability of our store network, we can identify adverse developments at individual stores or retail outlets at an early stage and respond quickly. In the event our measures fail to secure success and it appears to be unlikely that the situation will change in a sustainable way, we dispose of the respective outlet. This allows us to continually optimise our store network.

## REAL ESTATE RISKS

### DEFICIENT RENTAL COVER

(RISK 4)

Loss of rental income caused by insolvencies of third-party tenants and the risk of vacant and unused sales floor entail the risk of a deficient rental cover or an impairment of the underlying asset. We counter these risks with our strategic and operational real estate management and anticipatory investment planning. Our active real estate management is primarily designed to increase the value of our entire real estate portfolio and is based on continuous market monitoring, transparent profitability audits and strategic decisions. We counteract the risk of rent losses by continuously monitoring rent payments and renegotiating leases at an early stage. In addition, we drive the search for new tenants with good credit histories and the development of new usage concepts for our real estate.

### Economic performance risks

#### SUPPLIER AND PRODUCT RISKS

##### QUALITY RISKS

(RISK 5)

As a wholesale and retail company, METRO depends on external producers and service providers. We select our suppliers very carefully, especially for our own-brand products. We place a particularly high priority on the reliability of our own-brand suppliers with regard to product quality and compliance with safety and social standards as well as suppliers' own compliance efforts. Defective or unsafe products, exploitation of the natural environment, inhumane working conditions or infringements against our compliance standards could potentially cause major damage to the reputation of METRO and pose a lasting threat to the company's success. We therefore continuously audit our own-brand suppliers to assess their adherence to METRO's stringent procurement and compliance standards. These include the food safety and quality standards recognised by the Global Food Safety Initiative (GFSI), such as the International Food Safety Standard and the GLOBALGAP certification for agricultural products. The standards help to ensure the safety of foods on all cultivation, production and sales levels. Own-brand suppliers without a recognised and valid audit certificate may qualify for preliminary inclusion in METRO's supplier base by undergoing and passing a special assessment (METRO Assessment Solution) conducted by an accredited certification body. Violations of conditions can lead to exclusion from our supplier network or, in the case of unacceptable production methods, to a product being blacklisted. Should a quality incident occur despite these measures, the process steps for resolving interruptions and incidents described in our manual will set out the procedure to resolve the incident in the interest of our customers. We additionally evaluate potential improvements to our quality assurance systems.

We are not the only ones who have these concerns. Our customers place priority on quality and safety and are becoming increasingly interested in the environmental and social sustainability of the products sold in our stores and of the processes used to produce these products. For this purpose, METRO adopted a group-wide purchasing policy for a sustainable supply chain and procurement management that applies to all products. One of our focal points is promoting humane working conditions at our suppliers, for which we have implemented numerous measures. For example, our own-brand suppliers are required to uphold fundamental human rights and to guarantee fair working conditions. Our supplier contracts stipulate for compliance to be established in the form of an audit based on the BSCI (Business Social Compliance Initiative) standards or equivalent standards. This requirement applies to all suppliers of own-brand non-food products who manufacture end products in high-risk countries defined by the BSCI. We assist our suppliers in creating fair and humane working conditions by offering them targeted training programmes. As a signatory to the Bangladesh Accord on Fire and Building Safety, we are working to increase safety in the factories of all our suppliers producing in Bangladesh. Our effort to minimise our ecological footprint is exemplified in METRO's membership in the Roundtable on Sustainable Palm Oil (RSPO). We have committed ourselves to only using certified sustainable palm oil in our own-brand products from 2020 onward. For products made from timber or paper, we use supplier certifications to ensure that the timber was sourced from sustainable forestry rather than illegal logging.

— **For more information about our social responsibility and environmental protection activities, see chapter 2 principles of the group – 2.4 sustainability management.**

### Financial risks

#### PLANNING RELIABILITY

(RISK 6)

Unexpected deviations from the budget or the forecast could potentially result in METRO missing its budget targets and making wrong business decisions.

We therefore place a high priority on measures designed to mitigate these risks. We do so by consistently implementing strategic measures that are directed at improving our income position. We support the operational units in their pro-active implementation of the strategy by providing them with value creation plans. We also mitigate risks by conducting effective internal controls, a closer interlocking of strategic planning and the budgeting process as well as a greater involvement of the supervisory bodies. The fact that our financial year differs from the calendar year allows us a high degree of planning certainty at an early stage, with the highly profitable Christmas quarter being the first quarter of our financial year. The forecast report offers insights into our expectations for the development of our business in the coming financial year.

- **For more information about financial risks and their management, see the notes to the consolidated financial statements in no. 43 - management of financial risks.**

## Other risks

### STRATEGIC RISKS

#### RISKS ASSOCIATED WITH THE DEMERGER (RISK 7)

The demerger of METRO GROUP was concluded on 13 July 2017 with the initial listing of METRO AG shares on the stock exchange. The former METRO GROUP has split into a wholesale and food specialist (new METRO AG) and a company focused on consumer electronics and services (CECONOMY AG, formerly METRO AG). The demerger may incur additional legal risks adding to the tax risks inherent in the implementation. In particular, these risks are: Prospectus liability, meaning shareholder claims stemming from share trading with insufficient information, continuing liability for all liabilities of CECONOMY AG existing as of the effective date of the demerger/split for a period of 5 years, and liability risks stemming from legal claims by shareholders of the former METRO AG in relation to the demerger. METRO AG has given an undertaking to absorb these costs under the demerger agreement. We are preparing for any potential complaints by way of legal defence strategies. Potential claims resulting from prospectus liability are covered by a prospectus insurance policy. We are continuously monitoring the financial position of CECONOMY AG.

#### Human resources risks

##### DEVELOPMENT OF EMPLOYEE NUMBERS AND ATTRACTIVENESS AS AN EMPLOYER (RISK 8)

The expertise, dedication and motivation of our employees are crucial success factors for METRO's success in a competitive market. One prerequisite for achieving our strategic goals are highly qualified experts and managers. It is an ongoing challenge to recruit and retain these valuable employees for the group, in particular in the face of demographic change and fierce competition for the best talent. Intra-company programmes for the continued qualification of employees and the strengthening of corporate culture are also indispensable. Variable, performance-based remuneration components based on company targets and personal goals are designed to stimulate our employees' performance. We also conduct annual performance reviews with our employees to assess the past year and agree on future measures for professional development. Targeted training programmes, which we implement in cooperation with various partners, allow us to attract young people to start their career at METRO and to foster their development with an eye on their individual personal strengths. In Germany in particular, METRO companies place great value on in-house training and apprenticeship pro-

grammes. We ensure the success of our succession planning by offering tailor-made career and professional development plans, in particular on senior management level.

##### FAILED COLLECTIVE BARGAINING NEGOTIATIONS AT REAL (RISK 9)

The potential failure of the collective bargaining negotiations would incur a risk for our Real sales line. In the event no new collective arrangement has been agreed by March 2018, the parties to the future collective agreement have a right to terminate the negotiations. If this happens and the parties walk away from the negotiating table, the current arrangement of a temporary reduction of the holiday and Christmas allowances would cease. At the same time, the adjustment to match the regional collective agreement for the retail industry will be different than in the case of a future collective agreement. This situation and the circumstance that no new and competitive salary structure is available to newly hired employees would result in a significant increase of personnel expenses and would also manifest the existing competitive disadvantage that Real currently suffers, contrary to retailers who are not bound by a collective agreement. A group of experts, chaired by the general management of Real, developed measures and alternatives to mitigate the risk of excessive personnel expenses in the case the future collective agreement is terminated.

- **For more information about METRO's human resources policy, see chapter 2 principles of the group - 2.5 employees.**

#### Legal and tax risks

##### MORE STRINGENT REGULATION ON SUBSEQUENT BENEFITS (RISK 10)

In addition to purchase price agreements, we also enter into agreements on so-called subsequent benefits with the suppliers of merchandise for our wholesale and retail operations. These agreements are concerned with purchasing terms and conditions, such as product-specific deferred discounts, reimbursement of expenses or remuneration for services, such as advertising or other marketing-related services.

We have observed tendencies to subject agreements on subsequent benefits between buyers and suppliers to increased regulatory restrictions. This is mainly the case in the Eastern European countries, but has also been observed in other METRO countries, including in the EU. Some of these restrictions go as far as prohibiting certain contractual terms. Antitrust law is at the same time utilised to counter a presumed relative market power by introducing regulation that interferes with terms in a way that entails unilateral impediments for retailers and wholesalers.

We continuously and systematically monitor the risks stemming from increasing regulation. We address these tendencies to excessive regulation in a preventa-

tive approach by continually adjusting our contractual relationships with suppliers in the concerned jurisdictions, with the aim of ensuring any subsequent benefit arrangement complies with the applicable laws at all times. We also take care to appropriately provide for the respective limitation periods under civil law. We analyse the historical structures of supplier terms and conditions in the context of a transformation programme spanning over a number of years and modernise the terms as required. Without active management, there would be a risk that added value in the form of subsequent benefits in selected product groups and/or countries could no longer or only partially be collected as a result of changes to the regulatory framework. This would have corresponding results on the total comprehensive income.

— **For more information about legal affairs, please see notes to the consolidated financial statements in no. 46 – remaining legal issues.**

#### TAX RISKS

(RISK 11)

Tax risks can primarily arise in relation to the evaluation of financial matters by the financial administration (including transfer price issues). Additional risks may result from differing interpretations of sales tax (VAT) regulations. The Corporate Group Tax department of METRO AG has established appropriate guidelines to ensure early detection and minimisation of tax risks. These risks are regularly and systematically examined. The resultant risk mitigation measures are then coordinated between all persons involved.

### Presentation of opportunities

METRO has numerous opportunities to ensure a sustainable positive development of its business. These opportunities mainly arise from our efforts to align our business to the needs of consumers and commercial customers. Our key goal is to create additional value for our customers. We do so by developing new sales channels and by seizing the opportunities resultant from demographic trends and the increasing differentiation of the mature markets in Western Europe, as well as population growth in developing and emerging countries. We analyse the relevant global and national trends and make decisions aimed at systematically seizing future opportunities and to carve out competitive advantages.

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

An unexpected improvement of the economic and political framework conditions in one of the METRO countries or on global scale could potentially improve sales, costs and income performance. METRO operates in a large number of markets where we could potentially benefit from this development. Opportuni-

ties could arise from a sustained positive geopolitical and macroeconomic development in Southern Europe and the Russia/Ukraine region – for example in the form of a recovery of foreign exchange rates.

#### Opportunities from increases in value

Significant potential for additional increases in value may arise from the acquisition of selected companies, particularly in business segments of strategic importance. We see opportunities in the further development of our delivery business and in reinforcing our B2B e-commerce activities.

The existing minority interests held by METRO – for example in start-up companies – offer the opportunity for additional increases in value if those companies were to develop faster and better than expected. We also intend to solidify and expand the leading position our company has already attained in numerous markets. Weaker market players in countries where the macroeconomic situation has deteriorated, for example in Russia or Ukraine, have retreated from the market. We aim to fill the resultant gaps in these markets or acquire individual local outlets where expedient for our purposes. The fact that competitors are retreating from the market may also result in METRO increasing its own market share.

We see additional potential for value increases in possible development projects for our existing real estate assets and an optimised facility management.

Innovations and the digitisation are areas with excellent potentials for realising increases in value. We are convinced that the consistent implementation of innovative ideas relating to the progressing digitisation will increasingly shape the future of the wholesale and retail industry. This may give rise to new business models, which in turn may present a variety of opportunities.

By establishing the HoReCa Digital business unit, we have prepared ourselves for taking advantage of significant opportunities arising from a potentially faster than expected digitisation in the HoReCa segment and other business segments. Our METRO Accelerator programme powered by Techstars is a cooperation project with US-based company Techstars and allows us to monitor trends worldwide and to promote digital solutions for the hospitality, wholesale and retail segments offered by innovative start-up companies.

#### Opportunities from efficiency improvements

The expansion of joint ventures and cooperation projects could potentially result in reduced operational expenses. An unexpected positive development of our cost base (by reduced energy costs) could deliver further cost savings. In addition to the resolute exploitation of cost reduction potentials, continuous process optimisation measures could potentially have a positive effect on the development of our business if they are implemented in a time frame shorter than expected.

### **Management's overall assessment of opportunities and risks**

The Management Board and the Supervisory Board of METRO AG are regularly informed about the company's risk and opportunities situation. Our assessment of the company's current situation went beyond an evaluation of isolated risks and opportunities. We have also analysed interdependencies and assessed them in terms of their likelihood of occurrence and implications. Our assessment indicates that the overall risks are manageable. The identified individual and cumula-

tive risks do not present risks that could possibly compromise the continuity of the company due to illiquidity or excessive indebtedness within a period of at least 1 year. We are confident that METRO's earnings performance offers a solid foundation for the sustainable positive development of our business and the utilisation of numerous opportunities. Our assessment is also reflected in the credit rankings assigned to METRO. The Management Board of METRO AG currently does not expect any fundamental change in the risk and opportunities situation.

## 6 REMUNERATION REPORT

The Remuneration Report describes the remuneration system for the Management Board and the Supervisory Board in accordance with the statutory provisions of the German Commercial Code and the recommendations of the German Corporate Governance Code and establishes the remuneration amount of the members of the Management Board and the Supervisory Board in individualised form and according to remuneration components.

The Supervisory Board of METRO AG decides on the remuneration system for the Management Board and reviews it on a regular basis. The Presidential Committee, chaired by the Chairman of the Supervisory Board, prepares the proposed resolutions for the full Supervisory Board. The remuneration system underlying financial year 2016/17 was approved by the Supervisory Board on 2 March 2017 and confirmed on 31 August 2017.

### The remuneration system for members of the Management Board

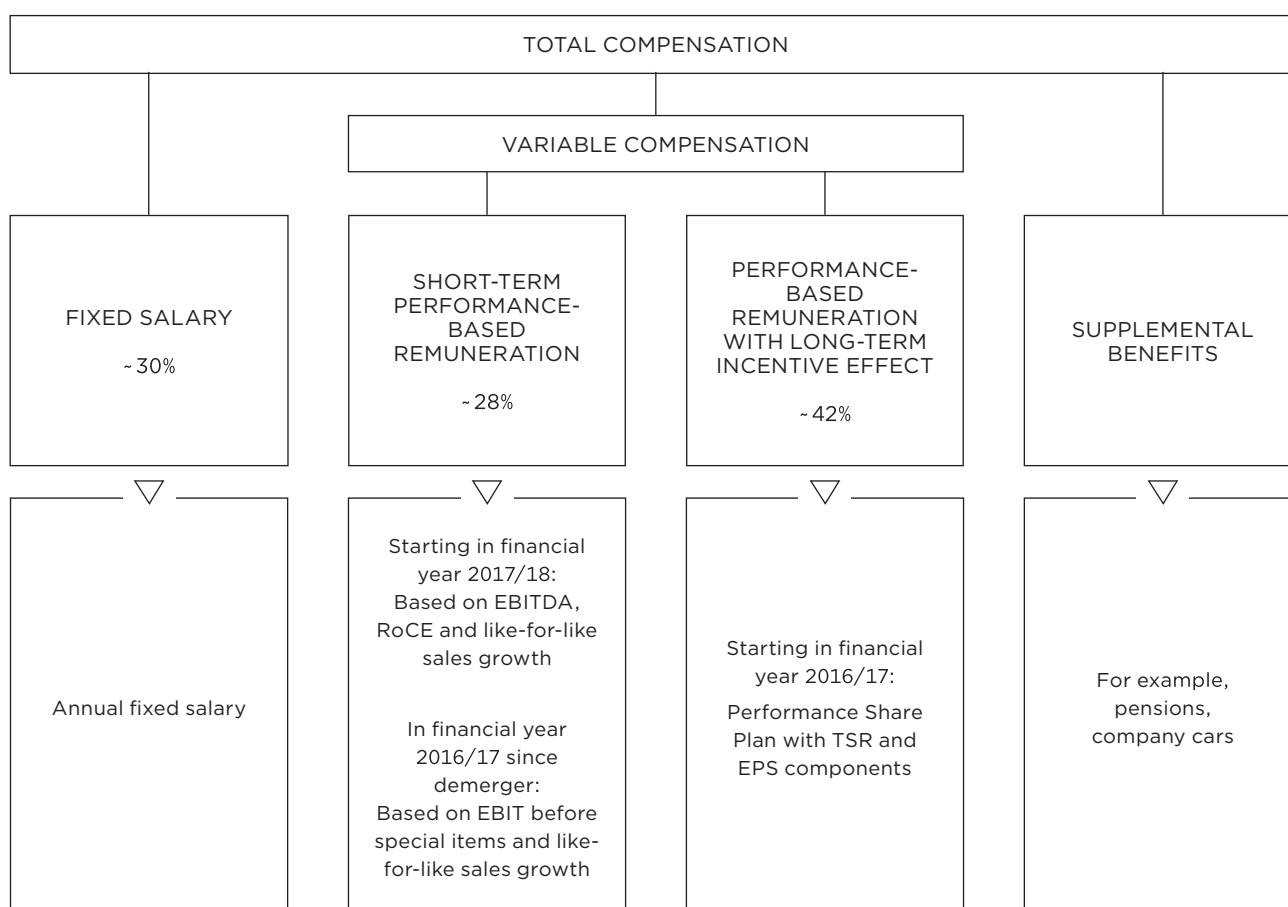
Mr Koch, Mr Boone and Mr Hutmacher were appointed as members of the Management Board of METRO AG with effect from 2 March 2017 (Mr Koch was simultaneously appointed as Chairman of the Management Board) and Mr Baier with effect from 11 November 2016.

The service contracts of Mr Koch, Mr Boone and Mr Hutmacher came into force with effect from 13 July 2017, which is the day the demerger entered into force; Mr Baier's service contract already came into force on 2 March 2017.

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

- a fixed salary,
- a short-term performance-based compensation,
- a performance-based remuneration with long-term incentive effect,
- a post-employment benefits plan as well as
- non-monetary and supplemental benefits.

#### THE REMUNERATION SYSTEM FOR MEMBERS OF THE MANAGEMENT BOARD<sup>1</sup>



<sup>1</sup> Schematic diagram - percentage of the target values of fixed and variable remuneration.



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

According to the recommendation of the German Corporate Governance Code, the compensation for each member of the Management Board is limited in individual amounts; in each case with regard to the individual compensation components and also in total (total disbursement cap). The upper threshold of remuneration for the financial year amounts to €8,034,800 for Mr Koch, €4,048,600 for Mr Baier, €6,043,600 for Mr Boone and €6,123,600 for Mr Hutmacher.

Insofar as a member of the Management Board negligently or intentionally violates his duties and the company incurs damage as a result of it, the Supervisory Board has the right to withhold payment of the remuneration of this member of the Management Board in full or in part. A so-called clawback clause (repayment agreement), which in the event of a negative development provides for the recovery of payments made in the past from variable remuneration components, was not agreed with the members of the

Management Board, since payments from the short-term performance-based remuneration and the performance-based remuneration with a long-term incentive effect only take place after fulfilment of the performance targets and termination of the performance period. Without prejudice to this, a reduction of future payments to be paid in the event of a deterioration of the company's position according to § 87 Section 2 of the German Stock Corporation Act (AktG) remains.

#### Fixed salary

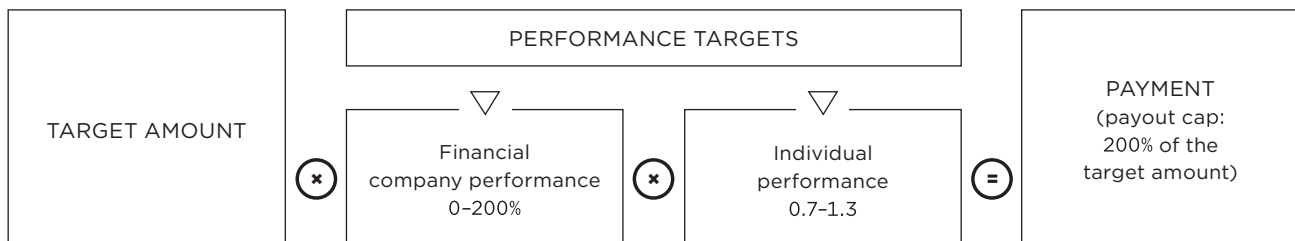
The fixed salary is contractually set and is paid in monthly instalments.

#### Short-term performance-based remuneration (short-term incentive/STI)

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

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

#### SHORT-TERM INCENTIVE



Schematic diagram.

The short-term incentive for financial year 2016/17 for the period from 13 July 2017 to 30 September 2017 for Mr Koch, Mr Baier, Mr Boone and Mr Hutmacher is based on the following parameters of the group:

- like-for-like sales development (sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as delivery and online business) at 50%,
  - exchange rate - adjusted earnings before interest and taxes (EBIT) before special items at 50%,
- in each case based on the target amount.

The thresholds for target achievement were determined by the Supervisory Board on the basis of quar-

terly targets and taking into account the budget planning of the group.

The short-term incentive for Mr Baier is based on the following parameters of METRO Cash & Carry (Wholesale) for financial year 2016/17 for the period from 2 March 2017 to 12 July 2017 (effective date of the demerger):

- like-for-like sales development (sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as delivery and online business) at 30%,
- exchange rate - adjusted earnings before interest and taxes (EBIT) before special items at 30%,
- Cash flow at 30%,

- Customer satisfaction (Customer Satisfaction Pulse) at 10%, in each case based on the target amount.

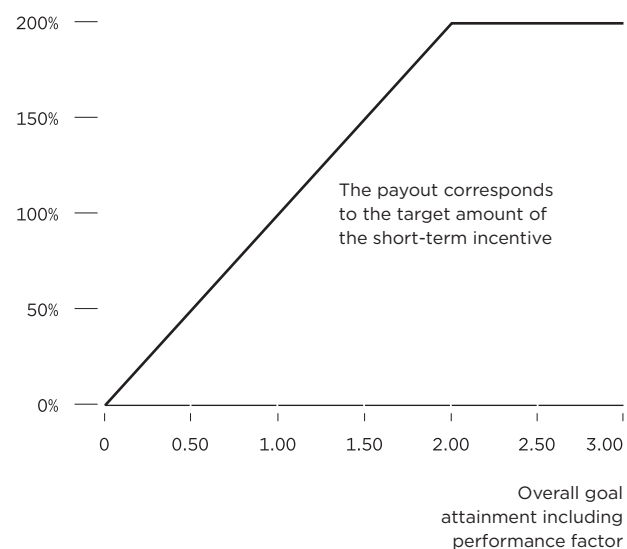
The thresholds for goal achievement were set by the Supervisory Board, taking into account the budget planning of the group for METRO Cash & Carry.

To determine whether a goal has been achieved, a lower threshold/barrier of entry and a target value of 100% goal achievement were defined for each performance target. A factor is allocated to the specific degree of goal achievement for each performance target:

- If the degree of goal achievement is 100%, the factor is 1.0.
- If the degree of goal achievement is lower or equal to the barrier of entry, then the factor is 0.0.
- In the case of intermediate values and values over 100%, the factor for goal achievement is calculated using linear interpolation and/or extrapolation.

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

**SHORT-TERM INCENTIVE - DISBURSEMENT CALCULATION**



The payout amount of the short-term incentive is limited to a maximum of 200% of the individually determined target value (payout cap).

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

The short-term incentive of the members of the Management Board is payable 4 months after the end of the financial year, but not before approval of the annual and consolidated financial statements for the incentivised financial year.

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

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

**PERFORMANCE SHARE PLAN (FROM FINANCIAL YEAR 2016/17)**

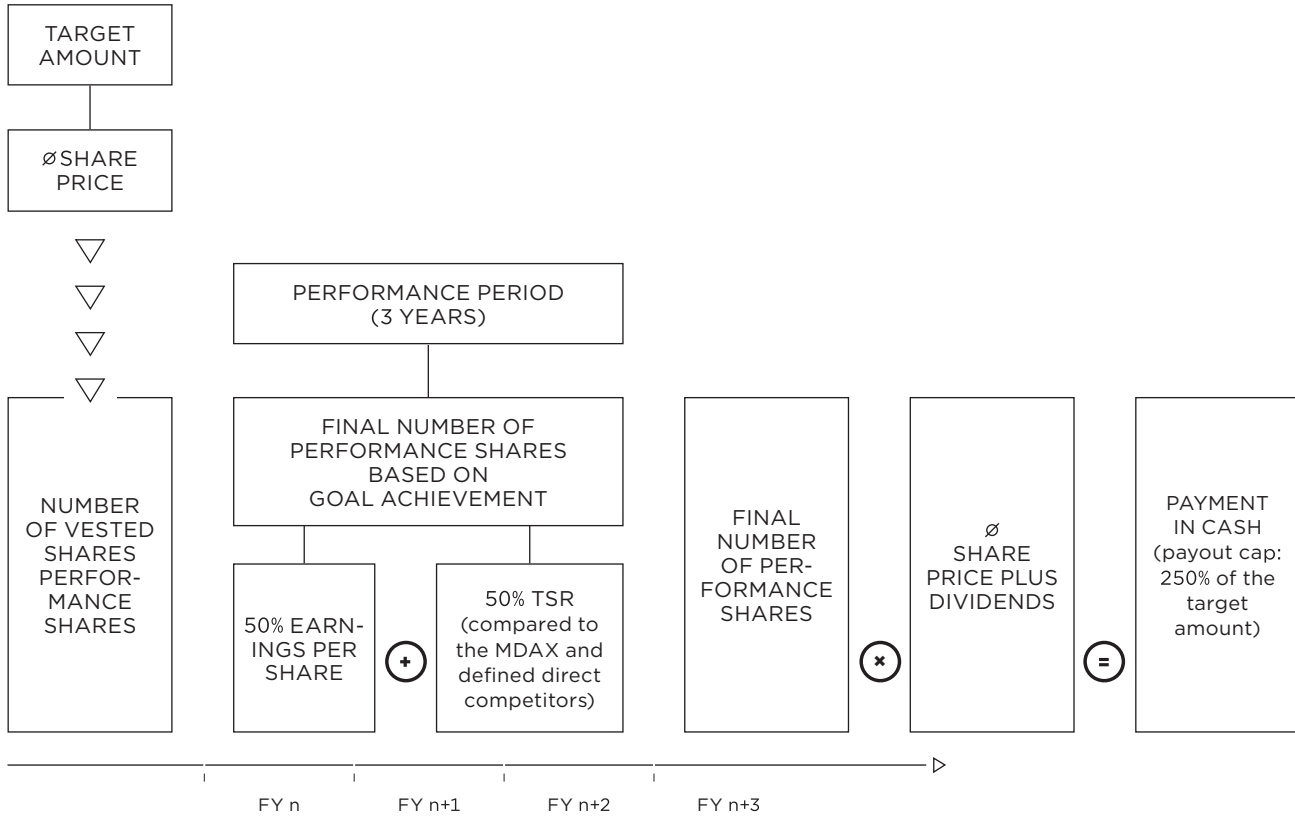
The annual tranches of the so-called performance share plan and their associated performance targets generally have a multi-year assessment basis. The performance period is usually 3 years. The payout amount is limited to a maximum of 250% of the individually determined target value (payout cap). In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

Each member of the Management Board is initially allocated conditional performance shares, the amount of which corresponds to the quotient of the individual target amount and the average of the share price of the company's ordinary share upon allocation. The decisive factor here are the average Xetra closing prices of the company's ordinary share over a period of 40 consecutive stock exchange trading days immediately after the Annual General Meeting of the company in the year of the allocation. An exception to this is the 2016/17 tranche of the performance share plan, which is based on the average Xetra closing prices of the company's ordinary share over a period of 40 consecutive stock exchange trading days beginning on 13 July 2017, the initial listing date of the share.

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

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

**LONG-TERM INCENTIVE**

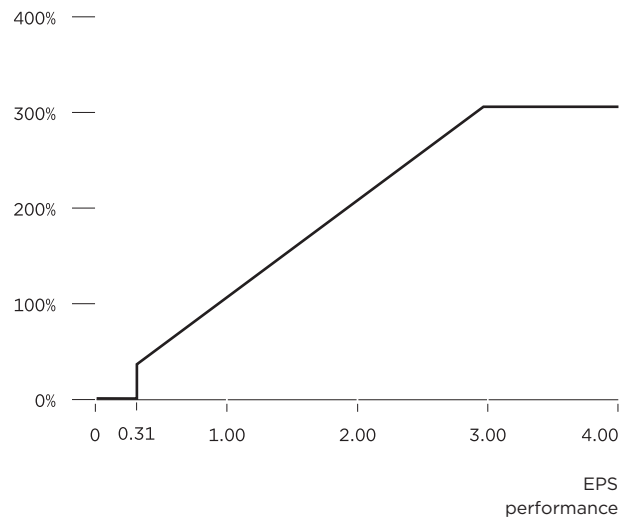


Schematic diagram.

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

- If the degree of goal achievement at the end of the performance period is 100%, the factor is 1.0.
- If the degree of goal achievement is lower or equal to the barrier of entry, then the factor is 0.0. The barrier of entry for the respective tranches is determined by the Supervisory Board. For the tranche granted in financial year 2016/17, the entry barrier amounts to 31% of the goal achievement.
- In the case of intermediate values and values over 100% up to a maximum of 300%, the factor for goal achievement is calculated using linear interpolation and/or extrapolation.

**DETERMINING THE GOAL ACHIEVEMENT OF THE EPS COMPONENT**



The goal achievement factor of the **TSR component** is measured by how the total shareholder return of the company's ordinary share develops in the performance period relative to a defined benchmark index and to a defined comparison group. Indeed, it develops at half the rate compared to the development of

the MDAX TSR over the same period and the development of the average TSR of a defined comparison group of direct competitors over the same period as the TSR of the company. The TSR value of the comparison group of the direct competitors is determined individually for the members of the comparison group and then the arithmetic average is established. The comparison group of direct competitors consists of the following companies: Bid Corp, Bizim Toptan, Marr, Eurocash Group, Performance Food Group, US Foods, Sysco and Sligro. Only companies that are listed for the entire performance period are included in this group. If TSR values are available for less than 6 companies in this comparison group, then the METRO TSR will be fully compared with the MDAX TSR and no comparison with the group of direct competitors will be made.

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

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

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

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

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

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

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

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

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

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

#### SHARE OWNERSHIP GUIDELINES

The performance share plan simultaneously introduces the so-called share ownership guidelines. As a prerequisite for the payment of performance shares in cash, the members of the Management Board are obligated for each tranche to develop a self-financed investment in ordinary shares of the company by the end of February in the third year of the performance period. The amount to be invested per tranche for the Chairman of the Management Board is two thirds of his gross annual fixed salary and for a full member of the Management Board 50% of his or her gross annual fixed salary. The plan aims to ensure that, after no more than 5 years of service, the Chairman of the Management Board has invested 200% and a full member of the Management Board 150% of his or her gross fixed salary in ordinary shares of the company, based on the notional purchase price for the respective shares. The

purchase price and therefore the number of ordinary shares to be acquired is based on the average price of the Xetra closing prices of the company's ordinary share over the 40 consecutive stock exchange trading days immediately after the balance sheet press conference, which takes place before February in the third year of the performance period. It corresponds to the quotient of the amount to be invested, which results from the gross annual fixed salary and the determined average price. If the self-financed investment in ordinary shares of the company is not, or not fully, met on the relevant closing date, the payout amount will initially be paid out in cash, but with the obligation to invest it in ordinary shares of the company until the share ownership guidelines are met.

#### **Transfer of long-term incentives in connection with the demerger**

Irrespective of the performance share plan, the members of the Management Board were granted 2 long-term incentive tranches in financial year 2016/17. Of the 2014/15 and 2015/16 tranches of the sustainable performance plan version 2014, which were granted by the former METRO AG (now: CECONOMY AG) prior to the demerger, the remaining target amounts for the period from the day after the demerger took effect were transferred to today's METRO AG until the end of the performance period. The goal achievement of the former 2014/15 tranche was linked to the parameter return on capital employed before special items (RoCE) related to financial year 2016/17 and the target achievement of the former 2015/16 tranche in the earnings per share (EPS) parameter for financial year 2017/18. In order to determine the goal achievement, the Supervisory Board set thresholds for both tranches: a lower threshold/barrier of entry for each and a target value of 100% for target achievement. The goal achievement of the respective tranche is used to determine the factor which, multiplied by the individual target amount, results in a cash payment in euros at the end of the performance period of the tranche:

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

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

The performance period of the tranche linked to the RoCE performance target ends after the 40th stock exchange trading day after the Annual General Meeting of the company in 2018. The performance period of the tranche linked to the EPS performance target has been reduced from the original 4-year term to 3 years and ends after the 40th stock exchange trading day after the Annual General Meeting of the company in 2019.

#### **Post-employment benefits plans**

The members of the Management Board receive post-employment benefits plans in the form of employer's commitments. The commitment of the former METRO AG (now: CECONOMY AG) to the post-employment benefits plans was transferred with all rights and obligations to today's METRO AG and continued unchanged. The financing is provided jointly by the Management Board and the company. This is based on an apportionment of "7 + 14". When a member of the Management Board makes a contribution of 7% of his or her defined basis for assessment, the company will contribute twice the amount. The assessment is based on the amount of the fixed salary and the target amount of the short-term incentive. When a member of the Management Board leaves the company before retirement age, the contributions retain the level they have reached. This component is congruently reinsured by Hamburger Pensionsrückdeckungskasse VVaG (HPR). The interest rate for the contributions is paid in accordance with the Articles of Association of the HPR with regard to profit participation, with a guarantee applying to the paid-in contribution.

Entitlement to pension plans exists

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

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

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

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

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

Severance payments in cases of premature terminations of management roles with no urgent reason are limited to 2 annual remunerations (severance cap) and must not exceed the remuneration that would be paid

for the remaining term of the employment contract. The recommendation by the German Corporate Governance Code is observed.

In the event of a change of control, the members of the Management Board may exercise their right to resign from their office, within 6 months after the change of control, for good cause at the end of each month by giving 3 months prior notice. They may also terminate their management contract with effect on the same date (extraordinary termination right).

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

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

payment lapses if the employment was terminated by the company for good cause pursuant to §626 of the German Civil Code (BGB).

In addition, the service contracts of the members of the Management Board generally provide for a post-contractual non-compete clause. They are prohibited from providing services to or for a competitor for a period of 12 months after termination of the service contract. For this purpose, compensation for non-competition has been agreed which corresponds to the target salary consisting of the fixed salary, short-term incentive and long-term incentive for the duration of the post-contractual non-compete clause and is paid in monthly instalments. These payments will be credited with other compensation earned by the other use of the workforce. The company has the option of waiving the post-contractual non-compete clause prior to or upon termination of the service contract, while observing cancellation periods.

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

#### Supplemental benefits

The supplemental benefits granted to members of the Management Board include non-cash benefits and expense allowances (for example, company cars).

### REMUNERATION OF THE MANAGEMENT BOARD IN FINANCIAL YEAR 2016/17<sup>1</sup>

€1,000	Financial year	Fixed salary	Supplemental benefits	Short-term performance-based remuneration	Performance-based remuneration with long-term incentive effect		Total <sup>5</sup>	(Effective salary <sup>6</sup> )
					Value of the granted tranches <sup>4</sup>	(Payment from tranches granted in the past)		
	Olaf Koch <sup>2</sup>	2015/16	-	-	-	-	-	-
		<b>2016/17</b>	<b>261</b>	<b>4</b>	<b>323</b>	<b>1,303</b>	<b>(0)</b>	<b>1,891</b>
	Christian Baier <sup>3</sup>	2015/16	-	-	-	-	-	-
		<b>2016/17</b>	<b>406</b>	<b>7</b>	<b>334</b>	<b>660</b>	<b>(0)</b>	<b>1,407</b>
	Pieter C. Boone <sup>2</sup>	2015/16	-	-	-	-	-	-
		<b>2016/17</b>	<b>196</b>	<b>4</b>	<b>220</b>	<b>782</b>	<b>(0)</b>	<b>1,202</b>
	Heiko Hutmacher <sup>2</sup>	2015/16	-	-	-	-	-	-
		<b>2016/17</b>	<b>196</b>	<b>4</b>	<b>220</b>	<b>977</b>	<b>(0)</b>	<b>1,397</b>
	<b>Total</b>	<b>2015/16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>2016/17</b>	<b>1,059</b>	<b>19</b>	<b>1,097</b>	<b>3,722</b>	<b>(0)</b>	<b>5,897</b>

<sup>1</sup> Statements pursuant to § 285 Sentence 1 No. 9 a and § 314 Section 1 No. 6 a of the German Commercial Code (HGB) (excluding provisions for post-employment benefits plans).

<sup>2</sup> Service contract with the company since 13 July 2017.

<sup>3</sup> Service contract with the company since 2 March 2017.

<sup>4</sup> Shown here is the fair value at the time of granting the tranche 2016/17 of the performance share plan; no information on the transferred LTI tranches, which according to German Accounting Standards (DRS 17) may not be disclosed as a non-equity-based LTI until the claims have been fully settled.

<sup>5</sup> Total of the columns fixed salary, supplemental benefits, short-term incentive and value of the granted tranche of the long-term incentive.

<sup>6</sup> Total of the columns fixed salary, supplemental benefits, short-term incentive and payout from the tranches of the long-term incentive granted in the past.

Pursuant to the German Corporate Governance Code, the remuneration received by the Management Board is as follows, according to the tables “benefits granted” and “accruals”:

**BENEFITS GRANTED**

	Olaf Koch <sup>1</sup>				Christian Baier <sup>2</sup>			
	Chairman of the Management Board member of the Management Board since 2/3/2017				Chief Financial Officer member of the Management Board since 11/11/2016			
	2015/16	2016/17	2016/17	2016/17	2015/16	2016/17	2016/17	2016/17
€1,000			Minimum value	Maximum value			Minimum value	Maximum value
Fixed salary	-	261	261	261	-	406	406	406
Supplemental benefits	-	4	4	15	-	7	7	41
<b>Total</b>	-	265	265	276	-	413	413	447
1-year variable remuneration	-	244	0	488	-	314	0	628
Multi-year variable remuneration								
Transferred LTI with performance target RoCE (allocation 13/7/2017, end of performance period after the 40th trading day following the Annual General Meeting 2018)	-	413	0	1,033	-	43	0	107
Transferred LTI with performance target EPS (allocation 13/7/2017, end of performance period after the 40th trading day following the Annual General Meeting 2019)	-	1,108	0	2,770	-	381	0	952
Performance share plan <sup>3</sup> (allocation 7/9/2017, end of performance period after the 40th trading day following the Annual General Meeting 3 years after the issuance of the tranche)	-	1,303	0	4,000	-	660	0	2,025
<b>Total</b>	-	3,333	265	8,567	-	1,811	413	4,159
Pension expenditure	-	71	71	71	-	101	101	101
<b>Total remuneration</b>	-	3,404	336	8,638	-	1,912	514	4,260

<sup>1</sup> Service contract with the company since 13 July 2017.

<sup>2</sup> Service contract with the company since 2 March 2017.

<sup>3</sup> Shown here is the fair value at the time of granting the tranche.

Pieter C. Boone<sup>1</sup>

Heiko Hutmacher<sup>1</sup>

Chief Operating Officer  
member of the Management Board since 2/3/2017

Chief Human Resources Officer and Labour Director  
member of the Management Board since 2/3/2017

2015/16	2016/17	2016/17	2016/17	2015/16	2016/17	2016/17	2016/17
		Minimum value	Maximum value			Minimum value	Maximum value
-	196	196	196	-	196	196	196
-	4	4	15	-	4	4	33
-	200	200	211	-	200	200	229
-	183	0	366	-	183	0	366
-	43	0	107	-	310	0	775
-	665	0	1,662	-	831	0	2,078
-	782	0	2,400	-	977	0	3,000
-	1,873	200	4,746	-	2,501	200	6,448
-	55	55	55	-	53	53	53
-	1,928	255	4,801	-	2,554	253	6,501



**ACCRUALS**

	Olaf Koch <sup>1</sup>		Christian Baier <sup>2</sup>		Pieter C. Boone <sup>1</sup>		Heiko Hutmacher <sup>1</sup>	
	Chairman of the Management Board member of the Management Board since 2/3/2017		Chief Financial Officer member of the Management Board since 11/11/2016		Chief Operating Officer member of the Management Board since 2/3/2017		Chief Human Resources Officer and Labour Director member of the Management Board since 2/3/2017	
€1,000	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Fixed salary	261	-	406	-	196	-	196	-
Supplemental benefits	4	-	7	-	4	-	4	-
<b>Total</b>	<b>265</b>	<b>-</b>	<b>413</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>200</b>	<b>-</b>
1-year variable remuneration	323	-	334	-	220	-	220	-
Multi-year variable remuneration	0	-	0	-	0	-	0	-
Other	0	-	0	-	0	-	0	-
<b>Total</b>	<b>588</b>	<b>-</b>	<b>747</b>	<b>-</b>	<b>420</b>	<b>-</b>	<b>420</b>	<b>-</b>
Pension expenditure	71	-	101	-	55	-	53	-
<b>Total remuneration</b>	<b>659</b>	<b>-</b>	<b>848</b>	<b>-</b>	<b>475</b>	<b>-</b>	<b>473</b>	<b>-</b>

<sup>1</sup> Service contract with the company since 13 July 2017.

<sup>2</sup> Service contract with the company since 2 March 2017.

### Long-term incentive (performance share plan) in financial year 2016/17

For the tranche of the performance share plan granted in financial year 2016/17, the target amount for Mr Koch is €1.6 million, for Mr Baier €0.81 million, for Mr Boone €0.96 million and for Mr Hutmacher €1.2 million.

The number of performance shares (initially vested) distributed amounts to 93,349 for Mr Koch, 47,258 for Mr Baier, 56,010 for Mr Boone and 70,012 for Mr Hutmacher.

The value of the tranche distributed in financial year 2016/17 as part of the performance share plan was calculated at the time of granting by external experts using recognised financial-mathematical methods.

### PERFORMANCE SHARE PLAN

Tranche	End of the performance period	Starting price for the TSR component	Target amount Management Board as of 30/9/2017
2016/17	after the 40th trading day following the Annual General Meeting 3 years after issuance of the tranche	€17.14	€4,570,000

In financial year 2016/17, the expenses for the company relating to the ongoing tranches of share- and performance-based payment programmes with a long-term incentive effect consisted of €0.27 million for Mr Koch, €0.14 million for Mr Baier, €0.16 million for Mr Boone and €0.2 million for Mr Hutmacher.

As of 30 September 2017, the provisions for the members of the Management Board totalled €0.77 million.

**Post-employment benefits in financial year 2016/17 (including provisions for post-employment benefits plans)**

In financial year 2016/17, a total of €0.28 million according to International Financial Reporting Standards (IFRS) and €0.29 million according to the German Commercial Code (HGB) was used for the remuneration of the active members of the Management Board of METRO AG for benefits to be provided after the end of their employment. Of this total, according to IFRS, approximately €0.07 million accounted for pension plans for Mr Koch, approximately €0.1 million for Mr Baier, approximately €0.06 million for Mr Boone and approximately €0.05 million for Mr Hutmacher.

For post-employment benefits plans according to the German Commercial Code (HGB), approximately €0.07 million was allocated to Mr Koch, approximately €0.1 million to Mr Baier, approximately €0.06 million to Mr Boone and approximately €0.05 million to Mr Hutmacher.

Provisions according to IFRS and the German Commercial Code (HGB) amount to approximately €0.007 million for Mr Koch, approximately €0.004 million for Mr Baier and approximately €0.091 million for Mr Boone according to IFRS and approximately €0.095 million according to HGB. There is no need to establish provisions for Mr Hutmacher. The present value of the commitment volume according to IFRS and the German Commercial Code (HGB) amount to approximately €2.8 million for Mr Koch, approximately €0.5 million for Mr Baier, approximately €0.7 million for Mr Boone and approximately €1.9 million for Mr Hutmacher. With the exception of the provisions listed in the last paragraph, the present value of the commitment volume is offset by assets.

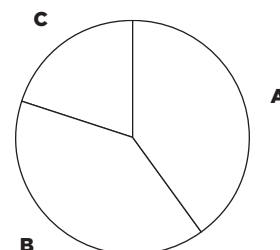
**Changes in the remuneration system starting in financial year 2017/18**

**Short-term performance-based remuneration (Short-term incentive)**

Starting in financial year 2017/18, the financial performance targets of the members of the Management Board are based on the following parameters of the group while maintaining the system of the short-term incentive:

- like-for-like sales development (sales growth in local currency on a comparable area or with respect to a comparable group of locations or merchandising concepts such as delivery and online business) at 40%
- exchange-rate adjusted earnings before deduction of interest, taxes, depreciation/amortisation/impairment losses/reversals of impairment losses on property, plant and equipment, intangible assets and investment property (EBITDA) at 40%
- exchange-rate adjusted return on capital employed (RoCE) at 20%

**PARAMETERS OF THE SHORT-TERM INCENTIVE**



- A 40%** Like-for-like sales growth
- B 40%** EBITDA
- C 20%** RoCE

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

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

- If the degree of goal achievement is 100%, the factor is 1.0.
- If the degree of goal achievement is lower or equal to the barrier of entry, then the factor is 0.0.
- In the case of intermediate values and values over 100%, the factor for goal achievement is calculated using linear interpolation and/or extrapolation.

To determine whether an EBITDA goal has been achieved, the Supervisory Board is authorised to adjust the EBITDA for any possible impairment losses on goodwill.

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

The payout amount is limited to a maximum of 200% of the individually determined target value (payout cap).

In addition, the Supervisory Board may grant special bonuses to members of the Management Board for exceptional performance.

The short-term incentive of the members of the Management Board is payable 4 months after the end of the financial year, but not before approval of the annual and consolidated financial statements for the incentivised financial year.

### Compensation of members of the Supervisory Board

Until 21 February 2017, the Supervisory Board of METRO AG (formerly trading under METRO Wholesale & Food Specialist AG) consisted of 3 members, namely Mr Michael Bouscheljong, Mr Hans-Dieter Hinker and Mr Harald Sachs. They were employees of the former METRO AG (now: CECONOMY AG) and are now employees of today's METRO AG. In accordance with the formerly valid Articles of Association of the company, these members of the Supervisory Board did not receive any remuneration for their membership on the Supervisory Board.

With effect on 21 February 2017, the Supervisory Board was augmented to 20 members, now consisting of completely new personnel.

In accordance with § 13 of METRO AG's Articles of Association, the members of the Supervisory Board receive a fixed yearly remuneration amount. It amounts to €80,000 for each individual member.

Against the background of the division of the group, the members of the Supervisory Board, who are or were also members of the Supervisory Board of CECONOMY AG (formerly METRO AG), waived com-

penation for the period between the effective date of their appointment (21 February 2017) and the effective date of the demerger (12 July 2017).

The value added tax payable to the respective compensation is reimbursed to the members of the Supervisory Board in accordance with § 13 Section 5 of METRO AG's Articles of Association.

The individual amount of Supervisory Board remuneration takes into account the duties and responsibilities of the individual members of the Supervisory Board by considering special assignments. The compensation of the Chairman of the Supervisory Board is 3 times higher than that of an ordinary member of the Supervisory Board; that of the Vice Chairman and the chairpersons of the committees is twice as high; and that of the other members of the committees is 1.5 times higher. The remuneration for membership or chairmanship of a committee will be paid only if at least 2 meetings or other resolutions took place during the respective financial year. A member of the Supervisory Board who holds several offices at once receives compensation for only 1 office; in the case of different levels of remuneration, the member is compensated for the most highly paid office.

#### Remuneration factors

Chairman of the Supervisory Board	●●●
Vice Chairman	●●
Committee chairpersons <sup>1</sup>	●●
Committee members <sup>1</sup>	●●
Members of the Supervisory Board	●

<sup>1</sup> With a minimum of 2 meetings/resolutions.

The relevant individual amounts for financial year 2016/17 are as follows:

**REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD FOR FINANCIAL YEAR 2016/17 PURSUANT TO § 13 OF THE ARTICLES OF ASSOCIATION<sup>1</sup>**

€	Financial year	Multiplier	Fixed salary
Jürgen B. Steinemann, Chairman	2016/17	●●●	60,000
Werner Klockhaus, Vice Chairman	2016/17	●●	40,000
Gwyn Burr	2016/17	●	20,000
Thomas Dommel	2016/17	●	20,000
Prof. Dr Edgar Ernst	2016/17	●●	100,000
Dr Florian Funck	2016/17	●●	30,000
Michael Heider	2016/17	●	53,333
Andreas Herwarth	2016/17	●●	30,000
Peter Küpfer	2016/17	●	20,000
Susanne Meister	2016/17	●	20,000
Dr Angela Pilkmann	2016/17	●	20,000
Mattheus P. M. (Theo) de Raad	2016/17	●	20,000
Dr Fredy Raas	2016/17	●●	30,000
Xaver Schiller	2016/17	●●	30,000
Eva-Lotta Sjöstedt	2016/17	●	53,333
Dr. Liliana Solomon	2016/17	●●	76,667
Alexandra Soto	2016/17	●	53,333
Angelika Will	2016/17	●	20,000
Manfred Wirsch	2016/17	●	53,333
Silke Zimmer	2016/17	●	53,333
<b>Total</b>	<b>2016/17</b>		<b>803,332</b>

<sup>1</sup> Plus potentially applicable value added tax in accordance with § 13 Section 5 of the Articles of Association.

In financial year 2016/17, individual members of the Supervisory Board of METRO AG also received compensation from the group companies for Supervisory Board mandates at group companies.

**OTHER INTRA-GROUP COMPENSATION  
OF MEMBERS OF THE SUPERVISORY BOARD  
FOR FINANCIAL YEAR 2016/17<sup>1</sup>**

€	Financial year	
Werner Klockhaus	2016/17	9,300
Michael Bouscheljong <sup>2</sup>	2016/17	9,200
Thomas Dommel	2016/17	4,500
Michael Heider	2016/17	6,000
Harald Sachs <sup>2</sup>	2016/17	6,200
Xaver Schiller	2016/17	9,000
Manfred Wirsch	2016/17	6,000
<b>Total</b>	<b>2016/17</b>	<b>50,200</b>

<sup>1</sup> Plus potentially applicable value added tax.

<sup>2</sup> This compensation of the Supervisory Board will be credited against the salary paid by METRO AG.

Until the demerger took effect, today's CECONOMY AG was the parent company of today's METRO AG, which was formerly trading under METRO Wholesale & Food Specialist AG. The following compensation for individual members of the Supervisory Board of METRO AG was granted by CECONOMY AG for members of the Supervisory Board of CECONOMY AG:

**COMPENSATION FOR THE MEMBERS  
OF THE SUPERVISORY BOARD PAID BY  
CECONOMY AG FOR FINANCIAL YEAR 2016/17<sup>1</sup>**

€	Financial year	
Gwyn Burr	2016/17	66,667
Thomas Dommel	2016/17	66,667
Dr Florian Funck	2016/17	120,000
Andreas Herwarth	2016/17	100,000
Werner Klockhaus	2016/17	133,333
Peter K�pfer	2016/17	90,000
Susanne Meister	2016/17	66,667
Dr Angela Pilkmann	2016/17	66,667
Mattheus P. M. (Theo) de Raad	2016/17	66,667
Dr Fredy Raas	2016/17	113,333
Xaver Schiller	2016/17	100,000
J�rgen B. Steinemann	2016/17	200,000
Angelika Will	2016/17	80,000
<b>Total</b>	<b>2016/17</b>	<b>1,270,001</b>

<sup>1</sup> Plus potentially applicable value added tax.

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

## 7 NOTES PURSUANT TO § 315 SECTION 4 AND § 289 SECTION 4 OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT OF THE MANAGEMENT BOARD

### Capital structure (§ 315 Section 4 No. 1 and § 289 Section 4 No. 1 of the German Commercial Code)

On 30 September 2017, the share capital of METRO AG totalled €363,097,253. It is divided into a total of 360,121,736 ordinary no-par value bearer shares (proportional value of the share capital: €360,121,736, circa 99.18%) as well as 2,975,517 preference no-par bearer shares (proportional value of the share capital: €2,975,517, circa 0.82%). Each no-par share in the company has a notional interest of €1.00 in the share capital.

Each ordinary share is entitled to a single vote at 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 stipulated in §21 of the Articles of Association of METRO AG, which state:

- “(1) Holders of non-voting preference shares will receive a preliminary dividend from the annual balance sheet profit in the amount of €0.17 for each preference share.
- (2) Should the balance sheet profit available for distribution not suffice in any one financial year to pay the preliminary dividend, the arrears (excluding any interest) shall be paid from the balance sheet profit of subsequent financial years in an order based on age, meaning in such manner that any older arrears are paid off prior to any more recent ones and that the preference dividends payable from the profit of a financial year are not distributed until all accrued arrears have been paid.
- (3) Following distribution of the preliminary dividends, the holders of ordinary shares will be paid a dividend of €0.17 for each ordinary share. Subsequently, a non-cumulative extra dividend per share will be paid to the holders of non-voting preference shares. The extra dividend shall amount to 10% of the dividend paid to the holders of ordinary shares taking into account Section 4, provided such dividend equals or exceeds €1.02 per ordinary share.
- (4) The holders of non-voting preference shares and those holding ordinary shares will equally share in any additional profit distribution in the proportion corresponding to the number of shares held by them in the share capital.”

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

### Limitations to voting rights (§ 315 Section 4 No. 2 and § 289 Section 4 No. 2 of the German Commercial Code)

To the best knowledge of the Management Board, the following agreements exist or existed during financial year 2016/17, which may be construed as restrictions within the meaning of §315 Section 4 No. 2 and §289 Section 4 No. 2 of the German Commercial Code:

A pooling agreement exists among Beisheim Capital GmbH, Düsseldorf, Germany, and Beisheim Holding GmbH, Baar, Switzerland, which includes the METRO AG shares held by Beisheim Capital GmbH and Beisheim Holding GmbH.

In connection with the demerger of the former METRO AG, CECONOMY AG (formerly operating under the name of METRO AG) as well as each of its 3 major shareholders – the Haniel shareholder group, the Schmidt-Ruthenbeck shareholder group and the Beisheim shareholder group – have entered into temporary lock-up agreements at normal market conditions with CECONOMY AG with regard to its shares in METRO and the shares in the acquiring entity, which the major shareholders of CECONOMY AG have received in the context of the demerger.

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

### Shares held in capital (§ 315 Section 4 No. 3 and § 289 Section 4 No. 3 of the German Commercial Code)

The following direct and indirect capital interests entitle their respective holders to more than 10% of the voting rights:

Name/company	Direct/indirect capital interest entitling to more than 10% of voting rights
Haniel Finance Deutschland GmbH, Duisburg, Germany	Direct
Franz Haniel & Cie. GmbH, Duisburg, Germany	Indirect
Palatin Verwaltungsgesellschaft mbH, Essen, Germany	Direct
BVG Beteiligungs- und Vermögensverwaltungs-GmbH, Essen, Germany	Indirect
Gebr. Schmidt GmbH & Co. KG, Essen, Germany	Indirect
Gebr. Schmidt Verwaltungsgesellschaft mbH, Essen, Germany	Indirect
Meridian Stiftung, Essen, Germany	Indirect

The information above is in particular based on notifications issued under § 21 ff. of the German Securities Trading Act that were received and published by METRO AG.

- **Voting rights notifications published by METRO AG can be found on the website [www.metroag.de](http://www.metroag.de) in the section Media Centre – Legal Announcements.**

### **Owners of shares with special rights and type of voting rights control where capital interests are held by employees (§ 315 Section 4 Nos. 4 and 5 and § 289 Section 4 Nos. 4 and 5 of the German Commercial Code)**

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

### **Provisions governing the appointment and dismissal of members of the Management Board and changes to the Articles of Association (§ 315 Section 4 No. 6 and § 289 Section 4 No. 6 of the German Commercial Code)**

In instances where members of the Management Board of METRO AG are appointed and removed, legal regulations laid down in §§ 84, 85 of the German Stock Corporation Act and §§ 30, 31, 33 of the German Co-determination Act apply. § 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 of the German Stock Corporation Act. There are numerous other sections of the German Stock Corporation Act that could possibly govern a change to the Articles of Association, and that may amend or supersede the previously mentioned regulations, for example §§ 182 ff. of the German Stock Corporation Act in the case of capital increases, §§ 222 ff. of the German Stock Corporation Act in the case of capital reductions or § 262 of the German Stock Corporation Act in the case of the public limited company (“AG”) being dissolved. Pursuant to § 14 Section 1 of the Articles of Association of METRO AG, the Supervisory Board may resolve to change the wording of the Articles of Association without a resolution passed by the Annual General Meeting.

### **Authority of the Management Board (§ 315 Section 4 No. 7 and § 289 Section 4 No. 7 of the German Commercial Code)**

#### **Authorities to issue new shares**

The Annual General Meeting on 11 April 2017 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital).

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

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

- to balance fractional amounts;
- if shares are issued in exchange for non-cash contributions for the purpose of corporate mergers, for the acquisition of companies, for the purchase of parts of companies or shares in companies;
- in the event of a capital increase in exchange for cash capital contributions to the extent necessary to grant subscription rights to new ordinary shares to the holders of warrant or convertible bearer bonds issued by METRO AG and affiliates thereof in which METRO AG holds at least 90% of shares, directly or indirectly, in the extent to which they would be entitled upon exercise of the warrant or conversion rights or performance of the warrant or conversion obligations or upon exercise of METRO AG’s right to substitute as shareholder;

- in the event of capital increases in exchange for cash capital contributions if the aggregate par value of such capital increases does not exceed 10% of the company's share capital and the issue price of the new ordinary shares is not substantially lower than the listed stock exchange price of existing ordinary shares of the same class. The limit of 10% of the company's share capital is diminished by the proportion of the share capital represented by the company's own shares which are (i) used as own shares or sold during the term of authorised capital while excluding subscription rights of the shareholders in corresponding application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act or (ii) issued from contingent capital to service warrant or convertible bearer bonds which, in turn, have been or are issued while excluding subscription rights in corresponding application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act. The proportional share capital attributable to shares issued under this authority and under exclusion of the shareholders' subscription rights in exchange for cash or non-cash capital contributions must not exceed 20% of the company's share capital.

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

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

The Annual General Meeting on 11 April 2017 authorised the Management Board to issue, in each case with the consent of the Supervisory Board, warrant bonds or convertible bearer bonds (collectively referred to as "bonds") with an aggregate par value of €1,500,000,000 prior to 28 February 2022 on one or several occasions, and to grant the holders of warrant bonds 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 €16,339,376 of the share capital in accordance with the terms of the warrant bonds or convertible bearer bonds. This authority results in contingent capital of up to €16,339,376 pursuant to § 4 Section 8 of the METRO AG Articles of Association.

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

Shareholders will be granted their statutory subscription rights by way of the bonds being acquired by a bank or syndicate of banks with an undertaking to

offer such bonds to the shareholders. If bonds are issued by a METRO AG subsidiary in accordance with § 18 of the German Stock Corporation Act in which METRO AG holds a direct or indirect interest of at least 90%, METRO AG must ensure that statutory subscription rights are granted to the shareholders of METRO AG in accordance with the preceding sentence.

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

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

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

In the case of bonds carrying warrant or conversion rights or warrant or conversion obligations, the warrant or conversion price may be adjusted after closer determination in order to preserve the value of such warrant or conversion rights or warrant or conversion obligations in the event their economic value is diluted, to the extent that such an adjustment is not already provided for by law. The bonds' terms may also provide for an adjustment of warrant or conversion rights or warrant or conversion obligations in case of a capital reduction or other extraordinary measures or events (for example, unusually high dividends, third



parties gaining a controlling interest). In the case of a third party gaining a controlling interest, the bonds' terms may provide for adjustment of the warrant or conversion price to reflect market conditions. Furthermore, the terms of the bonds may provide for a variable conversion ratio and/or variable warrant and conversion price, whereby the warrant or conversion price is determined within a range to be determined on the basis of the share price development during the term. The minimum issue price based on the stipulations of § 4 Section 8 of METRO AG's Articles of Association may not be undercut.

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

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

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

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

#### **Authorities to repurchase own shares**

The company is authorised to buy back its own shares in accordance with § 71 of the German Stock Corporation Act. Pursuant to § 71 Section 1 No. 8 of the

German Stock Corporation Act, the Annual General Meeting on 11 April 2017 authorised the company to acquire own shares of any class until 28 February 2022. The authority is limited to the repurchase of shares collectively representing a maximum of 10% of the share capital issued as of the date the Annual General Meeting resolution is passed or – if this figure is lower – at the time the authority is exercised. The shares transferred under this authority, together with any own shares acquired for other reasons and held by the company or attributable to it pursuant to §§ 71 a ff. of the German Stock Corporation Act, shall collectively not exceed a pro rata proportion of 10% in the share capital at any time.

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

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

- Disposal of shares in the company on the stock exchange or by means of a purchase offer expressed to all shareholders;
- Listing of shares in the company on foreign stock exchanges where they were not hitherto admitted for trading, whereby the authorisation includes stipulations regarding the initial listing price;
- Transfer of shares in the company to third parties for non-cash consideration in connection with corporate mergers or the acquisition of other companies, divisions of other companies, businesses or interests in other companies or other assets;
- Disposal of shares in the company outside of the stock exchange or via a purchase offer expressed to all shareholders, provided that the sale is for cash payment and at a price not substantially lower than the stock exchange price in effect for listed shares of the company with the same terms on the date of the sale. This authority is limited to the sale of shares collectively representing a maximum of 10% of the share capital at the time the authority takes effect or – if this figure is lower – at the time the authority is exercised. The maximum limit of 10% of the share capital is reduced by the pro rata amount of share capital represented by any shares issued (i) during the effective period of this authority under exclusion of subscription rights according to § 186 Section 3 Sentence 4 of the German Stock Corporation Act, or (ii) to service warrant or convertible bearer bonds providing for warrant or conversion rights or obligations, insofar as such bonds were issued during the effective period of this authority under exclusion of subscription rights by application of § 186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis;
- Delivery of shares to holders of warrant or convertible bonds of the company or its affiliates, in accordance with § 18 of the German Stock Corporation Act under the terms and conditions applicable

to such warrant or convertible bonds; this also applies to the delivery of shares based upon the exercise of subscription rights, which in the event of a sale of company shares through an offer to all shareholders or in the event of a capital increase with subscription rights may be granted to holders of warrant or convertible bonds of the company or any of its affiliates in accordance with §18 of the German Stock Corporation Act to the same extent that holders of such warrant or convertible bonds would have subscription rights for shares of the company after exercising the warrant or conversion rights or performing the warrant or conversion obligations. The shares transferred under this authority shall collectively not exceed a pro rata proportion of 10% of the share capital at the time the authority takes effect or – if this figure is lower – at the time the authorisation is exercised, insofar as such shares were issued to service warrant or conversion rights or warrant or conversion obligations granted or imposed in application of §186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis. The maximum limit of 10% of the share capital is reduced by the pro rata amount of share capital represented by any shares issued or sold during the effective period of this authority by application of §186 Section 3 Sentence 4 of the German Stock Corporation Act mutatis mutandis;

- Distribution of a stock dividend (scrip dividend), whereby company shares are used (also partially and selectively) to service dividend rights of shareholders;
- Redemption of shares in the company, without the need for any further resolution by the Annual General Meeting. Such redemption may also be accomplished without a capital reduction by increasing the proportional value of the remaining no-par-value shares in the share capital of the company. In this case, the Management Board is authorised to adjust the number of no-par-value shares stipulated in the Articles of Association.

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

preference shares or only for the acquisition and use of ordinary shares or for preference shares only.

Using own shares in accordance with the above authorisations other than selling acquired company shares on the stock exchange or by offer to all shareholders requires consent of the Supervisory Board. The subscription rights of shareholders are excluded if own shares are used for any of the purposes authorised above, with exception of the authority to sell the company's shares by making a purchase offer to all shareholders, the authority to distribute dividends in the form of a scrip dividend and the authority to redeem shares without the need for any further resolution by the Annual General Meeting.

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

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

#### **Fundamental agreements related to the conditions of a takeover (§ 315 Section 4 No. 8 and § 289 Section 4 No. 8 of the German Commercial Code)**

METRO AG is currently a borrower under 2 syndicated loan agreements, which the lender may cancel in the case of a change of control, provided that, additionally and as a result of the change of control, the credit rating of METRO AG deteriorates to a certain degree as defined in respective agreements. The requirements of a change of control are, first, that the shareholders who controlled METRO AG at the time at which each contract was signed lose control over METRO AG. The second requirement is the assumption of control of METRO AG by one or several parties. The lending banks may cancel the contract and demand the return of the loan only if the change of control and a resulting drop in the credit rating occur cumulatively. The arrangements described are common market practice and serve the purpose of protecting creditors. None of these loans were drawn in financial year 2016/17.

**Compensation agreements  
in case of a takeover  
(§ 315 Section 4 No. 9 and § 289 Section 4  
No. 9 of the German Commercial Code)**

The company has entered into compensation agreements with the members of the Management Board to provide for the case of a takeover bid. In the event of a change of control, the members of the Management Board may exercise their right to resign from their office, within 6 months after the change of control, for good cause at the end of each month by giving 3 months prior notice. They may also terminate their management contract with effect on the same date (extraordinary termination right).

The contractual provisions assume a change of control if either a single shareholder or a number of jointly acting shareholders have acquired a controlling interest in the meaning of §29 of the German Securities Acquisition and Takeover Act (WpÜG) by way of

holding at least 30% of the voting rights and the change of control significantly interferes with the responsibilities of a member of the Management Board.

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

No compensation agreements with employees have been concluded with a view to takeover offers, however.

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

### Overview of financial year 2016/17 and outlook of METRO AG

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

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

### Business development of METRO AG

The business development of METRO AG is primarily characterised by the development and dividend distributions of its investments. METRO AG's annual financial statements prepared under German commercial law serve as the basis for dividend distribution. The income statement and balance sheet of METRO AG prepared in accordance with the regulations stipulated by the German Commercial Code (HGB) in the German Accounting Directive Implementation Act (BilRUG) version are outlined below.

The financial figures of METRO AG for financial year 2016/17 have to a large extent been shaped by the transactions (demerger and spin off) associated with the demerger of the former METRO GROUP (now: CECONOMY AG) into 2 independent listed companies. A comparison of these financial figures with the previous year's figures for the former METRO Wholesale & Food Specialist GmbH, which has transformed into a public limited company in November 2016, as the absorbing entity (now: METRO AG), is therefore of limited meaningfulness. For the sake of facilitating the comparability, benchmarking information on the balance sheet items and income statement items are provided. This information represents the business segment acquired as a result of the demerger and spin off.

Application of the BilRUG commenced with financial year 2016/17 and predominantly affects the annual financial statements of METRO AG by extending the definition of sales revenues. This resulted in a partial reallocation of other operating income to sales revenues, which are now recognised in the income statement for the first time. In the previous year, MWFS GmbH did not generate any sales revenues that would fall under the definition of the German Accounting Directive Implementation Act.

### Earnings position of METRO AG and profit appropriation

#### INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017 PURSUANT TO THE GERMAN COMMERCIAL CODE

€ million	2015/16	2016/17
Sales revenues	0	427
Other operating income	9	288
Cost of services purchased	0	-47
Personnel expenses	0	-147
Depreciation/impairment losses on intangible and tangible assets	0	-49
Other operating expenses	-9	-532
Investment result	-7	254
Financial result	0	-44
Income taxes	-3	-18
<b>Earnings after taxes</b>	<b>-10</b>	<b>132</b>
Other taxes	0	-2
Profits transferred in the previous year under a profit transfer agreement	0	0
<b>Net profit or loss (previous year: net losses)</b>	<b>-10</b>	<b>130</b>
Losses carried forward from prev. year	-3,290	0
Withdrawals from reserves retained from earnings	2	0
Withdrawals from capital reserves	3,748	0
Dividend paid from capital reserves	-450	0
Income from capital decrease	0	172
<b>Balance sheet profit</b>	<b>0</b>	<b>302</b>

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

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

Services are billed at arm's-length prices. Under the transfer pricing model, the national and international companies of the METRO Wholesale segment were billed approximately €541 million in licensing and service fees in financial year 2016/17.

The introduction of the German Accounting Directive Implementation Act (BilRUG) resulted in the recognition of €427 million in settlement amounts of METRO AG that fall under the extended definition of sales revenues for the first time in the reporting year. These positions amount to €334 million concerning settlement amounts received in the form of license fees for the METRO and MAKRO brands, as well as €93 million relating to IT and business services rendered to the wholesale subsidiaries.

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

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

On average during the 4 quarters of financial year 2016/17, METRO AG employed 914 people. Part-time employees and temporary workers were converted into full-time equivalents. The personnel expenses include special payments in the amount of €11 million. The personnel expenditure incurred in the business segments acquired in the context of the demerger have remained on the same level as in the previous year.

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

For financial year 2016/17, METRO AG posted investment income of €254 million. Profit and loss transfer agreements with other group companies accounted for earnings in the amount of €381 million and assumption of losses in the amount of €-159 million. The income from investments without profit and loss transfer agreements amounted to €66 million in financial year 2016/17, which were predominantly attributable to the group's real estate companies and the foreign subsidiaries of the METRO wholesale segment. The increase was essentially caused by the release of reserves received from an indirectly held subsidiary. Expenses from loss absorption are essentially attributable to the Real sales line. Domestic investments held by the Real sales line were depreciated in the amount of €8 million in the reporting year. Losses from the disposal of a foreign service company were recognised in the amount of €26 million. On the basis of the current post-demerger shareholding structure, the comparable return on investment in the previous year amounted to €68 million.

The net financial result amounted to €-44 million.

The net profit amounts to €130 million.

Including revenue from capital reduction in the amount of €172 million, the company's balance sheet profit amounted to €302 million.

Concerning the appropriation of the balance sheet profit for 2016/17, the Management Board of METRO AG proposes to the Annual General Meeting to distribute a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – from the reported balance sheet profit of €302 million and to carry forward the remaining amount to the new account.

## Financial position of METRO AG

### Cash flows

As of the closing date, cash on hand amounted to €305 million. This item essentially includes bank deposits through cash pool income from the sales lines towards the end of the reporting period. No significant liquid funds have been acquired in the context of the demerger.

**Capital structure****EQUITY AND LIABILITIES**

€ million	30/9/2016	30/9/2017
<b>Equity</b>		
Share capital	205	<b>363</b>
Capital reserve	189	<b>6,118</b>
Balance sheet profit	0	<b>302</b>
	<b>394</b>	<b>6,783</b>
<b>Provisions</b>	<b>3</b>	<b>401</b>
<b>Liabilities</b>		
Bonds	0	<b>2,505</b>
Liabilities to banks	0	<b>70</b>
Liabilities to affiliated companies	7,138	<b>7,900</b>
Miscellaneous liabilities	0	<b>72</b>
	7,138	<b>10,547</b>
<b>Deferred income</b>	<b>0</b>	<b>6</b>
	<b>7,535</b>	<b>17,737</b>

Liabilities consist of equity of €6,783 million and provisions, liabilities and deferred income of €10,954 million. As of the closing date, the equity ratio amounted to 38.2%. Provisions as of the reporting date totalled €401 million. Liabilities consist of €2,505 million in bonds and €70 million in liabilities to credit institutions. Liabilities to affiliated companies amounted to €7,900 million. These essentially consist of structuring measures under corporate law in the amount of €7,447 million and liabilities from short-term financial investments of METRO group companies.

**Asset position of METRO AG****ASSETS**

€ million	30/9/2016	30/9/2017
<b>Non-current assets</b>		
Intangible assets	0	<b>1,018</b>
Tangible assets	0	<b>2</b>
Financial assets	7,495	<b>15,270</b>
	<b>7,495</b>	<b>16,290</b>
<b>Current assets</b>		
Receivables and other assets	40	<b>1,129</b>
Cash on hand, bank deposits and cheques	0	<b>305</b>
	<b>40</b>	<b>1,434</b>
<b>Deferred expenses</b>	<b>0</b>	<b>13</b>
	<b>7,535</b>	<b>17,737</b>

As of the closing date, assets totalled €17,737 million and were mostly comprised of financial assets in the amount of €15,270 million, receivables from affiliated companies at €1,116 million and the usufructuary brand rights to the METRO/MAKRO brand, which was recognised as an intangible asset during the financial year (€963 million). Cash on hand, bank deposits and cheques amounts to €305 million. The financial assets predominantly consist of shares held in affiliated companies in the amount of €15,223 million, which are essentially comprised of shares in the intermediate holding company for companies that come under the segment METRO Wholesale (€6,348 million) and shares in METRO Gross- und Lebensmitteleinzelhandel Holding GmbH (€6,118 million). This item also contains shares in METRO Dienstleistungs-Holding GmbH recognised at a carrying amount of €802 million, in the intermediate holding company for companies that come under the sales line Real (€645 million), as well as the limited partnership interest in METRO PROPERTIES GmbH & Co. KG (€713 million). The demerger has resulted in the addition of financial assets with a carrying amount of €7,869 million. The financial assets now constitute 86.1% of the total assets. Receivables from affiliated companies amount to €1,116 million. This item reflects the group companies' short-term financing requirements as of the closing date and corresponds to 6.3% of total assets.

### **Risk situation of METRO AG**

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

### **Forecast of METRO AG**

The business development of METRO AG as the management holding company essentially depends on the development and dividend distributions of its investments. Assuming a normalised cost structure at the holding company level without additional expenses, we expect that in the next financial year 2017/18, the company's net profit will reach a level that will be twice as high as in financial year 2016/17.

### **Planned investments of METRO AG**

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

### **Declaration on corporate management**

The declaration on corporate management pursuant to § 289 a of the German Commercial Code (HGB) and § 315 Section 5 of the German Commercial Code (HGB) is permanently and publicly available on the company's website ([www.metroag.de](http://www.metroag.de)) in the section Company – Corporate Governance.

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

Pursuant to § 312 of the German Stock Corporation Act (AktG), the Management Board of METRO AG has issued a report about its relationships to its dependent companies for financial year 2016/17 and issued the following final declaration:

“The Management Board of METRO AG declares that, according to the circumstances known to it at the time the legal transactions were conducted or measures were taken, the company received a compensation at arm's length for each legal transaction conducted during the reporting period and was not put at a disadvantage as a result of said measures. No other measures subject to mandatory disclosure were taken in the reporting period from 1 October 2016 to 12 July 2017.”

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# **CONSOLIDATED FINANCIAL STATEMENTS**

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

€ million	Note no.	2015/16	2016/17
<b>Sales revenues</b>	1	<b>36,549</b>	<b>37,140</b>
Cost of sales		-29,560	<b>-30,124</b>
<b>Gross profit on sales</b>		<b>6,989</b>	<b>7,016</b>
Other operating income	2	1,462	<b>1,057</b>
Selling expenses	3	-6,171	<b>-6,084</b>
General administrative expenses	4	-1,058	<b>-1,014</b>
Other operating expenses	5	-105	<b>-137</b>
Earnings share of operating companies recognised at equity	6	102	<b>14</b>
<b>Earnings before interest and taxes EBIT</b>		<b>1,219</b>	<b>852</b>
Earnings share of non-operating companies recognised at equity	6	3	<b>0</b>
Other investment result	7	-3	<b>-11</b>
Interest income	8	65	<b>44</b>
Interest expenses	8	-276	<b>-200</b>
Other financial result	9	-114	<b>-37</b>
<b>Financial result</b>		<b>-325</b>	<b>-204</b>
<b>Earnings before taxes EBT</b>		<b>894</b>	<b>649</b>
Income taxes	11	-375	<b>-304</b>
<b>Profit or loss for the period</b>		<b>519</b>	<b>345</b>
Profit or loss for the period attributable to non-controlling interests	12	13	<b>20</b>
Profit or loss for the period attributable to the shareholders of METRO AG		506	<b>325</b>
<b>Earnings per share in € (basic = diluted)</b>	13	<b>1.39<sup>1</sup></b>	<b>0.89</b>

<sup>1</sup> Pro forma disclosure of combined financial statements.

**RECONCILIATION FROM PROFIT OR LOSS FOR THE PERIOD TO TOTAL COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

€ million	Note no.	2015/16	2016/17
<b>Profit or loss for the period</b>	12, 13	<b>519</b>	<b>345</b>
<b>Other comprehensive income</b>			
<b>Items of other comprehensive income that will not be reclassified subsequently to profit or loss</b>	31	<b>-67</b>	<b>55</b>
Remeasurement of defined benefit pension plans		-95	77
Income tax attributable to items of other comprehensive income that will not be reclassified subsequently to profit or loss		28	-21
<b>Items of other comprehensive income that may be reclassified subsequently to profit or loss</b>	31	<b>49</b>	<b>-41</b>
Currency translation differences from translating the financial statements of foreign operations		44	-39
Effective portion of gains/losses from cash flow hedges		1	-3
Gains/losses from the revaluation of financial instruments in the category "available for sale"		0	0
Income tax attributable to items of other comprehensive income that may be reclassified subsequently to profit or loss		4	2
<b>Other comprehensive income</b>	31	<b>-18</b>	<b>15</b>
<b>Total comprehensive income</b>	31	<b>501</b>	<b>359</b>
Total comprehensive income attributable to non-controlling interests	31	13	17
Total comprehensive income attributable to the shareholders of METRO AG	31	488	343

**BALANCE SHEET AS OF 30 SEPTEMBER 2017****Assets**

€ million	Note no.	30/9/2016	30/9/2017
<b>Non-current assets</b>		<b>9,434</b>	<b>9,225</b>
Goodwill	18	852	875
Other intangible assets	19	420	473
Property, plant and equipment	20	6,979	6,822
Investment properties	21	163	126
Financial investments	22	89	92
Investments accounted for using the equity method	22	183	183
Other financial and non-financial assets	23	239	217
Deferred tax assets	24	509	439
<b>Current assets</b>		<b>6,558</b>	<b>6,554</b>
Inventories	25	3,063	3,046
Trade receivables	26	493	575
Financial assets		0	1
Other financial and non-financial assets	23	1,280	1,214
Entitlements to income tax refunds		123	148
Cash and cash equivalents	29	1,599	1,559
Assets held for sale	30	0	11
		<b>15,992</b>	<b>15,779</b>

**Equity and liabilities**

€ million	Note no.	30/9/2016	30/09/2017
<b>Equity</b>	31	<b>2,924</b>	<b>3,207</b>
Net assets attributable to the former METRO GROUP		3,748	0
Other components of equity		-860	0
Share capital		0	363
Capital reserve		0	6,118
Reserves retained from earnings		0	-3,320
Non-controlling interests		36	46
<b>Non-current liabilities</b>		<b>4,954</b>	<b>4,197</b>
Provisions for post-employment benefits plans and similar obligations	32	646	557
Other provisions	33	297	283
Financial liabilities	34, 36	3,796	3,095
Other financial and non-financial liabilities	34, 37	127	162
Deferred tax liabilities	24	88	100
<b>Current liabilities</b>		<b>8,114</b>	<b>8,376</b>
Trade liabilities	34, 35	4,892	4,782
Provisions	33	559	456
Financial liabilities	34, 36	944	1,611
Other financial and non-financial liabilities	34, 37	1,591	1,345
Income tax liabilities	34	128	167
Liabilities related to assets held for sale	30	0	15
		<b>15,992</b>	<b>15,779</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

€ million	Note no.	Net assets attributable to the former METRO GROUP	Share capital	Capital reserve	Effective portion of gains/losses from cash flow hedges	Gains/losses from the revaluation of financial instruments in the category "available for sale"	Currency translation differences from translating the financial statements of foreign operations
<b>30/9/2015   1/10/2015</b>	31	3,458	0	0	67	0	-557
Earnings after taxes		506	0	0	0	0	0
Other comprehensive income		0	0	0	1	0	44
<b>Total comprehensive income</b>		<b>506</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>44</b>
Dividends		0	0	0	0	0	0
Transactions with the former METRO GROUP		-193	0	0	0	0	0
Other changes		-23	0	0	0	0	0
<b>30/9/2016   1/10/2016</b>	<b>31</b>	<b>3,748</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>0</b>	<b>-513</b>
Impact of the transition from combined to consolidated financial statement	31	-3,748	363	6,118	0	0	0
	<b>31</b>	<b>0</b>	<b>363</b>	<b>6,118</b>	<b>68</b>	<b>0</b>	<b>-513</b>
Earnings after taxes			0	0	0	0	0
Other comprehensive income			0	0	-3	0	-36
<b>Total comprehensive income</b>			<b>0</b>	<b>0</b>	<b>-3</b>	<b>0</b>	<b>-36</b>
Dividends			0	0	0	0	0
Other changes			0	0	0	0	0
<b>30/9/2017</b>	31		<b>363</b>	<b>6,118</b>	<b>66</b>	<b>0</b>	<b>-549</b>

<sup>1</sup> The reported dividend includes dividends to non-controlling interest holders in the amount of €12 million whose interests are shown fully as debt capital due to put options.

<sup>2</sup> Previous year: Other components of equity.

Remeasuring of defined benefit pension plans	Income tax on components of other comprehensive income	Other reserves retained from earnings	Total reserves retained from earnings <sup>2</sup>	Total equity before non-controlling interests	Non-controlling interests	Total equity
-408	57	0	-841	2,617	34	<b>2,651</b>
0	0	0	0	506	13	<b>519</b>
-95	32	0	-18	-18	0	<b>-18</b>
<b>-95</b>	<b>32</b>	<b>0</b>	<b>-18</b>	<b>488</b>	<b>13</b>	<b>501</b>
0	0	0	0	0	-15	<b>-15</b>
0	0	0	0	-193	0	<b>-193</b>
0	-1	0	-1	-24	4	<b>-20</b>
<b>-503</b>	<b>88</b>	<b>0</b>	<b>-860</b>	<b>2,888</b>	<b>36</b>	<b>2,924</b>
0	0	-2,787	-2,787	-53	0	<b>-53</b>
<b>-503</b>	<b>88</b>	<b>-2,787</b>	<b>-3,647</b>	<b>2,834</b>	<b>36</b>	<b>2,870</b>
0	0	325	325	325	20	<b>345</b>
76	-20	0	18	18	-3	<b>15</b>
<b>76</b>	<b>-20</b>	<b>325</b>	<b>343</b>	<b>343</b>	<b>17</b>	<b>359</b>
0	0	-12 <sup>1</sup>	-12	-12	-20	<b>-33</b>
0	0	-4	-4	-4	13	<b>10</b>
<b>-427</b>	<b>68</b>	<b>-2,478</b>	<b>-3,320</b>	<b>3,162</b>	<b>46</b>	<b>3,207</b>



**CASH FLOW STATEMENT<sup>1</sup>****FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2016 TO 30 SEPTEMBER 2017**

€ million	Note no. <sup>2</sup>	2015/16	2016/17
EBIT		1,219	852
Depreciation/amortisation/impairment losses/reversal of impairment losses of assets excl. financial investments	14	699	758
Change in provisions for post-employment benefits and other provisions	32, 33	61	-117
Change in net working capital	25, 26, 35	-77	-44
Income taxes paid		-203	-216
Reclassification of gains (-) / losses (+) from the disposal of fixed assets		-158	-141
Other		-368	-65
<b>Cash flow from operating activities</b>		<b>1,173</b>	<b>1,027</b>
Acquisition of subsidiaries		-81	-181
Investments in property, plant and equipment and in investment property (excluding finance leases)	20, 21	-592	-579
Other investments		-152	-164
Investments in monetary assets	23	-82 <sup>3</sup>	-481
Disposals of subsidiaries		359	-54
Disposal of fixed assets	19, 20, 21, 22	125	134
Gains (+) / losses (-) from the disposal of fixed assets		158	141
Divestment of monetary assets	23	777 <sup>4</sup>	583
<b>Cash flow from investing activities</b>		<b>512</b>	<b>-601</b>
Dividends paid	31		
to METRO AG shareholders		0	-12 <sup>5</sup>
to other shareholders		-15	-20
Redemption of liabilities from put options of non-controlling interests		-86	-20
Proceeds from new borrowings		540	2,121
Redemption of borrowings		-3,686	-2,129
Interest paid		-273	-193
Interest received		76	41
Profit and loss transfers and other financing activities		-46	-5
Transactions with the former METRO GROUP		-23	-221
<b>Cash flow from financing activities</b>		<b>-3,513</b>	<b>-438</b>
<b>Total cash flows</b>		<b>-1,828</b>	<b>-12</b>
Currency effects on cash and cash equivalents		-11	-25
<b>Total change in cash and cash equivalents</b>		<b>-1,839</b>	<b>-37</b>
Cash and cash equivalents as of 1 October		3,438	1,599
Less cash and cash equivalents reported in assets in accordance with IFRS 5		2	0
<b>Cash and cash equivalents as of 1 October</b>		<b>3,436</b>	<b>1,599</b>
Cash and cash equivalents as of 30 September		1,599	1,562
Less cash and cash equivalents reported in assets in accordance with IFRS 5	30	0	3
<b>Cash and cash equivalents as of 30 September</b>	29	<b>1,599</b>	<b>1,559</b>

<sup>1</sup> The cash flow statement is explained in the notes to the consolidated financial statements in no. 41 - notes to the cash flow statement.

<sup>2</sup> Deviations from the balance sheet values result from adjusted translation effects and changes in the consolidation group.

<sup>3</sup> Other investments, recognised in the previous year.

<sup>4</sup> Disposal of long-term assets, recognised in the previous year.

<sup>5</sup> The reported dividend includes dividends to non-controlling interest holders in the amount of €-12 million whose interests are shown fully as debt capital due to put options.

# NOTES

## SEGMENT REPORTING<sup>1</sup>

### OPERATING SEGMENTS

€ million	METRO Wholesale		Real	
	2015/16	2016/17	2015/16	2016/17
External sales (net)	29,000	<b>29,866</b>	7,478	<b>7,247</b>
Internal sales (net)	9	<b>13</b>	9	<b>9</b>
Sales (net)	29,009	<b>29,879</b>	7,486	<b>7,256</b>
EBITDA <sup>2</sup>	1,700	<b>1,528</b>	250	<b>159</b>
EBITDA before special items <sup>2</sup>	1,464	<b>1,553</b>	247	<b>219</b>
Depreciation/amortisation/impairment losses	430	<b>496</b>	141	<b>140</b>
Reversals of impairment losses	0	<b>3</b>	0	<b>0</b>
EBIT <sup>2</sup>	1,271	<b>1,035</b>	108	<b>19</b>
EBIT before special items <sup>2</sup>	1,048	<b>1,114</b>	105	<b>80</b>
Investments	614	<b>547</b>	260	<b>131</b>
Non-current segment assets	6,418	<b>6,398</b>	1,214	<b>1,202</b>

### REGIONAL SEGMENTS

€ million	Germany		Western Europe (excl. Germany) <sup>3</sup>		Eastern Europe <sup>4</sup>	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
External sales (net)	12,279	<b>11,962</b>	10,173	<b>10,543</b>	9,828	<b>10,266</b>
Internal sales (net)	75	<b>73</b>	175	<b>211</b>	0	<b>2</b>
Sales (net)	12,354	<b>12,036</b>	10,348	<b>10,754</b>	9,828	<b>10,268</b>
EBITDA <sup>2</sup>	151	<b>167</b>	380	<b>464</b>	738	<b>698</b>
EBITDA before special items <sup>2</sup>	320	<b>329</b>	487	<b>460</b>	780	<b>733</b>
Depreciation/amortisation/impairment losses	342	<b>332</b>	123	<b>176</b>	176	<b>171</b>
Reversals of impairment losses	10	<b>0</b>	0	<b>3</b>	0	<b>1</b>
EBIT <sup>2</sup>	-182	<b>-165</b>	258	<b>291</b>	561	<b>527</b>
EBIT before special items <sup>2</sup>	-12	<b>-1</b>	372	<b>324</b>	610	<b>566</b>
Investments	556	<b>307</b>	184	<b>309</b>	170	<b>140</b>
Non-current segment assets	2,923	<b>2,884</b>	1,971	<b>1,957</b>	2,696	<b>2,660</b>

<sup>1</sup> Segment reporting is explained in the notes to the consolidated financial statements in no. 42 - segment reporting.

<sup>2</sup> Includes 2016/17 income from operating companies recognised at equity in the amount of €14 million, which are equally attributable to METRO Wholesale

and Others segments as well as the Germany and Western Europe (excluding Germany) segments (2015/16: €102 million, mainly related to the Others segment and the Germany segment).

<sup>3</sup> Includes 2016/17 external sales of €4,638 million for France (2015/16: €4,151 million).

<sup>4</sup> Includes long-term segment assets for Russia as of 30 September 2017 in the amount of €1,056 million (30/9/2016: €1,098 million).

<sup>5</sup> Also includes consolidation effects between the regions outside of Germany.

Others		Consolidation		METRO	
2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
72	<b>27</b>	0	<b>0</b>	36,549	<b>37,140</b>
96	<b>96</b>	-114	<b>-118</b>	0	<b>0</b>
168	<b>123</b>	-114	<b>-118</b>	36,549	<b>37,140</b>
-23	<b>-73</b>	-9	<b>-3</b>	1,918	<b>1,611</b>
89	<b>41</b>	-9	<b>-3</b>	1,791	<b>1,810</b>
142	<b>128</b>	-4	<b>-2</b>	710	<b>762</b>
10	<b>0</b>	0	<b>0</b>	11	<b>3</b>
-156	<b>-201</b>	-5	<b>-1</b>	1,219	<b>852</b>
-43	<b>-86</b>	-5	<b>-1</b>	1,106	<b>1,106</b>
133	<b>149</b>	0	<b>0</b>	1,007	<b>827</b>
1,041	<b>939</b>	-21	<b>-27</b>	8,652	<b>8,512</b>

Asia		International		Consolidation <sup>5</sup>		METRO	
2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
4,269	<b>4,368</b>	24,270	<b>25,177</b>	0	<b>0</b>	36,549	<b>37,140</b>
24	<b>19</b>	199	<b>232</b>	-274	<b>-305</b>	0	<b>0</b>
4,292	<b>4,388</b>	24,469	<b>25,410</b>	-274	<b>-305</b>	36,549	<b>37,140</b>
650	<b>273</b>	1,768	<b>1,435</b>	-1	<b>9</b>	1,918	<b>1,611</b>
205	<b>279</b>	1,472	<b>1,472</b>	-1	<b>9</b>	1,791	<b>1,810</b>
68	<b>83</b>	367	<b>430</b>	0	<b>0</b>	710	<b>762</b>
0	<b>0</b>	0	<b>3</b>	0	<b>0</b>	11	<b>3</b>
582	<b>190</b>	1,401	<b>1,008</b>	-1	<b>9</b>	1,219	<b>852</b>
137	<b>208</b>	1,118	<b>1,098</b>	-1	<b>9</b>	1,106	<b>1,106</b>
97	<b>71</b>	451	<b>520</b>	0	<b>0</b>	1,007	<b>827</b>
1,063	<b>1,012</b>	5,730	<b>5,629</b>	-2	<b>-1</b>	8,652	<b>8,512</b>

## NOTES TO THE GROUP ACCOUNTING PRINCIPLES AND METHODS

### Accounting principles

METRO AG, the parent company of 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 registry at the District Court in Düsseldorf under HRB 79055. By way of a transformation of entity type, registered in the commercial registry on 11 November 2016, METRO Wholesale & Food Specialist GmbH was transformed into METRO Wholesale & Food Specialist AG, which subsequently changed its company name to METRO AG with effect on 18 August 2017.

These consolidated financial statements of METRO AG as of 30 September 2017 were prepared in accordance with the International Financial Reporting Standards (IFRS). They comply with all mandatory applicable accounting standards and interpretations adopted by the European Union as of this date. Compliance with these standards and interpretations ensures a true and fair view of the asset, financial and earnings position of the METRO group. The consolidated financial statements are published in the Federal Gazette ("Bundesanzeiger") for inspection.

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

Pursuant to Article 80 EGHGB, §§ 264, 285, 289 to 289f, 291, 292, 294, 314 to 315e, 317, 320, 325, 331, 334, 335, 336, 340a, 340i, 340n, 341a, 341j, 341n and 342 of the German Commercial Code in the version of the CSR Directive Implementation Act of 11 April 2017 (BGBl. I p. 802) must be applied to annual and consolidated financial statements as well as individual and combined management reports for the financial year commencing after 31 December 2016; the aforementioned regulations in their respective applicable versions prior to 18 April 2017 may be applied to individual and combined management reports for the last time in the financial year commencing prior to 1 January 2017.

The above regulations in their respective versions of the CSR Directive Implementation Act of 11 April 2017 have therefore not been applied to the consolidated financial statements and the combined management report of METRO AG and the group for financial

year 2016/17. The combined management report for financial year 2016/17 of both METRO AG and the group were prepared in accordance with the above regulation in their respective versions applicable until 18 April 2017.

The date at which the Management Board of METRO AG signed the consolidated financial statements (30 November 2017) also represents the date at which the Management Board released the consolidated financial statements for publication and submitted them to the Supervisory Board.

These consolidated financial statements are essentially based on the historical costs method. Significant exceptions from this principle are financial instruments recognised at fair value as well as financial assets and liabilities, which are recognised at their fair values as hedged items within a fair value hedge. Furthermore, non-current assets held for sale and disposal groups as well as discontinued operations are recognised at their respective fair value less costs to sell, provided the latter is lower than the carrying amount. Liabilities from cash-settled share-based payments are also recognised at fair value. In addition, provisions are measured at the anticipated settlement amount. Financial liabilities from put options granted to non-controlling shareholders and financial liabilities from earn-out agreements (liabilities from contingent consideration in the context of company acquisitions) are recognised at fair value.

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

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

The consolidated financial statements have been prepared in euros. All amounts are stated in million euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as €0 million. As of the previous reporting date, 30 September 2016, only the amounts in the income statement, the reconciliation from profit or loss for the period to total comprehensive income, the balance sheet, the statement of changes in equity and the cash flow statement were rounded to produce the respective totals. In all other tables, the individual amounts and the totals were rounded separately. Unless otherwise stated, all amounts were rounded off on the previous year's reporting date of 30 September 2016. For additional clarity, the representation of decimal places in the tables has been omitted. Rounding differences may occur.

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

## Application of new accounting methods

### Accounting standards applied for the first time in financial year 2016/17

The following accounting standards and interpretations revised, amended and newly adopted by the International Accounting Standards Board (IASB) that were binding for METRO AG in financial year 2016/17 were applied for the first time in these consolidated financial statements unless the company opted for voluntary early adoption:

#### IAS 1 (PRESENTATION OF FINANCIAL STATEMENTS)

In the context of the Disclosure Initiative, the following amendments to IAS 1 (Presentation of Financial Statements) were made with respect to the materiality principle, the presentation of the asset position, the income statement or other comprehensive income as well as disclosures in the notes to the financial statements.

In accordance with the materiality principle, information should not be obscured by aggregating information, materiality considerations apply to all parts of a financial statement and the materiality principle is still valid even when a standard requires a specific disclosure.

For one, the changes take into consideration that the list of line items to be presented in the financial statements can be disaggregated and aggregated as relevant and include additional guidance on subtotals in these statements. On the other hand, an entity's share of other comprehensive income as a group of equity-accounted associates and joint ventures is presented in aggregate using the equity method within the comprehensive income of the group based on whether or not it will subsequently be reclassified to profit or loss. The shares in other comprehensive income of associates or joint ventures are immaterial and are therefore not shown separately.

Moreover, comprehensibility and comparability should be considered when determining the order of the notes.

The above changes have only a minor influence on the disclosures in the consolidated financial statements of METRO AG.

#### ADDITIONAL IFRS AMENDMENTS

The annual improvements to IFRS 2012-2014 comprise, among others, a clarification in IAS 34 (Interim Financial Reporting) regarding the disclosure of information "elsewhere in the interim financial report".

In addition, as part of the improvements, 2 clarifications were made in IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations). If an entity reclassifies an asset (or disposal group) from "held for sale" to "held for distribution" and with this an entity moves from one method of disposal to the other without interruption, this reclassification is seen as a continuation of the original plan of sale. As a result, the entity can continue to apply the accounting requirements applicable to assets (or disposal groups) that are classified as held for sale. The same applies to reclassifications from the category "held for distribution" to the category "held for sale". The reclassification does not result in an extension of the period in which the sale or distribution must be completed.

Assets (or disposal groups) that no longer satisfy the criteria for recognition as held for distribution must be treated in the same way as an asset that is no longer recognised as held for sale and must no longer be recognised in accordance with IFRS 5.

Other accounting rules to be applied for the first time in financial year 2016/17 without material effects on METRO are:

- IFRS 10/IFRS 12/IAS 28 (Amendment: Investment Entities: Applying the Consolidation Exception)
- IFRS 11 (Amendment: Accounting for Acquisitions of Interests in Joint Operations)
- IAS 16/IAS 41 (Change: Amendment: Agriculture Bearer Plants)
- IAS 16/IAS 38 (Amendment: Clarification of Acceptable Methods of Depreciation and Amortisation)
- IAS 27 (Amendment: Equity Method in Separate Financial Statements)

### Accounting standards that were published but not yet applied in financial year 2016/17

A number of other accounting standards and interpretations newly adopted or revised by the IASB were not yet applied by METRO AG in financial year 2016/17 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 <sup>1</sup>	Application at METRO AG from <sup>2</sup>	Endorsed by EU <sup>3</sup>
Amendments to IFRS 1	Amendments as a result of the annual improvements cycle 2014–2016 (deletion of temporary exemptions)	1/1/2018	1/10/2018	No
Amendments to IFRS 2	Share-based Payment (Amendment: Classification and Measurement of Share-based Payment Transactions)	1/1/2018	1/10/2018	No
Amendments to IFRS 4	Insurance Contracts (Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts)	1/1/2018	1/10/2018	Yes
IFRS 9	Financial Instruments	1/1/2018	1/10/2018	Yes
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 <sup>4</sup>	Unknown <sup>4</sup>	No
Amendments to IFRS 12	Amendments as a result of the annual improvements cycle 2014–2016 (clarification of the application area)	1/1/2017	1/10/2017	No
IFRS 15	Revenue from Contracts with Customers	1/1/2018	1/10/2018	Yes
Amendments to IFRS 15	Clarifications to IFRS 15 "Revenue from Contracts with Customers"	1/1/2018	1/10/2018	Yes
IFRS 16	Leases	1/1/2019	1/10/2019	Yes
IFRS 17	Insurance contracts	1/1/2021	1/10/2021	No
Amendments to IAS 7	Statement of Cash Flows (Amendment: Disclosure Initiative)	1/1/2017	1/10/2017	Yes
Amendments to IAS 12	Income Taxes (Amendment: Recognition of Deferred Tax Assets for Unrealised Losses)	1/1/2017	1/10/2017	Yes
Amendments to IAS 28	Amendments as a result of the annual improvements cycle 2014–2016 (clarification on the right to vote in specific cases at fair value)	1/1/2018	1/10/2018	No
Amendments to IAS 40	Investment properties (Amendment: Transfer of Investment Property)	1/1/2018	1/10/2018	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1/1/2018	1/10/2018	No
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	1/10/2019	No

<sup>1</sup> Without earlier application.

<sup>2</sup> Application as of 1 October due to deviation of financial year from calendar year; precondition: EU endorsement has been effected.

<sup>3</sup> As of: 30 November 2017 (the date at which the Management Board of METRO AG signed the consolidated financial statements).

<sup>4</sup> Indefinite deferral of effective date by IASB.

#### IFRS 2 (SHARE-BASED PAYMENT)

The amendment Classification and Measurement of Share-based Payment Transactions relates to 3 aspects of IFRS 2.

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. As a result, market performance conditions and non-service conditions must be considered in fair value, while service conditions and other performance conditions must be considered in the quantity of instruments.

In addition, an exception has been introduced so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-

based payments would have been classified as equity-settled had it not included the net settlement feature.

Moreover, it has been clarified that where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date's fair value to the extent services have been rendered up to the modification date. Any difference between the carrying amount of the liability and the amount recognised in equity is to be recognised in profit or loss immediately.

These amendments to IFRS 2 apply to financial years beginning on or after 1 January 2018. Subject to the respective EU endorsement, METRO AG will apply these regulations for the first time on 1 October 2018. These changes will be applied prospectively to any relevant transactions of METRO AG.

#### IFRS 9 (FINANCIAL INSTRUMENTS)

The new IFRS 9 (Financial Instruments) will replace IAS 39 (Financial Instruments: Recognition and Measurement), covering the classification and measurement of financial instruments.

Financial instruments are recognised when the company preparing the financial statements becomes a contractual partner and thus has acquired the rights of the financial instrument or assumed comparable obligations. As a rule, the initial measurement of financial assets and liabilities is at fair value adjusted for transaction costs, if applicable. Only trade receivables without a significant financing component are recognised at the transaction price.

At the time of recognition, regulations for classification are to be taken into account. According to IAS 39, the subsequent measurement of a financial asset and a financial liability is linked to their classification. Financial assets are classified on the basis of the characteristics of contractual cash flow of the financial asset and the business model which the entity uses to manage the financial asset. The original 4 measurement categories for financial assets were reduced to 2 categories: financial assets recognised at amortised cost (category 1) and financial assets measured at fair value (category 2), wherein the latter category has 2 subcategories.

If the financial asset (debt instruments) is held within a business model whose objective is collecting payments such as principal and interest, and if the contract terms stipulate certain payments are exclusively for principal and interest, this financial instrument shall in principle be recognised at amortised cost (category 1). If the objective of the business model is collecting payments and selling financial assets (debt instruments), and if the payment dates are fixed, the changes in its fair value are recognised in other comprehensive income outside of profit or loss (subcategory 2 a). If these criteria are not cumulatively met, the financial asset is measured at fair value through profit or loss (subcategory 2 b). Amortised cost is determined using the effective interest method, while IFRS 13 (Fair Value Measurement) is applied to determine fair value measurement.

As a rule, equity instruments are classified as subcategory 2 b based on the classification criteria stated above. However, an irrevocable election can be made for equity instruments upon initial recognition to classify them as subcategory 2 a. Furthermore, all debt instruments not recognised at fair value through profit or loss may be classified as subcategory 2 b when doing so eliminates or significantly reduces a measurement or recognition inconsistency (fair value option).

In general, financial liabilities are measured at amortised cost (category 1). In some cases, however, such as with financial liabilities held for trading, fair value measurement through profit or loss is required (subcategory 2 b). Here, too, an entity may elect to

apply the fair value option, that is, the measurement at fair value through profit or loss. In contrast to financial assets, financial liabilities can include embedded derivatives that are required to be separated. If separation is required, the host contract is usually measured according to the rules of category 1 and the derivative according to the rules of subcategory 2 b.

Unlike IAS 39 (which uses the incurred loss model), IFRS 9 focuses on expected losses. This expected loss model uses a 3-stage approach for recognising impairment. At the first stage, impairment losses are recognised in the amount of the losses resulting from default on the financial instrument expected in the next 12 months. At stage 2, the expected credit losses that result from all possible default events over the expected life of the financial instrument must be recognised. Calculation at this stage is based on a portfolio of similar instruments. Financial instruments are reclassified from the first to the second stage when the default risk since initial recognition has increased significantly and exceeds a minimum default risk. At the third and final stage, impairment losses are recognised for additional objective indications with respect to the individual financial instrument.

A simplified approach based on the expected loss throughout the lifetime (similar to stage 2) can be applied to trade receivables, certain leasing receivables and contract assets as well as in certain other cases.

In order to reduce the complexity and make hedge accounting more comprehensible on the balance sheet, the following key changes were made. The scope of possible hedged items was expanded. For example, several risk positions can now be more easily combined into a single hedged item and hedged. The net position can be designated as the hedged item if the risks partially offset each other in the combined risk position. In addition, non-derivative financial instruments classified as subcategory 2 b can be designated as hedging instruments. Furthermore, thresholds are no longer stipulated for measuring effectiveness. Effectiveness is assessed in reference to the economic relationship between the hedged item and hedging transaction, taking into account the hedging ratio and default risk.

IFRS 9 applies to financial years beginning on or after 1 January 2018. METRO AG will thus apply these guidelines for the first time on 1 October 2018. As part of a project dealing with the introduction of IFRS 9 at METRO AG, the following qualitative effects of the new standard were analysed over the course of financial year 2016/17. METRO AG has not yet completed the detailed analysis of IFRS 9, which means that the effects on the financial statements may not be clearly foreseeable for its first application.

Shares in money market funds will for the most part be accounted for at fair value through profit or loss. For the classification and measurement of debt instruments, METRO AG currently does not expect significant effects in terms of amount.



The extent to which effects from the fair value measurements of equity instruments will be material can not yet be estimated. Beyond that, the exercise of the option to recognise changes in fair value for equity instruments has not yet been decided.

The classification and measurement of financial liabilities is unlikely to change significantly.

The effect at the transition point from the first application of the expected credit loss model can not yet be reliably estimated at the moment. However, due to the short maturities and the high credit quality of the financial assets, this first-time application effect is considered to be relatively low. In the following years, the introduction of the impairment models could lead to a higher fluctuation in the income statement, since the level of risk provisions, in particular for trade receivables, also depends on economic conditions. METRO AG is currently assuming that the previous hedge accounting can continue.

During transitioning to the new classification and measurement methods and the new impairment model, METRO AG will not change the previous year's figures to IFRS 9 and therefore adjust the reserves retained from earnings as of October 1 2018 in order to capture the effects of the first-time application of the standard.

In order to ensure the presentation of the new notes, in particular with regard to credit risks and expected losses, system and reporting adjustments are expected to be required.

**IFRS 10 (CONSOLIDATED FINANCIAL STATEMENTS) AND IAS 28 (INVESTMENTS IN ASSOCIATES AND JOINT VENTURES)**  
A conflict exists between the current requirements of IFRS 10 (Consolidated Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) regarding the sale or contribution of assets between an investor and its associate or joint venture. IAS 28 requires a partial gain or loss recognition, limited to the unrelated investors' interests in the investee, for all transactions between an investor and its associate or joint venture. IFRS 10, in contrast, requires that the gain or loss that arises on the loss of control of a subsidiary is recognised in full.

The amendment clarifies how to account for the gain or loss from transactions with associates or joint ventures, with the partial or full recognition requirement depending on whether or not the assets being sold or contributed are a business as defined in IFRS 3 (Business Combinations). IFRS 3 defines a business as an integrated set of activities that is required to have inputs and processes which together are used to create outputs.

If the sold or contributed asset classifies as a business, the gain or loss from the transaction must be recognised in full. In contrast, the gain or loss from the sale of assets that do not classify as a business to

associates or joint ventures or their contribution to associates or joint ventures must be recognised only to the extent of the unrelated investors' interests in the associate or joint venture.

If a group of assets is to be sold or contributed in separate transactions, the investor must assess whether this group of assets constitutes a single business and should be accounted for as a single transaction.

IASB has indefinitely deferred the original effective date of this amendment for financial years starting on or after 1 January 2016. As a result, the date of first-time application of this amendment at METRO AG is unknown. As METRO AG currently follows the rules of IFRS 10, future transactions will be impacted accordingly.

**IFRS 15 (REVENUE FROM CONTRACTS WITH CUSTOMERS)**  
The new IFRS 15 will replace IAS 18 (Revenue) and IAS 11 (Construction Contracts) and related interpretations and stipulates a uniform and comprehensive model for recognising revenue from customers.

The new standard uses a 5-step model to determine the amount of revenue and the date of realisation. In the first step, contracts with the customers are identified. According to IFRS 15, a contract is entered into by the contractual partners if the company can identify the rights of the customer to goods and services and the payment terms and if the agreement has economic substance. In addition, it must be probable that the company will collect the consideration. If a company has more than 1 contract with a single customer at (virtually) the same time, and if certain criteria are met, the contracts can be combined and treated as a single contract.

As a rule, a contract as defined in IFRS 15 can include several performance obligations. Therefore, possible separate performance obligations are identified within a single contract in the second step. A separate performance obligation is identified when a good or service is distinct. This is the case when the customer can use a good or service on its own or together with other readily available resources and it is separately identifiable from other commitments in the contract.

In the third step, the transaction price corresponding to the expected consideration is determined. The consideration may include fixed and variable components. For variable compensation, the expected amount is to be estimated carefully based on either the expected value or the most probable amount, depending on which amount best reflects the amount of consideration. In addition, the consideration includes the interest rate effect if the contract includes a financing component significant to the contract, the fair value of non-cash considerations and the effects of payments made to the customer such as rebates and coupons.

The allocation of the transaction price to separate performance obligations is carried out in the fourth step. In principle, the transaction price is to be allocated to the separately identified performance obligations in relation to the relative stand-alone selling price. Observable data must be used to determine the stand-alone selling price. If this is not possible, estimates are to be made. For this purpose, IFRS 15 suggests various methods for estimating according to which the estimates are based on market prices for similar services or expected costs plus a surcharge. In exceptional cases, the estimate can also be based on the residual value method.

In the fifth and final step, revenue is recognised at the point in time when the performance obligation is satisfied. The performance obligation is satisfied when the control of the good or service is transferred to the customer. The performance obligation can be satisfied at a point in time or over a period of time. If the performance obligation is satisfied over time, the revenue is recognised over the period in which the performance obligation is satisfied in a manner that best reflects the continuous transfer of control over time.

In addition to the 5-step model, IFRS 15 addresses various special topics such as the treatment of costs for obtaining and fulfilling a contract, presentation of contract assets and liabilities, rights of return, commission business, customer retention and customer loyalty programmes. In addition, the disclosures in the notes are significantly expanded. Accordingly, this includes qualitative and quantitative disclosures to be made in the future on contracts with customers, on significant estimates and judgements as well as changes over time.

IFRS 15 is to be applied for the first time to financial years beginning on or after 1 January 2018. The group does not make use of the option of early adoption of IFRS 15, but will apply the standard for the first time for financial year 2018/2019 beginning on 1 October 2018 (IFRS 15 transition year). METRO AG will apply the option of simplified first-time adoption, i.e. recognising the cumulative effects of the application of IFRS 15 on all contracts that were not yet fulfilled at the beginning of the reporting period as an adjustment to the opening balance of equity at the date of initial application without affecting net income. As a result, comparative figures from the prior-year periods are not adjusted but a reconciliation for financial year 2018/2019 between old regulations and IFRS 15 is presented to explain the changes in balance sheet and income statement items for the current period resulting from first-time adoption of IFRS 15.

The focus of the group-wide project for the introduction of IFRS 15 in financial year 2016/2017, which has been in progress since 2016, focused in particular on the identification of the qualitative IFRS 15 impacts of the largest Group companies. For the identified impacts, a materiality analysis will be carried out in the coming financial year in order to identify and quantify the key impacts to be implemented. Based on the results, the next step is to analyse the possible adjustment of processes and systems to ensure IFRS 15 compliant accounting for financial year 2018/2019. Based on the impact analysis that has been carried out so far, the group does not expect any significant change in the timing of revenue recognition or in the allocation of the transaction price between the individual performance obligations.

Based on the results of the analyses carried out in financial year 2016/2017, the following IFRS 15 impacts were basically determined:

As part of discount campaigns or customer loyalty programmes (for instance: gold and silvercards at METRO Cash & Carry Germany), the customer is regularly granted the option of acquiring additional goods or services at a discounted price in the future. Part of the transaction price can be allocated to the resulting essential right. In the future, sales will be accrued under contract liability. Revenue recognition for the essential right occurs at the time the right is redeemed or expired, potentially leading to a later recognition of revenue.

For certain business models, situations were identified where third parties are involved in performing obligations in contracts with customers (e.g. sushi counter, Tchibo, third-party vouchers, extended warranties). The acknowledgement of whether METRO AG acts as principal or agent in those matters must be reassessed based on the indicator changes in IFRS 15. The outcome of this assessment is decisive for the gross or net presentation of revenues. In this context, the accounting of commissions received should be particularly appreciated.

Sales in some METRO Cash & Carry business models regularly result in redemption or conversion rights. These may be legally binding or arise from active business practice. Refunds represent a form of variable consideration in the determination of the transaction price. The disclosure of the return obligations will in the future be made in the liabilities section under the item return liability. In addition, an asset is recognised for the company's right to recover products upon settlement of the return obligation (return asset).

Some METRO business models include multicomponent contracts, which allow customers to purchase subsidised products when the contract is signed. An example is the business model of the professional equipment supply of METRO Cash & Carry France. Customers receive a complete solution, from design through to delivery, installation and maintenance of restaurant facilities. In such cases, the total consideration of the contract shall be divided into the identifiable performance obligations in accordance with the relative individual selling prices and, in comparison to the previous accounting, a potentially larger part of the total compensation is attributable to previously subsidised component, so that in the future revenues for those products must be reported earlier. As a result, the balance sheet total asset at the time of initial application may increase due to in contract assets being activated. Legally, these represent receivables not yet incurred from the customer contract.

In some business models, METRO AG customers are granted volume discounts if predefined turnover thresholds are exceeded, which usually leads to subsequent price reductions (for example: reduction of the purchase price of kitchens in the “project business kitchens” for achieving certain minimum purchase quantities of METRO Cash & Carry products following the kitchen purchase). Those purchase price reductions are to be considered on the basis of an estimate when determining the transaction price as a variable consideration.

In the future, additional costs of obtaining a contract are to be capitalised under certain conditions and written off over the term of the contract or the average commitment period.

In the case of METRO AG, these costs can relate to, for example, incentivising sales employees in the form of commissions for the acquisition of new customers.

A clarification was released following the adoption of the new IFRS 15. It supplements the IFRS 15 regulations with respect to identifying performance obligations, principal versus agent considerations and the separation of licences. It also includes provisions for a simplified transition to IFRS 15.

The clarification to IFRS 15, which was adopted into EU law on 9 November 2017, will be effective for reporting periods beginning on or after 1 January 2018. The project dealing with the introduction of IFRS 15 at METRO AG will also consider the impact of the clarifications.

#### IFRS 16 (LEASES)

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

In contrast to IAS 17, the definition of a lease in IFRS 16 focuses on the concept of control. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The key change of IFRS 16 compared to IAS 17 concerns the lessee accounting model. Lessees no longer have to classify leases as operating or finance. Instead, the lessee recognises a right-of-use asset and a lease liability upon commencement of the lease when the lessor makes an underlying asset available for use by the lessee.

The lessee measures the lease liability at the present value of the lease payments payable over the lease term. The lease payments include all fixed payments less any lease incentives for the conclusion of the contract. This includes all index-based variable lease payments. In addition, the lease payments must include any variable lease payments that classify as in-substance fixed payments as well as amounts expected to be payable by the lessee under residual value guarantees. The exercise price of a purchase or lease extension option must be included if the lessee is reasonably certain to exercise that option. In addition, the lease payments must include payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Measurement must be based on the interest rate implicit in the lease. If the lessee is unable to determine this interest rate, the lessee's incremental borrowing rate may be applied. Over the term of the lease, the lease liability is accounted for under the effective interest method in consideration of lease payments made. Changes in the calculation parameters, such as changes in the lease term, a reassessment of the likelihood that a purchase option will be exercised or expected lease payments, require a remeasurement of the liability.

The simultaneously recognised right-of-use asset is capitalised at the amount of the liability adjusted for lease payments made and directly attributable costs. Any payments received from the lessor that are related to the lease are deducted. Measurement also considers any reinstatement obligations from leases.

After initial recognition, the right-of-use asset can be measured at amortised cost or using the revaluation method, respectively, under IAS 16 (Property, Plant and Equipment) or IAS 40 (Investment Property). When applying the amortised cost model, the right-of-use asset is depreciated over the shorter period lease term or its useful life. If it is reasonably certain upon commencement of the lease that ownership of the asset will pass to the lessee at the end of the lease, the right-of-use asset is depreciated over the economic life of the underlying asset. IAS 36 (Impairment of Assets) must be considered.

Correspondingly, a remeasurement of the lease liability to reflect changes in lease payments leads to an adjustment of the right-of-use asset outside of profit or loss. Any negative adjustments exceeding the carrying amount must be recognised through profit or loss.

Lessees can elect to make use of several policy options. For accounting and measurement, they have the option to build a portfolio of leases with similar characteristics. In addition, they may elect not to apply the right-of-use approach to short-term leases (with a maximum term of 12 months) and so-called low-value assets. Low-value assets are a component of leases that, individually, are not material to the business. If a lessee elects to make use of this policy option, the lease is recognised in accordance with the previously applicable IAS 17 regulations on operating leases.

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

The revised definition of leases also applies to the lessor and can lead to assessments deviating from IAS 17. However, the lessor continues to classify a lease as either an operating lease or a finance lease. Except for sale-and-leaseback transactions, IFRS 16 does not result in any material changes for lessors.

In the case of sale-and-leaseback transactions, the sold entity must first apply the requirements of IFRS 15 to determine whether a sale has actually occurred. If the transfer is classified as a sale in accordance with IFRS 15, the seller/lessee measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. The gain (or loss) that the seller/lessee recognises is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer/lessor. If the transfer is

not a sale, the transaction is treated like a financing transaction without a disposal of the asset.

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

METRO AG will apply these regulations for the first time on 1 October 2019, and thus refrains from early application of the standard together with IFRS 15 on 1 October 2018. As part of a group-wide changeover project for the introduction of IFRS 16, METRO AG has already analysed the effects of IFRS 16 during the past financial year 2016/17 ("impact analysis").

The new leasing standard IFRS 16 has a significant impact on the true and fair view of the asset, financial and earnings position of METRO AG.

While future payment obligations for operating leases had previously only been disclosed in the notes, the resulting rights and payment obligations are to be accounted for in future as rights of use and lease liabilities. This mainly affects the leasing of real estate.

METRO AG expects a significant increase in total assets at the time of initial application in the amount of €3 to €4 billion due to the increase in fixed assets based on the addition of the right of use to be capitalised depending on the selected conversion method. The modified retroactive approach with the option of applying the right of use in the amount of the lease liability will not apply according to the current state of affairs.

Additional impairment losses and interest expenses will be recognised in the income statement in the future instead of leasing expenses. This leads to an improvement in EBIT at the expense of the financial result of a low 3-digit million euros amount.

In the impact analysis, the modified standard method is used to calculate the effects on the financial ratios. The right of use of the leased asset is measured at its carrying amount as if the standard had been applied since the beginning of the lease, but discounted using the marginal interest expense on borrowings at the time of first-time adoption. Meanwhile, the lease liability is measured at the present value of the remaining lease payments using the marginal interest expense on borrowings at the time of first-time adoption. The cumulative effect of this is recognised in reserves retained from earnings. A decision as to which transitional method is applied, entirely retroactively or retroactively modified, has not yet been reached by METRO AG.

METRO AG will exercise the option of not applying the right-of-use approach to low-value assets (mainly business and office equipment) and short-term leases (maximum terms of 12 months). Rental expenses for these assets must therefore be recognised directly in the income statement.

Exercising the option to separate lease and non-lease components (service) in a contract has not yet been decided.

**IAS 7 (STATEMENT OF CASH FLOWS)**

The amendments to IAS 7 in the context of the Disclosure Initiative will require entities to provide disclosures on the following changes in liabilities arising from financing activities: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Financial liabilities are defined as liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

In addition, the amendments state that changes in financial liabilities must be disclosed separately from changes in other assets and liabilities.

These amendments to IAS 7 apply to financial years beginning on or after 1 January 2017. METRO AG will apply these regulations for the first time on 1 October 2017 and extend its disclosures accordingly.

**ADDITIONAL IFRS AMENDMENTS**

At this point, the first-time application of the other standards and interpretations listed in the table as well as of other standards revised as part of the annual improvements is not expected to have a material impact on the group's asset, financial and earnings position.

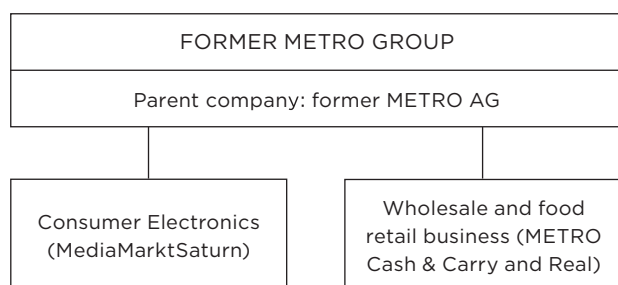
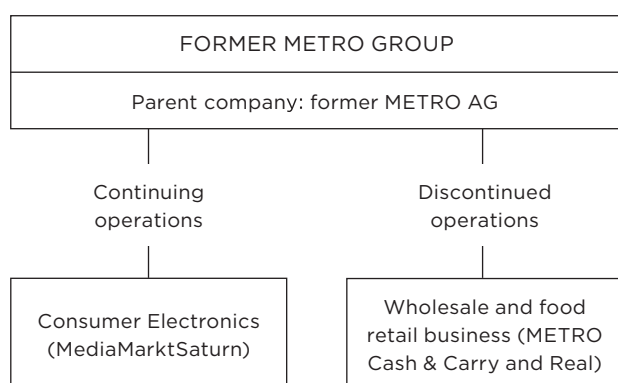
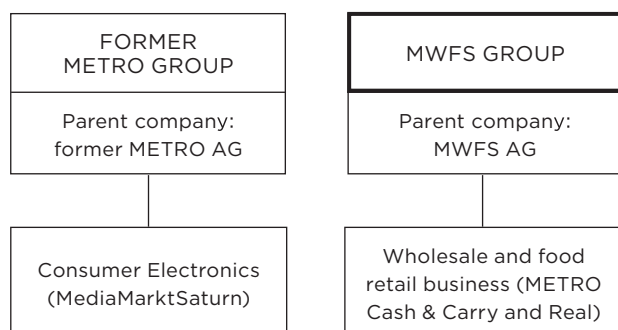
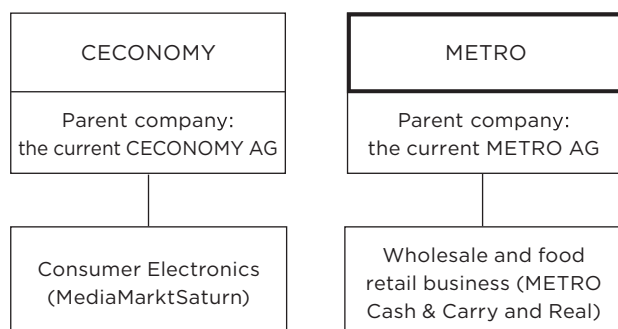
**Segment reporting**

As of 12 July 2017, the wholesale and food retail business, and hence the reporting segments METRO Cash & Carry and Real (including other related real estate and holding activities), was separated from the current CECONOMY AG. As a result, changes were made to segment reporting. Please refer to the comments on the demerger and segment reporting.

**Demerger of the former METRO GROUP**

The demerger of the former METRO GROUP into 2 legally independent listed companies was announced in March 2016 and finalised during the course of financial year 2016/17. Initially, the wholesale and food retail business including real estate as well as the associated management and service activities were transferred from the former METRO AG to METRO Wholesale & Food Specialist AG (hereinafter: MWFS AG). The consumer electronics business unit remained in the former METRO AG. Following the demerger, the former METRO AG changed its name to CECONOMY AG. In turn, MWFS AG changed its name to METRO AG.

In order to clarify the relationships before and after the demerger, the following diagram shows the individual steps in the demerger in a simplified form:

**DEFINITION OF TERMS FOR METRO****Q1 2016/17 prior to demerger transactions****Q2 2016/17 after decision by Annual General Meeting****Q4 2016/17 post-demerger****Q4 2016/17 after change of company name**

Following the resolution and approval by the Annual General Meeting of the former METRO AG on the demerger agreement on February 6 2017, the MWFS business unit was reported separately in the consolidated balance sheet of the former METRO AG pursuant to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) as a discontinued operation until the spin off took effect. As of this date, the individual assets and liabilities of the MWFS division in the consolidated balance sheet of the former METRO AG were not further amortised and measured at the lower carrying amount and fair value less costs to sell.

In the present financial statements of the new METRO AG, the previous year's figures as of 30 September 2016 correspond to those reported in the combined financial statements of the MWFS GROUP. The previous year's income statement and cash flow statement figures also correspond to those of the combined financial statements.

MWFS AG changed its name to METRO AG on 18 August 2017.

**Consolidation group**

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

METRO's operational business is divided into the following 2 Segments:

- METRO Wholesale
- Real

Besides METRO AG, 203 German (30/9/2016: 186) and 215 international (30/9/2016: 215) companies were included in the consolidated financial statements.

The group of consolidated companies changed as follows in financial year 2016/17:

As of 1/10/2016	401
<b>Changes in financial year 2016/17</b>	
Companies merged with other consolidated subsidiaries	3
Disposal of shares	3
Other disposals	18
Newly founded companies	29
Acquisitions	13
<b>As of 30/9/2017</b>	<b>419</b>

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

Mergers with other consolidated subsidiaries as well as the sales, each comprise 2 companies in the METRO Wholesale segment and 1 company in the Others segment.

The other disposals result in particular from 9 liquidations.

Additions due to newly founded companies concern the Others segment (22 companies), METRO Wholesale (4 companies) and Real (3 companies).

The acquisitions mainly relate to the acquisition of Pro à Pro (11 companies).

Effects from changes in the consolidation group that are of special significance are explained separately in the respective items.

For materiality reasons, 4 affiliated subsidiaries are not fully consolidated.

#### **Structured entities**

Structured entities within METRO concern leasing companies. The key purpose of the leasing companies is to acquire, lease out and manage assets. As of the closing date, 9 (30/9/2016: 11) structured entities were fully consolidated. There are no relationships with unconsolidated structured entities.

#### **Investments accounted for using the equity method**

22 associates (30/9/2016: 21) and 7 joint ventures (30/9/2016: 5) are recognised in the consolidated financial statements according to the equity method.

Another 2 companies (30/9/2016: 4) in which METRO AG indirectly or directly holds between 20 and 50% of the voting rights were valued at cost because they did not qualify as associates or because materiality considerations made the use of the equity method unnecessary.

## OVERVIEW OF MAJOR SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

in € million

Name	Registered office	Non-controlling interests		Dividends paid <sup>1</sup>	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales	Profit share <sup>1</sup>
		in %	as of 30/9/2016							
<b>METRO Wholesale</b>										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	9	0	276	738	3	856	2,635	4

Name	Registered office	Non-controlling interests		Dividends paid <sup>1</sup>	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Sales	Profit share <sup>1</sup>
		in %	as of 30/9/2017							
<b>METRO Wholesale</b>										
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	10.00	24	0	326	768	3	841	2,672	11

<sup>1</sup> Attributable to non-controlling shareholders.

— **A complete list of all major companies is shown in no. 54 - overview of the major fully consolidated group companies. In addition, a complete list of all group companies and associates is shown in no. 56 - affiliated companies of METRO AG as of 30 September 2017 pursuant to § 313 of the German Commercial Code.**

### Consolidation principles

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

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

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

as goodwill. Goodwill is tested for impairment regularly once a year – or more frequently if changes in circumstances indicate a possible impairment. If the carrying amount of a unit that was assigned goodwill exceeds the recoverable amount, an impairment loss of the goodwill is recognised to the amount of the difference between both values.

In addition, in the case of company acquisitions, hidden reserves and burdens attributable to non-controlling interests must be disclosed and reported in equity as “non-controlling interests”. METRO does not use the option to recognise the goodwill attributable to non-controlling interests. In accordance with IFRS 3, any negative differences remaining after the allocation of hidden reserves and hidden burdens as well as after another review during the period in which the business combination took place are recognised through profit or loss.

Purchases of additional shareholdings in companies where a controlling interest has already been acquired are recognised as equity transactions. As a result, the assets and liabilities are not remeasured at fair value, nor are any gains or losses recognised. Any differences between the cost of the additional shareholding and the carrying amount of the net assets on the date of acquisition are directly offset against the capital attributable to the buyer.

Any impairment losses and reversals of impairment losses to shares in consolidated subsidiaries carried in the individual financial statements are reversed.



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 investments. The recognition of income from investments in associates, joint ventures and joint operations in the income statement depends on whether the investee carries out operating or non-operating activities. Operating activities include the retail and wholesale businesses as well as related support activities (for example, renting/leasing of retail properties, procurement, logistics). Income from operating associates, joint ventures and joint operations is recognised in EBIT; income from non-operating entities is recognised in the net financial result. Any deviating accounting and measurement methods used in the financial statements of entities valued at equity are retained as long as they do not substantially contradict METRO's uniform accounting and valuation methods.

According to IFRS 11, the individual partners in joint arrangements recognise their portion of jointly held assets and jointly incurred liabilities in their own balance sheet.

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

Unrealised gains from transactions with companies accounted for using the equity method are derecognised against the investment in the amount of the group's share in the investee.

In joint arrangements, each of the partner companies recognises its own portion of sales, income and expenses resulting from the joint arrangement in its income statement.

A reduction in the holding in a subsidiary must be recognised in reserves retained from earnings as an equity transaction outside of profit or loss as long as the parent company can continue to exercise control. If a reduction in the holding or its complete disposal entails a loss of control, full consolidation of the subsidiary is ended when the parent company has lost its control opportunity over the subsidiary. All assets, liabilities and equity items that were previously fully consolidated will then be derecognised at amortised group carrying amounts. Deconsolidation of the derecognised holdings is carried out in line with the general rules on deconsolidation. Any remaining residual shares are recognised at fair value as a financial instrument according to IAS 39 or as a holding valued using the equity method pursuant to IAS 28.

## **Currency translation**

### **Foreign currency transactions**

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

In principle, gains and losses from exchange rate fluctuations incurred until the closing date are recognised in profit or loss. Currency translation differences from receivables and liabilities in foreign currency, which must be regarded as a net investment in a foreign operation, equity instruments held for sale and qualified cash flow hedges are reported as reserves retained from earnings outside of profit or loss.

**Foreign operations**

The annual financial statements of foreign subsidiaries are translated into euros according to the functional currency concept of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The functional currency is defined as the currency of the primary economic environment of the subsidiary. Since all consolidated companies operate as financially, economically and organisationally autonomous entities, their respective local currency is the functional currency. Assets and liabilities are therefore translated at the current exchange rate prevailing on the closing date. As a rule, income statement items are translated at the average exchange rate during the financial year. Differences from the translation of the financial statements of foreign subsidiaries do not affect income and are shown as separate items under reserves retained from earnings. To the extent that foreign subsidiaries are not under the full control of the parent company, the relevant share of currency differences is allocated to the non-controlling interests.

Currency differences are recognised through profit or loss in the net financial result in the year in which the operations of a foreign subsidiary are deconsolidated or terminated. In a partial disposal in which a controlling interest in the foreign subsidiary is retained, the relevant share of cumulated currency differences is allocated to the non-controlling interests. Should foreign associates or jointly controlled entities be partially sold without the loss of significant influence or joint control, the relevant share of the cumulated currency differences is recognised in the income statement.

In financial year 2016/17, no functional currency of a consolidated company was classified as hyperinflationary as defined by IAS 29 (Financial Reporting in Hyperinflationary Economies).

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

		Average exchange rate per €		Exchange rate at closing date per €	
		2015/16	2016/17	30/9/2016	30/9/2017
Egyptian pound	EGP	9.25176	<b>18.79223</b>	9.85335	<b>20.78390</b>
Bosnian mark	BAM	1.95583	<b>1.95583</b>	1.95583	<b>1.95583</b>
Pound sterling	GBP	0.78209	<b>0.87177</b>	0.86103	<b>0.88178</b>
Bulgarian lev	BGN	1.95583	<b>1.95583</b>	1.95583	<b>1.95583</b>
Chinese renminbi	CNY	7.25857	<b>7.52183</b>	7.44630	<b>7.85340</b>
Danish krone	DKK	7.45069	<b>7.43772</b>	7.45130	<b>7.44230</b>
Hong Kong dollar	HKD	8.62172	<b>8.59544</b>	8.65470	<b>9.22140</b>
Indian rupee	INR	74.22463	<b>72.61794</b>	74.36550	<b>77.06900</b>
Indonesian rupiah	IDR	14,923.41000	<b>14,704.02000</b>	14,566.22000	<b>15,888.51000</b>
Japanese yen	JPY	124.09443	<b>122.90301</b>	113.00000	<b>132.82000</b>
Kazakhstani tenge	KZT	370.06902	<b>360.51395</b>	375.52000	<b>402.64000</b>
Croatian kuna	HRK	7.55920	<b>7.46142</b>	7.52200	<b>7.49500</b>
Moroccan dirham	MAD	10.86310	<b>10.85997</b>	10.91235	<b>11.11785</b>
Moldovan leu	MDL	22.09941	<b>21.12759</b>	22.16110	<b>20.74650</b>
Norwegian krone	NOK	9.36916	<b>9.18636</b>	8.98650	<b>9.41250</b>
Pakistani rupee	PKR	116.46653	<b>116.00002</b>	116.96670	<b>124.35150</b>
Polish zloty	PLN	4.33360	<b>4.29356</b>	4.31920	<b>4.30420</b>
Romanian leu	RON	4.47856	<b>4.54062</b>	4.45370	<b>4.59930</b>
Russian rouble	RUB	75.28270	<b>65.71585</b>	70.51400	<b>68.25190</b>
Swiss franc	CHF	1.09130	<b>1.09089</b>	1.08760	<b>1.14570</b>
Serbian dinar	RSD	122.49388	<b>122.45092</b>	123.29290	<b>119.36590</b>
Singapore dollar	SGD	1.53280	<b>1.53981</b>	1.52350	<b>1.60310</b>
Czech koruna	CZK	27.04140	<b>26.67131</b>	27.02100	<b>25.98100</b>
Turkish lira	TRY	3.25276	<b>3.88674</b>	3.35760	<b>4.20130</b>
Ukrainian hryvnia	UAH	27.55541	<b>29.07864</b>	28.94817	<b>31.37857</b>
Hungarian forint	HUF	312.27877	<b>308.69863</b>	309.79000	<b>310.67000</b>
US dollar	USD	1.11098	<b>1.10467</b>	1.11610	<b>1.18060</b>
Vietnamese dong	VND	24,274.08000	<b>24,607.59000</b>	24,585.96000	<b>26,487.30000</b>

## Income statement

### Recognition of income and expenses

In accordance with IAS 18 (Revenue), **sales** and **other operating income** are reported immediately upon rendering of the service or delivery of the goods. In the latter case, the timing is determined by the transfer of risk to the customer. Where customers are granted the right to return goods and cancel services, sales are recognised only if the probability of return can be reliably estimated. To this end, return rates are calculated on the basis of historical data and projected to future take-back obligations. No sales are recognised for the portion allocated to the expected returns; instead, a provision is recognised. Sales are shown after deduction of value added tax, rebates and discounts. Gross amounts are shown – that is, at the level of the customer payment

(less sales tax and revenue reduction) – where the company assumes the essential opportunities and risks associated with the sale of the goods or services. Net sales are shown for commission transactions, as defined by the company. Sales revenues from contracts with several contractual components (for example, sale of goods plus additional services) are realised when the respective contractual components have been fulfilled. Sales are realised based on the estimated fair value of the individual contractual components.

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

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

The **net financial result** at METRO primarily comprises dividends and interest. As a rule, dividends are recognised as income when the legal claim to payment arises. Interest is recognised as income or expenses and, where applicable, on an accrual basis using the effective interest method. Debt capital interests that are directly attributable to the acquisition or production of a so-called qualified asset represent an exception as they must be included in the acquisition or production costs of the asset capitalised pursuant to IAS 23 (Borrowing Costs).

#### Income taxes

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

#### Balance sheet

##### Goodwill

In accordance with IFRS 3 (Business Combinations), **goodwill** is capitalised. Goodwill resulting from business combinations is attributed to the group of so-called cash-generating units (CGUs) that benefits from the synergies of this business combination. In accordance with IAS 36 (Impairment of Assets), a CGU is defined as the smallest identifiable group of assets that generates cash inflows largely independently from the cash inflows of other assets or groups of assets. As a rule, single locations represent cash-generating units at METRO. Until the demerger, goodwill at METRO Cash & Carry is monitored at the level of the 3 customer clusters HoReCa (focusing on hotels, restaurants and catering firms), Trader (focusing on independent resellers such as kiosk operators, bakers and butchers) as well as Multispecialist (focusing on the remaining customer groups as well as service companies and offices). After the demerger, goodwill is monitored at the level of sales format per country. At Real, goodwill is generally monitored at the level of the organisational unit sales line per country. Goodwill impairment tests are therefore conducted at the level of this respective group of cash-generating units.

Goodwill is regularly tested for impairment once a year – or more frequently if changes in circumstances indicate a possible impairment. If an impairment exists, an impairment loss is recognised through profit or loss. To determine a possible impairment, the recoverable amount of a CGU is compared to the respective carrying amount of the CGU. The recoverable amount is the higher of value in use and fair value less costs to

sell. An impairment of the goodwill allocated to a CGU applies only if the recoverable amount is lower than the total of carrying amounts. No reversal of an impairment loss is performed if the reasons for the impairment in previous years have ceased to exist.

#### Other intangible assets

**Purchased other intangible assets are recognised at cost of purchase.** In accordance with IAS 38 (Intangible Assets), **internally generated intangible assets** are capitalised at their production cost. Research costs, in contrast, are not capitalised, but immediately recognised as expenses. The cost of manufacture includes all expenditure directly attributable to the development process. This may include the following costs:

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

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

The subsequent measurement of other intangible assets with a finite useful life is effected based on the cost model. No use is made of the revaluation option. All other intangible assets of METRO with a finite useful life are subject to straight-line amortisation. Capitalised internally created and purchased software as well as comparable intangible assets are amortised over a period of up to 10 years, while licences are amortised over their useful life. These intangible assets are examined for indications of impairment at each closing date. If the recoverable amount is below the amortised cost, an impairment loss is recognised. The impairment loss is reversed if the reasons for the impairment in previous years have ceased to exist.

Other intangible assets with an infinite useful life are not subject to straight-line amortisation, but are subjected to an impairment test at least once a year. Impairments and value gains are recognised through profit or loss based on the historical cost principle.

### Property, plant and equipment

**Property, plant and equipment** are recognised at amortised cost pursuant to IAS 16 (Property, Plant and Equipment). The manufacturing cost of internally generated assets includes both direct costs and directly attributable overhead. Borrowing costs are only capitalised in relation to 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 without recognition of an item of deferral for the grants on the liabilities side. **Reinstatement obligations** are included in the cost of purchase or production at the discounted settlement value. Subsequent purchase or production costs of property, plant and equipment are only capitalised if they result in a higher future economic benefit for METRO.

Property, plant and equipment are solely depreciated on a straight-line basis using the cost model pursuant to IAS 16. The optional revaluation model is not applied. Throughout the group, depreciation is based on the following useful lives:

Buildings	10 to 33 years
Leasehold improvements	8 to 15 years or shorter rental contract duration
Business and office equipment	3 to 13 years
Machinery	3 to 8 years

Capitalised reinstatement costs are depreciated on a pro rata basis over the useful life of the asset.

Pursuant to IAS 36, an impairment test will be carried out if there are any indications of impairment of property, plant and equipment. Impairment losses on property, plant and equipment will be recognised if the recoverable amount is below the amortised cost. Impairment losses are reversed up to the amount of amortised acquisition or production costs if the reasons for the impairment have ceased to exist.

In accordance with IAS 17 (Leases), economic ownership of leased assets is attributable to the lessee if all the material risks and rewards incidental to ownership of the asset are transferred to the lessee (**finance lease**). If economic ownership is attributable to a METRO company acting as lessee, the leased asset is capitalised at fair value or at the lower present value of the minimum lease payments when the lease is signed. Analogous to the comparable purchased property, plant and equipment, leased assets

are subject to depreciation over their useful lives or the lease term if the latter is shorter. However, if it is sufficiently certain that ownership of the leased asset will be transferred to the lessee at the end of the lease term, the asset is depreciated over its useful life. Payment obligations resulting from future lease payments are carried as liabilities. Conversely, they are recognised as receivables by the lessor.

An **operating lease applies** when economic ownership of the leased object is not transferred to the lessee. The lessee does not recognise assets or liabilities for operating leases, but merely recognises rental expenses in its income statement over the term of the lease using the straight-line method, while the lessor recognises an asset as well as a receivable.

In the case of leasing agreements relating to buildings and related land, these 2 elements are generally treated separately and classified as finance or operating leases.

### Investment properties

In accordance with IAS 40 (Investment Property), investment properties comprise real estate assets that are held to earn rentals and/or for an increase in value. Analogous to property, plant and equipment, they are recognised at cost less depreciation and potentially required impairment losses based on the cost model. Measurement at fair value through profit or loss based on the fair value model does not apply. Depreciation of investment properties is effected over a useful life of 15 to 33 years. Furthermore, the fair value of these properties is stated in the notes. It is determined on the basis of recognised measurement methods, including an assessment and the consideration of project development opportunities.

### Financial assets

**Financial assets** (financial investments) that do not represent **associates** under IAS 28 (Investments in Associates and Joint Ventures) or **joint ventures** under IAS 11 (Construction Contracts) are recognised in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) and assigned to one of the following categories:

- “Loans and receivables”
- “Held to maturity”
- “At fair value through profit or loss”
- “Available for sale”

The first-time recognition of financial assets is effected at fair value. In the process, incurred transaction costs are considered for all categories with the exception of the category “at fair value through profit or loss”. Measurement is effected at the trade date.

Depending on the classification to the categories listed above, financial assets are capitalised either at amortised cost or at fair value:

- **“Loans and receivables”** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised at amortised cost using the effective interest method.
- The measurement category **“held to maturity”** includes non-derivative financial assets with fixed or determinable payments and fixed maturity, with the company having both the positive intention and the ability to hold them to maturity. They are also recognised at amortised cost using the effective interest method.
- The category **“at fair value through profit or loss”** comprises all financial assets “held for trading” as the fair value option of IAS 39 is not applied within METRO. For clarification purposes, the entire category is referred to as “held for trading” in the notes to the consolidated financial statements. Financial instruments “held for trading” are financial assets that are either acquired or incurred principally for the purpose of selling or repurchasing in the near term or that are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Furthermore, this category includes derivative financial instruments that are not part of an effective hedge. Financial instruments “held for trading” are measured at fair value through profit or loss.
- The category **“available for sale”** represents a residual category for primary financial assets that cannot be assigned to any of the other 3 categories. METRO does not make use of the optional designation of financial assets to the category “available for sale”. “Available for sale” financial assets are recognised at fair value in equity. Fluctuations in the fair value of “available for sale” financial assets are recognised in other comprehensive income. The amounts recognised are not reclassified to profit or loss for the respective period until the financial asset is derecognised or an impairment of the assets has occurred.

**Investments** are assets to be classified as “available for sale”. **Securities** are classified as “held to maturity”, “available for sale” or “held for trading”. Loans are classified as “loans and receivables”.

Financial assets designated as **hedged items** as part of a fair value hedge are recognised at fair value through profit or loss.

Equity instruments for which no quoted price on an active market exists and whose fair value cannot be reliably measured, as well as derivatives on such equity instruments, are recognised at cost. This applies to several investments of METRO.

At each closing date, financial assets that are not measured at fair value through profit or loss are examined for objective, substantial indications of impairment. Such indications include delayed interest or redemption payments, defaults and changes in the borrower’s creditworthiness. If there are any such indications, the respective financial asset is tested for impairment by comparing the carrying amount to the present value. The present value of financial assets measured at amortised cost corresponds to the present value of expected future cash flows, discounted at the original effective interest rate. However, the present value of equity instruments measured at cost in the category “available for sale” corresponds to expected future cash flows discounted at the current market interest rate. If the present value is lower than the carrying amount, an impairment loss is recognised for the difference. Where decreases in the fair value of financial assets in the category “held for sale” were previously recognised in other comprehensive income outside of profit or loss, these are now recognised in profit or loss to the amount of determined impairment.

If, at a later date, the present value increases again, the impairment loss is reversed accordingly. In the case of financial assets recognised at amortised cost, the impairment loss reversal is limited to the amount of amortised cost which would have occurred without the impairment. In the category “available for sale”, the reversal of previously recognised impairment losses for equity instruments is shown outside of profit or loss in other comprehensive income, while for debt instruments it is shown in profit or loss up to the amount of the impairment previously recognised through profit or loss. Increases in value for debt instruments beyond this are recognised outside of profit or loss in other comprehensive income.

Financial assets are derecognised when the contractual rights to cash flows from the item in question are extinguished or have expired or the financial asset is transferred.

### Other financial and non-financial assets

The financial assets included in **other financial and non-financial assets** that are classified as “loans and receivables” under IAS 39 are measured at amortised cost.

**Other assets** include, among others, derivative financial instruments to be classified as “held for trading” in accordance with IAS 39. All other receivables and assets are recognised at amortised cost.

Prepaid expenses and deferred charges comprise **transitory accruals**.

### Deferred tax assets and deferred tax liabilities

**Deferred tax assets and deferred tax liabilities** are determined using the asset-liability method in accordance with IAS 12 (Income Taxes). Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts of assets or liabilities in the consolidated financial statements and their tax base. Deferred tax assets are also considered for unused tax loss and interest carry-forwards.

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

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

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

The assessment of deferred taxes reflects the tax consequence arising from how METRO expects to recover the carrying amounts of its assets and settle its obligations as of the closing date.

### Inventories

In accordance with IAS 2 (Inventories), merchandise carried as **inventories** is reported at cost of purchase. The cost of purchase is determined either on the basis of a separate measurement of additions from the perspective of the procurement market or by means of the weighted average cost method. Supplier compensation to be classified as a reduction in the cost of purchase lowers the carrying amount of inventories.

Merchandise is valued as of the closing date at the lower of cost or net realisable value. Merchandise is written down on a case-by-case basis if the net realisable value declines below the carrying amount of the inventories. Such net realisable value corresponds to the anticipated estimated selling price less the estimated direct costs necessary to make the sale.

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

METRO's inventories never meet the definition of so-called qualified assets. As a result, interest expenses on borrowings relating to inventories are not capitalised pursuant to IAS 23 (Borrowing Costs). The merchandise comprises food and non-food items. Food items include all substances intended to be eaten or drunk in their unprocessed, prepared or processed state (other than medicines); tobacco products are food-like products.

Under the global term “food”, METRO outlines the following categories of goods: fresh foods, durable foods, nutrients, frozen foods and drinks of all kinds, as well as luxury foods, dietary supplements, pet feed, but also detergents, cleansers and cleaning agents, which are sometimes also labelled as near-food. All other goods are non-food items.

### Trade receivables

In accordance with IAS 39, **trade receivables** are classified as “loans and receivables” and recognised at amortised cost. Where their recoverability appears doubtful, the trade receivables are recognised at the lower present value of the estimated future cash flows. Aside from the required specific bad debt allowances, a generalised specific allowance is carried out to account for the general credit risk.

### Income tax assets and liabilities

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

In addition, the effects of tax risks are considered in the determination of income tax liabilities. The premises and assessments underlying these risks are regularly reviewed and considered in the determination of income tax.

### Cash and cash equivalents

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

### Non-current assets held for sale, liabilities related to assets held for sale and 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. A sale must be planned and realisable within the subsequent 12 months. The valuation of the asset's carrying amount pursuant to the relevant IFRS must directly precede a first-time classification as held for sale. In case of reclassification, the asset is measured at the lower of carrying amount and fair value less costs to sell and presented separately in the balance sheet. Analogously, liabilities related to assets held for sale are presented separately in the balance sheet.

In accordance with IFRS 5, a **discontinued operation** is recognised as such if it is held for sale or has already been disposed of. An operation is a component of an entity representing a separate material business operation or geographical business operation which forms part of an individual, approved plan for divestment of a separate material business operation or geographical business operation or represents a subsidiary that was acquired solely for resale. The valuation of the component of an entity's carrying amount pursuant to the relevant IFRS must directly precede the first-time classification as held for sale. In case of reclassification, the discontinued operation is measured at the lower value of carrying amount and fair value less costs to sell. Discontinued operations are presented separately in the income statement, the balance sheet, the cash flow statement and the seg-

ment reporting, and explained in the notes. With the exception of the balance sheet, the previous year's amounts are restated accordingly.

### Employee benefits

**Employee benefits** include:

- Short-term employee benefits
- Post-employment benefits
- Obligations similar to pensions
- Termination benefits
- Share-based compensation

**Short-term employee benefits include wages** and salaries, social security contributions, vacation pay and sickness benefits and are recognised as liabilities at the repayment amount as soon as the associated job performance has been rendered.

**Post-employment benefits** are provided in the context of defined benefit or defined contribution plans. In the case of **defined contribution plans**, periodic contribution obligations to the external pension provider are recognised as expenses for post-employment benefits at the same time as the beneficiary's job performance. Missed payments or prepayments to the pension provider are accrued as liabilities or receivables. Liabilities with a term of over 12 months are discounted.

The actuarial measurement of provisions for post-employment benefits plans as part of a **defined benefit plan** is effected in accordance with the projected unit credit method stipulated by IAS 19 (Employee Benefits) on the basis of actuarial opinions. Based on biometric data, this method takes into account known pensions and pension entitlements at the closing date as well as expected increases in future wages and pensions. Where the employee benefit obligations determined or the fair value of the plan assets increase or decrease between the beginning and end of a financial year as a result of experience adjustments (for example, a higher fluctuation rate) or changes in underlying actuarial assumptions (for example, the discount rate), this will result in so-called actuarial gains or losses. These are recognised in other comprehensive income with no effect on profit or loss. Effects of plan changes and curtailments are recognised fully under service costs through profit or loss. The interest element of the addition to the provision contained in the pension expense is shown as interest paid under the financial result. Insofar as plan assets exist, the amount of the provision 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 comprised of the present value of future payment obligations to the employee or his or her surviving dependants less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Actuarial gains and losses are recognised in profit or loss in the period in which they are incurred.

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

The share bonuses granted under the share-based payment system are classified as **“cash-settled share-based payments”** pursuant to IFRS 2 (Share-based Payment). Proportionate provisions measured at the fair value of the obligations entered into are formed for these payments. The proportionate formation of the provisions is prorated over the underlying vesting period and recognised in profit or loss as personnel expenses. The fair value is remeasured at each closing date during the vesting period until exercised based on an option pricing model. Provisions are adjusted accordingly in profit or loss.

Where granted share-based payments are hedged through corresponding hedging transactions, the hedging transactions are measured at fair value and shown under other financial and non-financial assets. The portion of the hedges' value fluctuation that corresponds to the value of fluctuation of the share-based payments is recognised in personnel expenses. The surplus amount of value fluctuations is recognised in other comprehensive income outside of profit or loss.

#### **(Other) provisions**

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), **(other) provisions** are formed if legal or constructive obligations to third parties exist that are based on past business trans-

actions or events and will probably result in an outflow of financial resources that can be reliably determined. The provisions are stated at the anticipated settlement amount with regard to all identifiable risks attached. With individual obligations, the settlement amount with the highest possible probability of occurrence is used. If the determination of the provision for an individual situation results in a range of equally probable settlement amounts, the provision will be set at the average of these settlement amounts. For a multitude of uniform situations, the provision is set at the expected value resulting from the weighting of all possible results with the related probabilities.

Long-term provisions with a term of more than one year are discounted to the closing date using an interest rate for matching maturities which reflects current market expectations regarding interest rate effects. Provisions with a term of less than one year are discounted accordingly if the interest rate effect is material. Claims for recourse are not netted with provisions, but recognised separately as an asset if their realisation is considered virtually certain.

Provisions for onerous contracts are formed if the unavoidable costs of meeting the obligations under a contract exceed the expected economic benefits resulting from the contract. Provisions for deficient rental cover related to leased objects are based on a consideration of individual leased properties. Provisions in the amount of the present value of the funding gap are formed for all closed properties or properties with deficient rental cover. In addition, a provision is created for store-related risks related to leased, operational or not yet closed stores insofar as a deficient cover of operational costs or a deficient rental cover despite consideration of a possible subleasing for the respective location arises from current corporate planning over the basic rental term.

Provisions for restructuring measures are recognised if a constructive obligation to restructure was formalised by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of the closing date. Restructuring provisions only comprise obligatory restructuring expenses that are not related to the company's current activities.

Warranty provisions are formed based on past warranty claims and the sales of the current financial year.

### Financial liabilities

According to IAS 39, **financial liabilities** that do not represent liabilities from finance leases are assigned to one of the following categories:

- “At fair value through profit or loss” (“held for trading”)
- “Other financial liabilities”

The first-time recognition of financial liabilities and subsequent measurement of financial liabilities **“held for trading”** is effected based on the same stipulations as for financial assets.

The category **“other financial liabilities”** comprises all financial liabilities that are not “held for trading”. They are carried at amortised cost using the effective interest method as the fair value option is not applied within METRO.

Financial liabilities designated as the hedged item in a fair value hedge are carried at their fair value. The fair values indicated for the financial liabilities have been determined on the basis of the interest rates prevailing on the closing date for the remaining terms and redemption structures.

In principle, financial liabilities from finance leases are carried at the present value of future minimum lease payments.

A financial liability is derecognised only when it has expired, that is, when the contractual obligations have been redeemed or annulled or have expired.

### Other financial and non-financial liabilities

**Other financial and non-financial liabilities** are carried at their settlement amounts unless they represent derivative financial instruments, put options given out to interests or earn-out liabilities, which are recognised at fair value under IAS 39.

**Prepaid expenses and deferred charges** comprise transitory accruals.

### Trade liabilities

**Trade liabilities** are recognised at amortised cost.

### Other

#### Contingent liabilities

**Contingent liabilities** are, on the one hand, possible obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence

of uncertain future events that are not entirely under the company’s control. On the other hand, contingent liabilities represent current obligations arising from past events for which, however, an outflow of economic resources is not considered probable or whose amount cannot be determined with sufficient reliability. According to IAS 37, such liabilities are not recognised in the balance sheet but disclosed in the notes. Contingent liabilities are determined on the basis of the principles applying to the measurement of provisions.

### Accounting for derivative financial instruments and hedge accounting

**Derivative financial instruments** are exclusively utilised to reduce risks. They are used in accordance with the respective group guideline.

In accordance with IAS 39, all derivative financial instruments are recognised at fair value and shown under other financial and non-financial assets or other financial and non-financial liabilities.

Derivative financial instruments are measured on the basis of interbank terms and conditions, possibly including the credit margin or stock exchange price applicable to METRO; for this, the average rate on the closing date is used. Where no stock exchange prices can be used, the fair value is determined by means of recognised financial models.

In the case of an effective hedge accounting transaction (**hedge accounting**) pursuant to IAS 39, fair value changes of derivatives designated as fair value hedges and the fair value changes of the underlying transactions are reported in profit or loss. In cash flow hedges, the effective portion of the fair value change of the derivative is recognised in other comprehensive income outside of profit or loss. A transfer to the income statement is effected only when the underlying transaction is realised. The ineffective portion of the change in the value of the hedging instrument is immediately reported in profit or loss.

### Supplier compensation

Depending on the underlying circumstances, supplier compensation is recognised as a reduction in the cost of purchase, reimbursement or payment for services rendered. Supplier compensation is accrued at the closing date insofar as it has been contractually agreed upon and is likely to be realised. Accruals relating to supplier compensation tied to certain calendar year targets are based on projections.

**SUMMARY OF SELECTED MEASUREMENT METHODS**

Item	Measurement method
<b>Assets</b>	
Goodwill	Cost of purchase (subsequent measurement: impairment test)
Other intangible assets	
Purchased other intangible assets	(Amortised) cost
Internally generated intangible assets	Development costs (direct costs and directly attributable overhead)
Property, plant and equipment	(Amortised) cost
Investment properties	(Amortised) cost
Financial assets	
“Loans and receivables”	(Amortised) cost
“Held to maturity”	(Amortised) cost
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Available for sale”	At fair value recognised in equity
Inventories	Lower of cost and net realisable value
Trade receivables	(Amortised) cost
Cash and cash equivalents	At nominal value
Assets held for sale	Lower of carrying amount and fair value less costs to sell
<b>Equity and liabilities</b>	
Provisions	
Provisions for post-employment benefits plans	Projected unit credit method (benefit/years of service method)
Other provisions	Discounted settlement amount (with highest probability of occurrence)
Financial liabilities	
“At fair value through profit or loss” (“held for trading”)	At fair value through profit or loss
“Other financial liabilities”	(Amortised) cost
Other financial and non-financial liabilities	At settlement amount or fair value
Trade liabilities	(Amortised) cost

**Judgements, estimates and assumptions**

The preparation of the consolidated financial statements was based on a number of **judgements, estimates and assumptions** that had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities.

**Judgements**

Information on the key discretionary decisions that materially affected the amounts reported in these consolidated financial statements can be found in the following notes:

- Determination of the consolidation group by assessing control opportunities (chapter “consolidation group”). Aside from structured entities (special purpose entities), this particularly concerns investments where the control opportunity is not necessarily tied in with a simple majority of voting rights due to special regulations in the Articles of Association.
- Classification of leases as finance leases or operating leases – including sale-and-leaseback transactions (no. 2 – other operating income and no. 20 – property, plant and equipment)
- Determination whether METRO is the principal or agent in sales transactions (no. 1 – sales)

### Estimates and assumptions

Information on estimates and underlying assumptions with significant effects on these consolidated financial statements is included in the following notes:

- Uniform group-wide determination of useful lives for assets with a definite useful life (no. 14 – depreciation/amortisation/impairment losses, no. 19 – other intangible assets and no. 20 – property, plant and equipment)
- Impairment testing of assets with a definite useful life if warranted by events (no. 14 – depreciation/amortisation/impairment losses, no. 19 – other intangible assets and no. 20 – property, plant and equipment)
- Annual goodwill impairment tests (no. 18 – goodwill – including sensitivity analyses)
- Recoverability of receivables – particularly receivables from suppliers (no. 23 – other financial and non-financial assets)
- Recognition of supplier compensation on an accrual basis (no. 23 – other financial and non-financial assets)
- Ability to realise future tax receivables – particularly from tax loss carry-forwards (no. 24 – deferred tax assets/deferred tax liabilities)
- Measurement of inventories (no. 25 – inventories)
- Determination of provisions for post-employment benefits plans (no. 32 – provisions for post-employment benefits plans and similar obligations)
- Determination of other provisions – for example, for deficient rental cover and onerous contracts, restructuring, warranties, taxes and risks emerging from legal proceedings and litigation (no. 33 – other provisions [non-current]/provisions [current])
- Estimation of the expected date of conclusion of a transaction with respect to the classification as non-current assets held for sale, liabilities related to assets held for sale and discontinued operations (no. 30 – assets held for sale / liabilities related to assets held for sale)
- Estimation of the probability of utilisation from supplier liabilities (no. 35 – trade liabilities)

Although great care has been taken in making these estimates and assumptions, actual values may deviate from them in individual cases. The estimates and assumptions used in the consolidated financial statements are regularly reviewed. Changes are taken in to account at the time new information becomes available. In the reporting year a positive EBIT effect of €20 million resulted from an adjusted estimate of the possibility of utilising short-term liabilities.

## CAPITAL MANAGEMENT

The aim of the capital management strategy of METRO is to secure the company's continued business operations, to enhance its enterprise value, 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

Equity amounts to €3,207 million (30/9/2016: €2,924 million), while debt amounts to €12,572 million (30/9/2016: €13,068 million). Net debt amounts to €3,142 million compared with €3,051 million as of 30/9/2016.

€ million	30/9/2016	30/9/2017
<b>Equity</b>	<b>2,924</b>	<b>3,207</b>
<b>Liabilities</b>	<b>13,068</b>	<b>12,572</b>
<b>Net debt</b>	<b>3,051</b>	<b>3,142</b>
Financial liabilities (incl. finance leases)	4,740	<b>4,706</b>
Cash and cash equivalents according to the balance sheet	1,599	<b>1,559</b>
Short-term financial investments <sup>1</sup>	90	<b>5</b>

<sup>1</sup> Shown in the balance sheet under other financial and non-financial assets (current).

### Local capital requirements

The capital market strategy of METRO consistently aims to ensure that the group companies' capital resources comply with local requirements. During financial year 2016/17, all external capital requirements were fulfilled. This includes, for example, adherence to a defined level of indebtedness or a fixed equity ratio.

## EXPLANATIONS FOR BUSINESS COMBINATIONS

### Initial consolidation of Pro à Pro

In accordance with the purchase agreement dated 7 July 2016, METRO Cash & Carry International Holding B.V. acquired 100% of Pro à Pro shares from ETS FR Colruyt SA, Belgium, as of 1 February 2017. The group consists of 11 individual companies grouped under COLRUYT France SAS, France. The purchase price amounted to a low to medium 3-digit million euros amount and was paid in cash. Pro à Pro is an important food delivery service in France. The group specialises in the supply of large-scale food service companies, such as canteens. The acquisition of Pro à Pro will assist METRO in further advancing its food service distribution business. The initial consolidation was carried out in the second quarter of 2016/17. Pro à Pro is part of the METRO Wholesale segment.

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

€ million	
<b>Assets</b>	
Other intangible assets	41
Property, plant and equipment	61
Deferred tax assets	9
Inventories	53
Trade receivables	105
Other financial and non-financial assets (current)	22
Cash and cash equivalents	70
	<b>361</b>
<b>Liabilities</b>	
Provisions for post-employment benefits plans and similar obligations	5
Other provisions	4
Financial liabilities (non-current)	1
Deferred tax liabilities	17
Trade liabilities	99
Financial liabilities (current)	1
Other financial and non-financial liabilities (current)	16
	<b>143</b>

The trade receivables included in the above assets are equal to the contractually agreed amounts and are considered fully collectable.

The initial consolidation of Pro à Pro is provisional with respect to the determination of the final purchase price and the valuation of the assets and liabilities in the opening balance sheet.

The acquisition of Pro à Pro results in goodwill of €34 million, mainly due to future earnings potential resulting from anticipated synergy effects between Pro à Pro and METRO's French wholesale organisation.

From the point of initial consolidation on 1 February 2017, Pro à Pro contributed €489 million (€473 million thereof with non-group third parties) and €6 million to profit or loss for the period (net profit or loss). Pro à Pro currently employs 1,826 people.

Assuming that the acquisition had taken place on 1 October 2016, Pro à Pro would have contributed €712 million to METRO's revenue and €9 million to profit or loss for the period.

## NOTES TO THE INCOME STATEMENT

### 1. Sales revenues

Net sales primarily result from the sale of goods and can be broken down as follows:

€ million	2015/16	2016/17
METRO Wholesale	29,000	<b>29,866</b>
Real	7,478	<b>7,247</b>
Others	72	<b>27</b>
	<b>36,549</b>	<b>37,140</b>

Sales shown in the Others segment primarily concern the 4 Real stores in Romania that were sold in financial year 2016/17 at €18 million (2015/16: €57 million) as well as commission income of METRO Sourcing International Limited from third-party business at €9 million (2015/16: €15 million).

Of total sales, €25 billion (2015/16: €24 billion) are attributable to international group companies.

— Sales developments by business and geographical segments are presented in segment reporting.

### 2. Other operating income

€ million	2015/16	2016/17
Rents incl. reimbursements of subsidiary rental costs	343	<b>326</b>
Gains from the disposal of fixed assets and gains from the reversal of impairment losses	100	<b>176</b>
Services/cost refunds	190	<b>159</b>
Services rendered to suppliers	157	<b>142</b>
Income from logistics services	61	<b>58</b>
Income from deconsolidation	452	<b>36</b>
Miscellaneous	160	<b>161</b>
	<b>1,462</b>	<b>1,057</b>

Gains from the disposal of fixed assets and gains from the reversal of impairment losses include income in the amount of €158 million from the disposal of real estate that will be used fully or for the most part by third parties in the future (2015/16: €53 million). This includes income of €6 million from the sale of real estate assets that METRO plans to continue to use under tenancy agreements (2015/16: €5 million). In addition, this item includes gains from the reversal of impairment losses in the amount of €3 million (2015/16: €11 million).

Services rendered to suppliers amount to €132 million (2015/16: €145 million) regarding METRO Wholesale and to €6 million (2015/16: €7 million) regarding Real. The decline in the METRO Wholesale segment is mainly attributable to METRO Cash & Carry Romania at €13 million (2016/17: €6 million; 2015/16: €19 million).

The income from logistics services provided by METRO LOGISTICS to non-group companies is offset by expenses from logistics services, which are reported under other operating expenses.

Income from deconsolidation essentially includes income from the disposal of Chengdu Qingyue Property Services Co., Ltd., China, (2015/16: income from the disposal of the wholesale activities in Vietnam totalling €451 million).

Miscellaneous other operating income particularly includes income from compensation in the amount of €24 million (2015/16: €10 million). Among others, this item also includes public-sector subsidies in the amount of €7 million (2015/16: €7 million) and income from construction services in the amount of €5 million (2015/16: €6 million).

### 3. Selling expenses

€ million	2015/16	2016/17
Personnel expenses	3,231	<b>3,090</b>
Cost of material	2,940	<b>2,994</b>
	<b>6,171</b>	<b>6,084</b>

In selling expenses, the previous year's restructuring measures implemented at METRO Wholesale in particular resulted in markedly lower personnel expenses. At Real, lower wages and salaries and lower special payments have led to a reduction in staff costs.

Opposite effects in the cost of material result in particular from increased advertising measures at Real and lower advertising subsidies at METRO Wholesale. In addition, increased costs for recruitment and impairments in the financial year led to an increase in material costs at METRO Wholesale.

#### 4. General administrative expenses

€ million	2015/16	2016/17
Personnel expenses	592	<b>506</b>
Cost of material	466	<b>507</b>
	1,058	<b>1,014</b>

The decline in general administrative expenses is mainly due to lower restructuring expenses in the personnel area compared to the previous year.

Opposite effects within the cost of materials arise in particular in relation to demerger-related expenses.

#### 5. Other operating expenses

€ million	2015/16	2016/17
Expenses from logistics services	59	<b>58</b>
Losses from the disposal of fixed assets	18	<b>32</b>
Impairment losses on goodwill	0	<b>19</b>
Miscellaneous	28	<b>27</b>
	<b>105</b>	<b>137</b>

The expenses from logistics services provided by METRO LOGISTICS to non-group companies are offset by income from logistics services, which are reported under other operating income.

Losses from the disposal of fixed assets essentially include expenses related to the disposal of business and office equipment in the amount of €18 million (2015/16: €14 million) and property disposal losses in the amount of €11 million (2015/16: €3 million).

Impairment losses on goodwill relate to €8 million for METRO Cash & Carry Netherlands, €8 million for METRO Cash & Carry Japan and €3 million for METRO Cash & Carry Belgium.

The remaining other operating expenses essentially include €9 million in depreciation from the valuation of the MIDBAN ESOLUTIONS S.L. disposal group and €5 million in construction work (2015/16: €7 million).

#### 6. Earnings share of operating / non-operating companies recognised at equity

From financial year 2015/16, the earnings of operating companies recognised at equity are shown in the income statement in the EBIT item earnings share of operating companies recognised at equity. It amounts to €14 million (2015/16: €102 million). The income of the previous year was significantly affected by the gain on the sale of shares in EZW Kauf- und Freizeitpark GmbH & Co. Kommanditgesellschaft in the amount of €89 million. The earnings share of non-operating companies recognised at equity is shown in the net financial result and amounts to €0 million (2015/16: €3 million).

#### 7. Other investment result

The other investment result amounts to €-11 million (2015/16: €-3 million). The change mainly results from the amortisation of the shares in real,- Digital Payment & Technology Services GmbH.

## 8. Net interest income/interest expenses

The interest result can be broken down as follows:

€ million	2015/16	2016/17
<b>Interest income</b>	<b>65</b>	<b>44</b>
thereof finance leases	(0)	<b>(0)</b>
thereof from post-employment benefits plans	(7)	<b>(5)</b>
thereof from financial instruments of the measurement categories according to IAS 39:		
loans and receivables incl. cash and cash equivalents	(20)	<b>(29)</b>
held to maturity	(0)	<b>(0)</b>
held for trading incl. derivatives in a hedging relationship according to IAS 39	(2)	<b>(0)</b>
available for sale	(0)	<b>(0)</b>
<b>Interest expenses</b>	<b>-276</b>	<b>-200</b>
thereof finance leases	(-86)	<b>(-80)</b>
thereof from post-employment benefits plans	(-19)	<b>(-13)</b>
thereof from financial instruments of the measurement categories according to IAS 39:		
held for trading incl. derivatives in a hedging relationship according to IAS 39	(-3)	<b>(0)</b>
other financial liabilities	(-147)	<b>(-97)</b>
	<b>-210</b>	<b>-156</b>

Interest income and interest expenses from financial instruments are assigned to the measurement categories according to IAS 39 on the basis of the underlying transactions.

The reduction in interest income is essentially due to non-period interest income from tax refunds in the previous year.

Interest expenses in the measurement category "other financial liabilities" primarily include interest expenses for issued bonds (including the commercial paper programme) of €66 million (2015/16: €98 million) and for liabilities to banks of €14 million (2015/16: €18 million).

The decline in interest expenses was primarily the result of more favourable refinancing terms.

## 9. Other financial result

The other financial income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions. Besides income and expenses from the measurement of financial instruments according to IAS 39, this also includes the measurement of foreign currency positions according to IAS 21.

€ million	2015/16	2016/17
<b>Other financial income</b>	<b>107</b>	<b>162</b>
thereof currency effects	(80) <sup>1</sup>	<b>(127)</b>
thereof hedging transactions	(23)	<b>(8)</b>
<b>Other financial expenses</b>	<b>-222</b>	<b>-198</b>
thereof currency effects	(-114) <sup>1</sup>	<b>(-161)</b>
thereof hedging transactions	(-37)	<b>(-13)</b>
<b>Other financial result</b>	<b>-114</b>	<b>-37</b>
thereof from financial instruments of the measurement categories according to IAS 39:		
loans and receivables incl. cash and cash equivalents	(-7)	<b>(-36)</b>
held to maturity	(0)	<b>(0)</b>
held for trading	(-26)	<b>(-6)</b>
available for sale	(0)	<b>(0)</b>
other financial liabilities	(-49)	<b>(-9)</b>
thereof fair value hedges:		
underlying transactions	(0)	<b>(0)</b>
hedging transactions	(0)	<b>(0)</b>
thereof cash flow hedges:		
ineffectiveness	(-1)	<b>(-2)</b>

<sup>1</sup> Disclosure changes due to offsetting.

The overall result from currency effects and measurement results from hedging transactions and hedging relationships totalled €-39 million (2015/16: €-48 million). As in the previous year, this figure largely results from foreign currency financings in Eastern Europe. In addition, the other financial result reflects €24 million (2015/16: €-24 million) in currency effects resulting from the translation of the financial statements of foreign subsidiaries that are recognised through profit or loss in the year the subsidiary is deconsolidated or in the year business activities are discontinued.

— **For more information about possible effects from currency risks, see no. 43 - management of financial risks.**



### 10. Net results according to measurement categories

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

2015/16								
€ million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	20	0	-4	0	-26	0	-10
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	-1	-14	0	0	0	-13	-28
Available for sale	-3	0	0	0	0	0	0	-3
Other financial liabilities	0	-147	0	-30	3	0	-18	-192
	<b>-3</b>	<b>-128</b>	<b>-14</b>	<b>-34</b>	<b>4</b>	<b>-26</b>	<b>-32</b>	<b>-234</b>

2016/17								
€ million	Investments	Interest	Fair value measurements	Currency translation	Disposals	Impairments	Other	Net result
Loans and receivables incl. cash and cash equivalents	0	29	0	-35	0	-27	-1	-33
Held to maturity	0	0	0	0	0	0	0	0
Held for trading incl. derivatives in a hedging relationship according to IAS 39	0	0	-5	0	0	0	-3	-8
Available for sale	-11	0	0	0	0	0	0	-11
Other financial liabilities	0	-97	0	0	5	0	-10	-101
	<b>-11</b>	<b>-67</b>	<b>-5</b>	<b>-34</b>	<b>5</b>	<b>-27</b>	<b>-14</b>	<b>-153</b>

Income and expenses from financial instruments are assigned to measurement categories according to IAS 39 on the basis of the underlying transactions.

Investment income and income effects from the disposal of investments are included in other investment income. Interest income and expenses are part of the interest result. Fair value measurements and effects from other financial expenses and currency translation are included in the other financial result. Income effects from the disposal of other financial liabilities are included in earnings before interest and taxes (EBIT). Income effects from the disposal of assets classified as available for sale are included in the other financial result to the extent that these do not concern investments. Expenses from impairments are essentially included in earnings before interest and taxes.

— For more information about impairments, see no. 27 – impairments of capitalised financial instruments.

Remaining financial income and expenses included in the other financial result primarily concern bank commissions and similar expenses that are incurred within the context of financial assets and liabilities.

### 11. Income taxes

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

€ million	2015/16	2016/17
Actual taxes	271	<b>222</b>
thereof Germany	(32)	<b>(27)</b>
thereof international	(239)	<b>(195)</b>
thereof tax expenses/income of current period	(316)	<b>(217)</b>
thereof tax expenses/income of previous periods	(-45)	<b>(5)</b>
Deferred taxes	104	<b>82</b>
thereof Germany	(77)	<b>(1)</b>
thereof international	(27)	<b>(81)</b>
	<b>375</b>	<b>304</b>

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% (2015/2016: 0.00%) and 34.43% (2015/2016: 38.00%).

In financial year 2016/17 there was no impact on the actual tax expenses due to previous value-adjusted tax loss carry-forwards for the purposes of deferred taxes (2015/16: tax impact of €5 million).

Deferred tax liabilities for financial year 2016/17 comprise expenses of €18 million from changes in tax rates (2015/16: €4 million).

€ million	2015/16	2016/17
Deferred taxes in the income statement	104	<b>82</b>
thereof from temporary differences	(51)	<b>(91)</b>
thereof from loss and interest carry-forwards	(53)	<b>(-9)</b>

At €304 million (2015/16: €375 million), income tax expenses, which are shown fully in earnings from ordinary activities, are €106 million (2015/16: €102 million) higher than expected income tax expenses of €198 million (2015/16: €273 million) that would have resulted if the German corporate income tax rate had been applied to the group's taxable income for the year.

Reconciliation of estimated to actual income tax expenses is as follows:

€ million	2015/16	2016/17
<b>EBT (earnings before taxes)</b>	<b>894</b>	<b>649</b>
Expected income tax expenses (30.53%)	273	<b>198</b>
Effects of differing national tax rates	-64	<b>-35</b>
Tax expenses and income relating to other periods	-45	<b>5</b>
Non-deductible business expenses for tax purposes	67	<b>49</b>
Effects of not recognised or impaired deferred taxes	176	<b>137</b>
Additions and reductions for local taxes	1	<b>16</b>
Tax holidays	-36	<b>-19</b>
Other deviations	3	<b>-48</b>
<b>Income tax expenses according to the income statement</b>	<b>375</b>	<b>304</b>
<b>Group tax rate</b>	<b>42.0%</b>	<b>46.9%</b>

The other deviations in the financial year mainly include a deferred tax income from the reversal of a deferred tax liability in connection with the reallocation of goodwill.

Tax expenses and income relating to other periods from the previous year include refunds from a legal dispute that was settled during financial year 2015/16.

## 12. Profit or loss for the period attributable to non controlling interests

Of profit or loss for the period attributable to non-controlling interests, profit shares accounted for €20 million (2015/16: €13 million) and loss shares for €0 million (2015/16: €0 million).

## 13. Earnings per share

Earnings per share are determined by dividing profit or loss for the period attributable to METRO AG shareholders by the weighted number of issued shares. In the calculation of earnings per share, an additional dividend is generally deducted from profit or loss for the period attributable to METRO AG shareholders. There was no dilution in the reporting period or the previous year from so-called potential shares.

	2015/16 <sup>1</sup>	2016/17
Weighted number of no-par-value shares outstanding	363,097,253	<b>363,097,253</b>
Profit or loss for the period attributable to the shareholders of METRO AG (€ million)	506	<b>325</b>
<b>Earnings per share in € (basic = diluted)</b>	<b>1.39</b>	<b>0.89</b>

<sup>1</sup> Pro forma disclosure of combined financial statements.

Earnings per preference share correspond to earnings per share.

#### 14. Depreciation/amortisation/impairment losses

Depreciation/amortisation/impairment losses of €780 million (2015/16: €710 million) include impairment losses totalling €85 million (2015/16: €25 million).

They relate mainly to property, plant and equipment with €46 million (2015/16: €21 million) and goodwill with €19 million (2015/16: €0 million). In addition, write-downs related to the disposal of MIDBAN ESOLUTIONS S.L. amounting to €9 million contribute to the impairments. In addition, net financial result included impairment losses in the amount of €9 million (2015/16: €0 million), which mainly relate to equity investments.

Impairment losses on property, plant and equipment are attributable to land and buildings at €37 million (2015/16: €13 million) and to business and office equipment at €9 million (2015/16: €7 million). The recognised impairment losses on goodwill relate mainly to METRO Cash & Carry Netherlands with €8 million and to METRO Cash & Carry Japan with €8 million.

The attribution of depreciation/amortisation/impairment losses in the income statement and the affected asset categories is as follows:

2015/16	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets <sup>1</sup>	Assets held for sale	Total
€ million							
Cost of sales	0	0	13	0	0	0	13
thereof depreciation/amortisation	(0)	(0)	(13)	(0)	(0)	(0)	(13)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	30	575	15	0	0	621
thereof depreciation/amortisation	(0)	(28)	(555)	(14)	(0)	(0)	(597)
thereof impairment	(0)	(2)	(20)	(1)	(0)	(0)	(24)
General administrative expenses	0	58	17	0	0	0	75
thereof depreciation/amortisation	(0)	(57)	(17)	(0)	(0)	(0)	(74)
thereof impairment	(0)	(1)	(0)	(0)	(0)	(0)	(1)
Other operating expenses	0	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Scheduled impairment losses and impairment before impairment of financial investments</b>	<b>0</b>	<b>88</b>	<b>605</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>710</b>
Financial result	0	0	0	0	0	0	0
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	<b>0</b>	<b>88</b>	<b>605</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>710</b>
thereof depreciation/amortisation	(0)	(85)	(585)	(15)	(0)	(0)	(685)
thereof impairment	(0)	(3)	(21)	(1)	(0)	(0)	(25)

<sup>1</sup> Also comprise investments accounted for using the equity method.

## 2016/17

€ million	Goodwill	Other intangible assets	Property, plant and equipment	Investment properties	Financial assets <sup>1</sup>	Assets held for sale	Total
Cost of sales	0	2	19	0	0	0	20
thereof depreciation/amortisation	(0)	(2)	(19)	(0)	(0)	(0)	(20)
thereof impairment	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Selling expenses	0	31	598	10	0	0	639
thereof depreciation/amortisation	(0)	(31)	(559)	(9)	(0)	(0)	(599)
thereof impairment	(0)	(0)	(38)	(2)	(0)	(0)	(40)
General administrative expenses	0	56	27	0	0	0	83
thereof depreciation/amortisation	(0)	(56)	(19)	(0)	(0)	(0)	(76)
thereof impairment	(0)	(0)	(8)	(0)	(0)	(0)	(8)
Other operating expenses	19	0	0	0	0	9	28
thereof impairment	(19)	(0)	(0)	(0)	(0)	(9)	(28)
<b>Scheduled impairment losses and impairment before impairment of financial investments</b>	<b>19</b>	<b>89</b>	<b>643</b>	<b>11</b>	<b>0</b>	<b>9</b>	<b>771</b>
Financial result	0	0	0	0	9	0	9
thereof impairment	(0)	(0)	(0)	(0)	(9)	(0)	(9)
	19	89	643	11	9	9	780
thereof depreciation/amortisation	(0)	(89)	(597)	(9)	(0)	(0)	(695)
thereof impairment	(19)	(0)	(46)	(2)	(9)	(9)	(85)

<sup>1</sup> Also comprise investments accounted for using the equity method.

Of the impairments amounting to €85 million (2015/16: €25 million), METRO Wholesale accounted for €72 million (2015/16: €20 million), Real for €0 million (2015/16: €1 million) and Others for €13 million (2015/16: €4 million).

### 15. Cost of materials

The cost of sales includes the following cost of materials:

€ million	2015/16	2016/17
Cost of raw materials, supplies and goods purchased	28,956	29,420
Cost of services purchased	44	54
	29,000	29,473

### 16. Personnel expenses

Personnel expenses can be broken down as follows:

€ million	2015/16	2016/17
Wages and salaries	3,439	3,247
Social security expenses, expenses for post-employment benefits and related employee benefits	794	768
thereof for post-employment benefits	(65)	(35)
	4,233	4,016

Wages and salaries shown in personnel expenses include expenses relating to restructuring and severance payments of €92 million (2015/16: €224 million). Variable remuneration based on the EBITaC metric declined from €75 million in financial year 2015/16 to €67 million in financial year 2016/17. Wages and salaries also include expenses for share-based payments totalling €31 million (2015/16: €26 million).

Annual average number of group employees:

Number of employees by headcount	2015/16	2016/17
Blue collar/white collar	153,442	151,777
Apprentices/trainees	3,410	3,305
	<b>156,852</b>	<b>155,082</b>

This includes an absolute number of 39,872 (2015/16: 41,521) part-time employees. The number of employees working abroad amounted to 98,557 (2015/16: 98,651). This includes 97,316 (2015/16: 97,429) employees. An additional 1,241 (2015/16: 1,222) apprentices were employed outside of Germany.

### 17. Other taxes

The other taxes (e.g. property tax, motor vehicle tax, excise tax and transaction tax) have the following effects on the income statement:

€ million	2015/16	2016/17
<b>Other taxes</b>	<b>107</b>	<b>98</b>
thereof from cost of sales	(4)	(1)
thereof from selling expenses	(80)	(73)
thereof from general administrative expenses	(23)	(24)

## NOTES TO THE BALANCE SHEET

### 18. Goodwill

The goodwill amounts to €875 million (30/9/2016: €852 million).

In the METRO Wholesale segment, the acquisition of Pro à Pro resulted in goodwill of €34 million. In addition, the goodwill from previous year's acquisition of Rungis Express was increased by €8 million due to an adjustment of the purchase price allocation.

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

	30/9/2016		30/9/2017	
	WACC		WACC	
	€ million	%	€ million	%
METRO Cash & Carry France			293	5.8
METRO Cash & Carry Germany			94	5.4
METRO Cash & Carry Spain/Portugal			54	7.5
METRO Cash & Carry Italy			38	7.0
METRO Cash & Carry Turkey			33	8.6
Pro à Pro			34	5.8
Classic Fine Foods			23	6.5
Others			3	
<b>Total HoReCa</b>	<b>538</b>	<b>6.3</b>	<b>572</b>	
METRO Cash & Carry Russia			43	7.0
METRO Cash & Carry Czech Republic			24	6.0
METRO Cash & Carry China			19	6.5
METRO Cash & Carry Austria			12	5.7
Others			22	
<b>Total Multispecialist</b>	<b>132</b>	<b>7.4</b>	<b>120</b>	
METRO Cash & Carry Poland			58	6.6
METRO Cash & Carry Romania			40	7.1
METRO Cash & Carry Ukraine			17	11.0
METRO Cash & Carry Moldova			5	11.2
<b>Total Trader</b>	<b>119</b>	<b>9.5</b>	<b>120</b>	
Real Germany	60	5.1	60	5.4
Others	3	0.0	3	
	<b>852</b>		<b>875</b>	

In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment once a year. This is carried out at the level of a group of cash-generating units. In the case of goodwill, this group is the operating segment at METRO Cash & Carry until the demerger and the organisational unit sales line per country at Real. As part of the rollout of the New Operating Model from 1 October 2015, the individual METRO Cash & Carry countries were classified into 3 clusters: HoReCa, Multispecialist and Trader. The HoReCa cluster essentially includes France, Germany, Italy, Japan, Portugal, Spain, Turkey and Classic Fine Foods. Multispecialist include Austria, Belgium, Bulgaria, China, Croatia, India, Kazakhstan, the Netherlands, Pakistan, Russia, Serbia, Slovakia, the Czech Republic and Hungary. The Trader cluster includes Moldova, Poland, Romania and Ukraine. This has resulted in the monitoring of goodwill at the level of the 3 clusters. As part of the reorganisation of the METRO Wholesale segment resulting from the demerger, the monitoring of goodwill was changed to the sales line per country. The goodwill allocated to the customer group clusters until that point was tested for impairment and subsequently allocated within the METRO Wholesale segment per country according to their relative fair values.

In the impairment test, the cumulative carrying amount of the group of cash-generating units is compared with the recoverable amount. The recoverable amount is defined as the fair value less costs to sell, which is calculated from discounted future cash flows and the level 3 input parameters of the fair value hierarchy.

— **The description of the fair value hierarchies is included in no. 40 – carrying amounts and fair values according to measurement categories.**

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. In principle, the detailed planning period comprises 3 years. In exceptional cases, it may amount to 5 years in the case of longer-term detailed planning. As in the previous year, the growth rates considered at the end of the detailed planning period are generally 1.0%, with the exception of the group of the cash-generating unit Real Germany, for which a growth rate of 0.5% 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 1.25% (30/9/2016: 0.9%) and a market risk premium of 6.50% (30/9/2016: 6.75%) in Germany as well as a beta factor of 1.06 (30/9/2016: 1.03). Country-specific risk premiums based on the respective country rating are applied to the equity cost of capital and to the debt cost of capital. The capitalisation rates after taxes determined individually for each group of cash-generating units range from 5.4 to 11.2% (30/9/2016: 5.1 to 9.5%).

The mandatory annual impairment test as of 30 June 2017 of goodwill deemed material resulted in the following assumptions regarding the development of sales, EBIT and the EBIT margin targeted for valuation purposes during the detailed planning period, with the EBIT margin reflecting the ratio of EBIT to net sales.

	Sales	EBIT	EBIT margin	Detailed planning period (years)
METRO Cash & Carry France	Slight growth	Slight growth	Unchanged	3
METRO Cash & Carry Germany	Slight growth	Strong growth	Strong growth	5
Real Germany	Slight growth	Slight growth	Unchanged	4
METRO Cash & Carry Poland	Slight decline	Unchanged	Unchanged	3
METRO Cash & Carry Spain/Portugal	Solid growth	Strong growth	Substantial growth	3
METRO Cash & Carry Russia	Slight decline	Significant decline	Significant decline	3
METRO Cash & Carry Romania	Substantial growth	Unchanged	Substantial decline	3

As of 30 June 2017, the mandatory annual audit confirmed the impairment of all capitalised goodwill, with the exception of goodwill in the amount of €8 million allocated to METRO Cash & Carry Japan after the demerger, as well as €8 million to METRO Cash & Carry Netherlands and €3 million to METRO Cash & Carry Belgium, which were completely depreciated due to the respective business development.

In addition to the impairment test, 3 sensitivity analyses were conducted for each group of cash-generating units. The first sensitivity analysis was based on the assumption of a 1 percentage point lower growth rate. In the second sensitivity analysis, the interest rate for each group of cash-generating units was raised by 10.0%. In the third sensitivity analysis, a lump sum discount of 10.0% was applied to assumed perpetual EBIT. These changes to the underlying assumptions would not result in impairment at any of the groups of cash-generating units.

€ million	Goodwill
<b>Acquisition or production costs</b>	
As of 1/10/2015	832
Currency translation	0
Additions to consolidation group	0
Additions	48
Disposals	0
Reclassifications under IFRS 5	0
Transfers	0
As of 30/9 - 1/10/2016	880
Currency translation	-1
Additions to consolidation group	0
Additions	42
Disposals	0
Reclassifications under IFRS 5	0
Transfers	0
As of 30/9/2017	922
<b>Depreciation/amortisation/ impairment losses</b>	
As of 1/10/2015	28
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9 - 1/10/2016	28
Currency translation	-1
Additions, scheduled	0
Additions, impairment	19
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2017	47
Carrying amount at 1/10/2015	804
Carrying amount at 30/9/2016	852
<b>Carrying amount 30/9/2017</b>	<b>875</b>



**19. Other intangible assets**

€ million	Intangible assets without goodwill	(thereof internally generated intangible assets)
<b>Acquisition or production costs</b>		
As of 1/10/2015	1,597	(881)
Currency translation	1	(0)
Additions to consolidation group	39	(0)
Additions	110	(60)
Disposals	-81	(-44)
Reclassifications under IFRS 5	0	(0)
Transfers	-7	(-3)
As of 30/9 - 1/10/2016	1,659	(894)
Currency translation	-8	(-1)
Additions to consolidation group	32	(0)
Additions	118	(60)
Disposals	-19	(0)
Reclassifications under IFRS 5	-1	(0)
Transfers	0	(-1)
As of 30/9/2017	1,782	(952)
<b>Depreciation/amortisation/impairment losses</b>		
As of 1/10/2015	1,226	(745)
Currency translation	1	(0)
Additions, scheduled	85	(54)
Additions, impairment	3	(1)
Disposals	-69	(-36)
Reclassifications under IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	-7	(-21)
As of 30/9 - 1/10/2016	1,239	(744)
Currency translation	-2	(-1)
Additions, scheduled	89	(49)
Additions, impairment	0	(0)
Disposals	-17	(-1)
Reclassifications under IFRS 5	0	(0)
Reversals of impairment losses	0	(0)
Transfers	0	(0)
As of 30/9/2017	1,309	(792)
Carrying amount at 1/10/2015	371	(136)
Carrying amount at 30/9/2016	420	(150)
<b>Carrying amount at 30/9/2017</b>	<b>473</b>	<b>(160)</b>

The other intangible assets have both limited useful lives and unlimited expected useful lives. Intangible assets with a limited useful life are subject to depreciation/amortisation. Intangible assets with an unlimited useful life are subjected to annual impairment tests. Assets with an indefinite useful life regard acquired brand rights. The carrying amount of acquired brand rights without time limits amounts to €95 million.

The additions to the consolidation group include €41 million in lease and usage rights, brands, customer relationships and licences, rights and licences acquired as part of the acquisition of Pro à Pro. The additions to the consolidation group of the previous year's acquisition of Rungis Express were reduced by €9 million. Additions in the amount of €118 million (2015/16: €110 million) concern internally generated software at €60 million (2015/16: €60 million), software purchased from third parties and still in development at €43 million (2015/16: €33 million), and concessions, rights and licences at €15 million (2015/16: €16 million).

The additions to depreciation/amortisation on other intangible assets in the amount of €89 million

(2015/16: €85 million) are recognised in general administrative expenses at €56 million (2015/16: €57 million), in selling expenses at €31 million (2015/16: €28 million) and in the cost of sales at €2 million (2015/16: €0 million).

Impairments were not considered in financial year 2016/17. Impairment losses of €3 million in the previous year concern acquired concessions, rights and licences at €1 million, internally generated software at €1 million and lease and usage rights at €1 million.

Research and development expenses recognised in expenses essentially concern internally generated software and amount to €23 million (2015/16: €21 million).

As in the previous year, there are no material limits to the title or right to dispose of intangible assets. Purchasing obligations for intangible assets amounting to €0 million (30/9/2016: €1 million) were recorded.

## **20. Property, plant and equipment**

As of 30 September 2017, property, plant and equipment totalling €6,822 million (30/9/2016: €6,979 million) was recorded. The development of property, plant and equipment is shown in the following table.

€ million	Land and buildings	Other plant, business and office equipment	Assets under construction	Total
<b>Acquisition or production costs</b>				
As of 1/10/2015	9,029	4,785	193	14,007
Currency translation	-21	-5	0	-27
Additions to consolidation group	1	3	0	4
Additions	289 <sup>1</sup>	217	301	806
Disposals	-183	-356	-11	-550
Reclassifications under IFRS 5	-8	0	0	-8
Transfers	142	175	-305	11
As of 30/09 - 1/10/2016	9,248	4,818	177	14,243
Currency translation	-38	-52	-1	-90
Additions to consolidation group	34	25	2	61
Additions	125	189	256	571
Disposals	-229	-183	-13	-425
Reclassifications under IFRS 5	-3	-2	0	-5
Transfers	84	131	-226	-11
As of 30/9/2017	9,223	4,927	195	14,344
<b>Depreciation/amortisation/impairment losses</b>				
As of 1/10/2015	3,993	3,172	9	7,174
Currency translation	-18	-3	0	-21
Additions, scheduled	302	276	7	585
Additions, impairment	13	7	1	21
Disposals	-160	-338	0	-498
Reclassifications under IFRS 5	-5	0	0	-5
Reversals of impairment losses	0	0	0	0
Transfers	0	9	0	9
As of 30/9 - 1/10/2016	4,124	3,122	17	7,264
Currency translation	-24	-28	0	-51
Additions, scheduled	306	291	0	597
Additions, impairment	37	9	0	46
Disposals	-153	-168	-7	-327
Reclassifications under IFRS 5	0	-1	0	-1
Reversals of impairment losses	-2	-1	0	-3
Transfers	2	-3	0	-2
As of 30/9/2017	4,290	3,221	11	7,522
Carrying amount at 1/10/2015	5,036	1,613	184	6,833
Carrying amount at 30/9/2016	5,124	1,695	160	6,979
<b>Carrying amount at 30/9/2017</b>	<b>4,932</b>	<b>1,705</b>	<b>184</b>	<b>6,822</b>

<sup>1</sup> Including reclassifications from assets held for sale to property, plant and equipment.

The decline in property, plant and equipment by €158 million mainly results from disposals of properties in the amount of €77 million, which mainly relates to buildings. In addition, currency effects in the amount of €39 million (2015/16: €-6 million) and impairments in the amount of €46 million (2015/16: €21 million) resulted in a reduction in property, plant and equipment.

Restrictions on titles in the form of liens and encumbrances for items of property, plant and equipment amounted to €22 million (30/9/2016: €30 million).

Contractual commitments for the acquisition of property, plant and equipment in the amount of €128 million (30/9/2016: €124 million) were recorded.

### Leases

Assets available to METRO under the terms of finance leases were recognised at €825 million (30/9/2016: €886 million); they essentially relate to leased buildings.

Finance leases generally have terms of 15 to 25 years with options under expiration to extend them at least once for 5 years. The interest rates in the leases vary by market and date of signing between 1.61 and 7.20%.

In addition to finance leases, METRO also signed other types of leases classified as operating leases based on their economic value. Operating leases also essentially concern leased buildings and generally have an initial term of up to 15 years. The interest rates in the leases are based partly on variable and partly on fixed rents.

Payments due under finance and operating leases in subsequent periods are shown as follows:

€ million	Up to 1 year	1 to 5 years	Over 5 years
<b>Finance leases 30/9/2016</b>			
Future lease payments due (nominal)	171	649	1,060
Discount	-13	-135	-498
Present value	158	514	562
<b>Operating leases 30/9/2016</b>			
Future lease payments due (nominal)	617	2,026	2,474

€ million	Up to 1 year	1 to 5 years	Over 5 years
<b>Finance leases 30/9/2017</b>			
Future lease payments due (nominal)	167	620	903
Discount	-10	-124	-424
Present value	157	495	480
<b>Operating leases 30/9/2017</b>			
Future lease payments due (nominal)	633	2,039	2,701

Future payments due on finance leases contain purchase payments amounting to €19 million (30/9/2016: €19 million) required for the exercise of more favourable purchase options.

The nominal value of future lease payments due to METRO from the subleasing of assets held under finance leases amounts to €245 million (30/9/2016: €262 million).

The nominal value of future lease payments due to METRO from the subleasing of assets held under operating leases amounts to €437 million (30/9/2016: €539 million).

Profit or loss for the period includes expenses from leases totalling €696 million (2015/16: €688 million) and income from tenancy agreements totalling €257 million (2015/16: €271 million).

Contingent lease payments from finance leases recognised as expenses during the period amount to €4 million (2015/16: €4 million). Contingent lease payments from operating leases recognised as expenses during the period amount to €12 million (2015/16: €15 million).

Lease payments due in subsequent periods from entities outside METRO for the rental of properties that are legally owned by METRO (METRO as lessor) are shown below:

€ million	Up to 1 year	1 to 5 years	Over 5 years
<b>Operating leases 30/9/2016</b>			
Future lease payments due (nominal)	49	123	122

€ million	Up to 1 year	1 to 5 years	Over 5 years
<b>Operating leases 30/9/2017</b>			
Future lease payments due (nominal)	66	131	68

## 21. Investment properties

Investment properties are recognised at depreciated cost. As of 30 September 2017, investment properties totalling €126 million (30/9/2016: €163 million) were recognised. The development of these properties is shown in the following table.

€ million	Investment properties
<b>Acquisition or production costs</b>	
As of 1/10/2015	608
Currency translation	1
Additions to consolidation group	0
Additions	1
Disposals	-92
Reclassifications under IFRS 5	-27
Transfers associated with property, plant and equipment	-3
As of 30/9 - 1/10/2016	488
Currency translation	1
Additions to consolidation group	0
Additions	2
Disposals	-75
Reclassifications under IFRS 5	0
Transfers associated with property, plant and equipment	11
As of 30/9/2017	426
<b>Depreciation</b>	
As of 1/10/2015	390
Currency translation	0
Additions, scheduled	15
Additions, impairment	1
Disposals	-53
Reclassifications under IFRS 5	-17
Reversals of impairment losses	-10
Transfers associated with property, plant and equipment	-2
As of 30/9 - 1/10/2016	324
Currency translation	0
Additions, scheduled	9
Additions, impairment	2
Disposals	-36
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers associated with property, plant and equipment	1
As of 30/9/2017	300
Carrying amount at 1/10/2015	218
Carrying amount at 30/9/2016	163
<b>Carrying amount at 30/9/2017</b>	<b>126</b>

The reduction by €37 million mainly results from the sale of various stores in Germany.

The fair values of these investment properties total €248 million (30/9/2016: €287 million). They cannot be determined on the basis of observable market prices. As a result, 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.

Rental income from these properties amounts to €23 million, with finance leases accounting for €8 million of this total (2015/16: €37 million, thereof €11 million from finance leases). The related expenses amount to €15 million, with finance leases accounting for €6 million (2015/16: €21 million, thereof €9 million from finance leases). Expenses of €0 million (2015/16: €0 million) resulted from properties without rental income and, as in the previous year, did not relate to finance leases.

Restrictions on titles in the form of liens and encumbrances amounted to €0 million (30/9/2016: €5 million). As in the previous year, no contractual commitments for the acquisition of investment properties were made.

**22. Financial investments and investments accounted for using the equity method**

€ million	Loans	Investments	Securities	Total financial assets
<b>Acquisition or production costs</b>				
As of 1/10/2015	33	9	2	44
Currency translation	0	0	0	0
Additions to consolidation group	0	0	0	0
Additions	14	16	0	30
Disposals	-3	0	0	-3
Reclassifications under IFRS 5	0	0	0	0
Transfers	0	0	24	24
As of 30/9 - 1/10/2016	45	25	26	96
Currency translation	-1	0	0	-1
Additions to consolidation group	0	0	0	0
Additions	8	27	0	36
Disposals	-4	-2	-14	-19
Reclassifications under IFRS 5	0	0	0	0
Transfers	-2	0	-3	-5
As of 30/9/2017	47	51	9	107
<b>Depreciation/amortisation/impairment losses</b>				
As of 1/10/2015	0	1	0	1
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	3	3	0	6
Disposals	0	0	0	0
Reclassifications under IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	0	0	0	0
As of 30/9 - 1/10/2016	4	4	0	7
Currency translation	0	0	0	0
Additions, scheduled	0	0	0	0
Additions, impairment	1	8	0	9
Disposals	0	0	0	0
Reclassifications under IFRS 5	0	0	0	0
Reversals of impairment losses	0	0	0	0
Transfers	-1	0	0	-1
As of 30/9/2017	4	12	0	15
Carrying amount at 1/10/2015	33	8	2	43
Carrying amount at 30/9/2016	41	22	26	89
<b>Carrying amount at 30/9/2017</b>	<b>43</b>	<b>39</b>	<b>9</b>	<b>92</b>

€ million	Investments accounted for using the equity method
<b>Acquisition or production costs</b>	
As of 1/10/2015	192
Currency translation	0
Additions to consolidation group	0
Additions	8
Disposals	-15
Reclassifications under IFRS 5	0
Transfers	0
As of 30/9 - 1/10/2016	185
Currency translation	0
Additions to consolidation group	0
Additions	9
Disposals	-12
Reclassifications under IFRS 5	0
Transfers	2
As of 30/9/2017	184
<b>Depreciation/amortisation/ impairment losses</b>	
As of 1/10/2015	7
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	0
Reclassifications under IFRS 5	0
Reversals of impairment losses	-5
Transfers	0
As of 30/9 - 1/10/2016	2
Currency translation	0
Additions, scheduled	0
Additions, impairment	0
Disposals	-1
Reclassifications under IFRS 5	0
Reversals of impairment losses	0
Transfers	0
As of 30/9/2017	1
Carrying amount at 1/10/2015	184
Carrying amount at 30/9/2016	183
<b>Carrying amount at 30/9/2017</b>	<b>183</b>

Disclosures about the major investments accounted for using the equity method can be found in the following table.

Apart from Habib METRO Pakistan (closing date 30 June), all other companies mentioned above have 31 December as the closing date. The companies are included in the consolidated financial statements of METRO AG with their most recently available financial statements.



€ million	Habib METRO Pakistan		OPCI FWP		OPCI FWS		Mayfair group <sup>1</sup>		Miscellaneous		Total	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	<b>Amount of the share (in %)</b>	<b>40</b>	<b>40</b>	<b>5</b>	<b>5</b>	<b>25</b>	<b>25</b>	<b>40</b>	<b>40</b>	-	-	-
<b>Market value</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>47</b>	<b>48</b>	<b>9</b>	<b>9</b>	<b>41</b>	<b>41</b>	<b>80</b>	<b>78</b>	<b>6</b>	<b>7</b>	<b>183</b>	<b>183</b>
<b>Disclosures about the income statement</b>												
Sales revenues	12	<b>14</b>	24	<b>24</b>	23	<b>23</b>	16	<b>8</b>	29	<b>60</b>	104	<b>129</b>
Earnings after tax from continuing operations	6	<b>7</b>	14	<b>16</b>	15	<b>13</b>	9	<b>4</b>	5	<b>7</b>	49	<b>47</b>
Earnings after tax from discontinued operations	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Other comprehensive income	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0	<b>0</b>
Total comprehensive income	6	<b>7</b>	14	<b>16</b>	15	<b>13</b>	9	<b>4</b>	5	<b>7</b>	49	<b>47</b>
Dividend payments to the group	0	<b>1</b>	0	<b>1</b>	0	<b>4</b>	0	<b>0</b>	0	<b>2</b>	0	<b>8</b>
<b>Notes to the balance sheet</b>												
Non-current assets	61	<b>55</b>	271	<b>275</b>	261	<b>264</b>	201	<b>195</b>	84	<b>77</b>	878	<b>866</b>
Current assets	15	<b>23</b>	1	<b>4</b>	4	<b>2</b>	5	<b>6</b>	17	<b>39</b>	42	<b>74</b>
Non-current liabilities	3	<b>3</b>	100	<b>103</b>	100	<b>100</b>	0	<b>0</b>	84	<b>80</b>	287	<b>286</b>
Current liabilities	1	<b>3</b>	0	<b>0</b>	0	<b>0</b>	5	<b>5</b>	14	<b>39</b>	20	<b>47</b>

<sup>1</sup> The Mayfair group comprises 10 real estate companies.

METRO's representation on the supervisory board of OPCI FRENCH WHOLESALE PROPERTIES - FWP ensures that significant influence is maintained and that the holding will be accounted for using the equity method although the share only amounts to 5%.

The investments accounted for using the equity method within the group are mainly leasing companies. The key purpose of the leasing companies is to acquire, lease out and manage assets.

**23. Other financial and non-financial assets**

€ million	30/9/2016			30/9/2017		
	Remaining term			Remaining term		
	Total	up to 1 year	over 1 year	Total	up to 1 year	over 1 year
Receivables due from suppliers	562	562	0	504	504	0
Miscellaneous financial assets	392	344	48	371	328	43
<b>Other financial assets</b>	<b>954</b>	<b>905</b>	<b>49</b>	<b>875</b>	<b>832</b>	<b>43</b>
Other tax receivables	281	281	0	287	287	0
Prepaid expenses and deferred charges	256	71	186	243	73	170
Miscellaneous non-financial assets	28	24	4	26	22	4
<b>Other non-financial assets</b>	<b>565</b>	<b>375</b>	<b>190</b>	<b>556</b>	<b>382</b>	<b>174</b>
<b>Other financial and non-financial assets</b>	<b>1,519</b>	<b>1,280</b>	<b>239</b>	<b>1,430</b>	<b>1,214</b>	<b>217</b>

Receivables due from suppliers comprise both invoiced and deferred income for subsequent supplier compensation (for example, bonuses, advertising subsidies) and creditors with debit balances.

Miscellaneous financial assets primarily include credit card receivables in the amount of €88 million (30/9/2016: €75 million), receivables and other assets in the real estate area amounting to €37 million (30/9/2016: €20 million), receivables from finance leases in the amount of €31 million (30/9/2016: €32 million) and receivables from other financial transactions amounting to €12 million (30/9/2016: €102 million). The main reason for the decline in receivables from other financial transactions is the reclassification of a short-term financial investment in cash and cash equivalents.

Other tax receivables comprise entitlements to value added tax refunds in the amount of €141 million

(30/9/2016: €136 million), not yet clearable input tax amounting to €129 million (30/9/2016: €133 million) and other entitlements to tax refunds totalling €16 million (30/9/2016: €11 million).

Prepaid expenses and deferred charges include deferred rental, leasing and interest prepayments as well as miscellaneous deferments.

Miscellaneous non-financial assets particularly include prepayments made on inventories.

**24. Deferred tax assets / deferred tax liabilities**

Deferred tax assets on tax loss carry-forwards and temporary differences amount to €992 million before netting (30/9/2016: €1,129 million), a decline of €137 million compared with 30 September 2016. The carrying amounts of deferred tax liabilities decreased by €55 million to €653 million compared with the previous year (30/9/2016: €709 million).

Deferred taxes relate to the following balance sheet items:

€ million	30/9/2016		30/9/2017	
	Assets	Liabilities	Assets	Liabilities
Goodwill	85	86	44	46
Other intangible assets	63	79	55	91
Property, plant and equipment and investment properties	117	424	110	410
Financial investments and investments accounted for using the equity method	4	12	16	12
Inventories	39	6	33	4
Other financial and non-financial assets	43	33	35	30
Assets held for sale	0	0	0	0
Provisions for post-employment benefits plans and similar obligations	137	41	116	39
Other provisions	70	2	56	1
Financial liabilities	364	2	336	2
Other financial and non-financial liabilities	93	22	95	18
Liabilities related to assets held for sale	0	0	0	0
Outside basis differences	0	0	0	0
Write-downs of temporary differences	-32	0	-65	0
Loss carry-forwards	146	0	160	0
	1,129	709	992	653
Offset	-620	-620	-554	-554
<b>Carrying amount of deferred taxes</b>	<b>509</b>	<b>88</b>	<b>439</b>	<b>100</b>

Of the deferred tax assets shown, €239 million (30/9/2016: €260 million) are attributable to the group of incorporated companies of METRO AG. The additional deferred tax assets of €100 million (30/9/2016: €161 million) are attributable to various entities abroad. Based on business planning, realisation of these tax assets is to be considered sufficiently likely.

In accordance with IAS 12 (Income Taxes), deferred tax liabilities relating to differences between the carrying amount of a subsidiary's pro rata equity in the balance sheet and the carrying amount of the investment for this subsidiary in the parent company's tax statement must be recognised (so-called outside basis differences) if the tax benefit is likely to be realised in the future. The differences can primarily be attributed to retained earnings of subsidiaries in Germany and abroad. No deferred taxes were recognised for these retained earnings as they will be reinvested over an indefinite period of time or are not subject to relevant taxation. Any dividends paid by subsidiaries would be subject to a dividend tax. In addition, foreign dividends may trigger a withholding tax. As of 30 September 2017, no deferred tax liabilities from outside basis differences were recognised for planned dividend payments (30/9/2016: €0 million). The sum of

the amount of temporary differences in connection with investments in subsidiaries for which no deferred tax liabilities were recognised was not determined as this would have been disproportionately expensive due to the of the METRO group's level of detail.

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	30/9/2016	30/9/2017
Corporation tax losses	1,240	4,794
Trade tax losses	0	3,626
Interest carry-forwards	29	43
Temporary differences	90	251

The losses in the reporting period primarily concern Germany. They can be carried forward without limitation. The disclosures for the previous year relate exclusively to foreign countries and were determined on the premise of the Group Allocation Approach.

**TAX EFFECTS ON COMPONENTS OF OTHER COMPREHENSIVE INCOME**

€ million	2015/16			2016/17		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Currency translation differences from translating the financial statements of foreign operations	45	0	45	-36	0	-36
thereof currency translation differences from net investments in foreign operations	(-9)	(0)	(-9)	(-60)	(0)	(-60)
Effective portion of gains/losses from cash flow hedges	0	0	0	-3	0	-3
Gains/losses on remeasuring financial instruments in the category "available for sale"	0	0	0	0	0	0
Deferred taxes from the remeasurement of defined benefit pension plans	-95	27	-68	76	-21	55
Other changes	0	0	0	0	0	0
Remaining income tax on other comprehensive income	0	4	4	0	2	2
	<b>-50</b>	<b>31</b>	<b>-19</b>	<b>38</b>	<b>-20</b>	<b>18</b>

As a result of non-taxable events as well as the non-recognition and impairment of deferred taxes, the recognised tax does not correspond to the estimated tax for each item.

**25. Inventories**

€ million	30/9/2016	30/9/2017
Food merchandise	1,973	<b>1,975</b>
Non-food merchandise	1,090	<b>1,071</b>
	<b>3,063</b>	<b>3,046</b>

Inventories can be broken down by segments as follows:

€ million	30/9/2016	30/9/2017
METRO Wholesale	2,262	<b>2,277</b>
Real	789	<b>764</b>
Others	12	<b>5</b>
	<b>3,063</b>	<b>3,046</b>

Inventories include impairments at €102 million (30/9/2016: €105 million). Inventories are subject to customary or statutory to the industry retention of title clauses.

**26. Trade receivables**

Trade receivables increased by €82 million from €493 million to €575 million. These are receivables with a remaining term of up to 1 year.

At €106 million, this increase was largely due to the acquisition of Pro à Pro in the METRO Wholesale segment. Substantial contrasting trends arose in the amount of €-37 million as a result of the declining business of METRO Sourcing International Limited, Hong Kong, with third parties.

## 27. Impairments of capitalised financial instruments

Impairments of capitalised financial instruments that are measured at amortised cost are as follows:

€ million	Category "loans and receivables"	thereof loans and advance credit granted	thereof other current receivables
As of 1/10/2015	100	(2)	(98)
Currency translation	-1	(0)	(-1)
Additions	50	(3)	(47)
Reversal	-23	(0)	(-23)
Utilisation	-18	(-2)	(-16)
Transfers	0	(0)	(0)
As of 30/9 - 1/10/2016	109	(4)	(105)
Currency translation	-2	(0)	(-2)
Additions	45	(1)	(44)
Reversal	-17	(0)	(-17)
Utilisation	-17	(0)	(-17)
Transfers	-1	(0)	(-1)
<b>As of 30/9/2017</b>	<b>117</b>	<b>(4)</b>	<b>(113)</b>

In the category "loans and receivables", which particularly includes loans, trade receivables, receivables from suppliers as well as receivables and other assets in the real estate area, negative earnings effects from impairment losses amount to €27 million (2015/16: €26 million). This also includes earnings from the receipt of cash from receivables that had already been derecognised in anticipation of irrevocability at €1 million (2015/16: €1 million). The current financial year includes reclassifications of impairment losses on assets held for sale in the amount of €1 million (2015/16: €0 million).

As in the previous year, no earnings effects existed in the category "held to maturity" and from receivables from finance leases (carrying value according to IAS 17).

In principle, impairment losses on capitalised financial instruments are recognised using an adjustment account. They reduce the carrying amount of financial assets.

## 28. Maturities and impairment losses of capitalised financial instruments

Capitalised financial instruments had the following maturities and impairment losses as of the closing date:

€ million	Total carrying amount 30/9/2016	thereof not past-due, not impaired	thereof past-due, no specific allowances for impairment losses				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 360 days	Due for 271 to 360 days	Due for more than 360 days
<b>Assets</b>							
in the category "loans and receivables"	1,473	1,145	60	6	1	0	1
thereof loans and advance credit granted	(44)	(44)	(0)	(0)	(0)	(0)	(0)
thereof other current receivables	(1,428)	(1,101)	(60)	(6)	(1)	(0)	(1)
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	7	0	0	0	0	0	0
in the category "available for sale"	23	1	0	0	0	0	0
	<b>1,503</b>	<b>1,146</b>	<b>60</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>

€ million	Total carrying amount 30/9/2017	thereof not past-due, not impaired	thereof past-due, no specific allowances for impairment losses				
			Due within the last 90 days	Due for 91 to 180 days	Due for 181 to 360 days	Due for 271 to 360 days	Due for more than 360 days
<b>Assets</b>							
in the category "loans and receivables"	1,466	1,166	89	10	4	1	4
thereof loans and advance credit granted	(46)	(45)	(0)	(0)	(0)	(0)	(0)
thereof other current receivables	(1,421)	(1,121)	(89)	(10)	(4)	(1)	(4)
in the category "held to maturity"	0	0	0	0	0	0	0
in the category "held for trading"	4	0	0	0	0	0	0
in the category "available for sale"	41	1	0	0	0	0	0
	1,511	1,168	89	10	4	1	4

Loans and receivables due within the last 90 days largely result from standard business payment transactions with immediate or short-term payment terms. For loans and receivables more than 90 days past-due that are not subject to specific allowances, there is no indication as of the closing date that debtors will not fulfil their payment obligations. For capitalised financial instruments which are not past-due and which are not subject to specific allowances, there is no indication based on the debtor's creditworthiness that would require an impairment.

### 29. Cash and cash equivalents

€ million	30/9/2016	30/9/2017
Cheques and cash on hand	70	61
Bank deposits and other financial assets with short-term liquidity	1,529	1,498
	1,599	1,559

Of the cash and cash equivalents, €33 million (30/9/2016: €0 million) are subject to restrictions on disposal.

— For more information, see the cash flow statement and no. 41 - notes to the cash flow statement.

### 30. Assets held for sale/ liabilities related to assets held for sale

#### Sale of MIDBAN ESOLUTIONS S.L.

Based on a decision of the METRO AG Management Board on 28 September 2017, METRO plans to sell all shares in MIDBAN ESOLUTIONS S.L., (Midban), Barcelona, Spain, to its founding shareholders as part of the exercise of a right to tender. Since its acquisition in July 2014, Midban has been active in the delivery business as part of the food service distribution business segment of the METRO Wholesale segment.

Until the shares are sold, Midban will remain part of METRO and will contribute to the consolidated result until then. Since the Management Board decision from 28 September 2017, all assets and liabilities of Midban are treated as a disposal group in terms of IFRS 5. An impairment test of these assets and liabilities in terms of IFRS 5 Subsection 18 immediately prior to the classification as "held for sale" did not reveal any need for a depreciation. However, deferred tax assets of €1 million were derecognised through profit or loss. The subsequent measurement of the disposal group at fair value less costs to sell, as defined by IFRS 5 Subsection 15, also resulted in a depreciation of €9 million. After the consolidation of all intragroup assets and liabilities in the consolidated balance sheet as of 30 September 2017, the disposal group is reported under the item assets held for sale or under the item liabilities related to assets held for sale. The composition of the 2 items can be found in the following overview:

€ million	30/9/2017
<b>Assets</b>	
Trade receivables	7
Other financial and non-financial assets (current)	1
Cash and cash equivalents	3
	11
<b>Liabilities</b>	
Other financial and non-financial liabilities (non-current)	2
Trade liabilities	9
Financial liabilities (current)	1
Other financial and non-financial liabilities (current)	3
	15

Midban's assets held for sale in the METRO Wholesale segment contribute €7 million to segment assets. The valuation effects incurred as part of the disposal group accounting in terms of IFRS 5 resulted in an EBIT result of €-9 million, which is reported in full under other operating expenses. It is fully accounted for by the EBIT of the METRO Wholesale segment. The process has no impact on the financial result. Income tax expenses of €1 million were recognised. The transaction had no impact on the other comprehensive income.

### 31. Equity

The subscribed capital of METRO AG amounts to €363,097,253. It is divided as follows:

No-par-value bearer shares, accounting par value €1.00		30/9/2016 <sup>1</sup>	30/9/2017
Ordinary shares	Number of shares	0	360,121,736
	€	0	360,121,736
Preference shares	Number of shares	0	2,975,517
	€	0	2,975,517
<b>Total shares</b>	<b>Number of shares</b>	<b>0</b>	<b>363,097,253</b>
<b>Total share capital</b>	<b>€</b>	<b>0</b>	<b>363,097,253</b>

<sup>1</sup> Comparisons with the previous year's closing date are not possible as METRO AG was a limited liability company at the closing date of 30 September 2016 (at that time under the name of METRO Wholesale & Food Specialist GmbH). The transformation of the company into a public limited company took effect on 11 November 2016.

The share capital of METRO Wholesale & Food Specialist GmbH (registered in the commercial registry of the District Court in Düsseldorf under HRB 79055) as of 30 September 2016 amounted to €204,517,000.00 and was represented by a single share. Upon transformation of the company into a stock corporation pursuant to the German Entity Transformation Act (UmwG) on 11 November 2016, share capital in the same amount became share capital of METRO Wholesale & Food Specialist AG (MWFS AG), which was divided into 32,410,956 no-par bearer ordinary shares and 267,796 no-par bearer non-voting preference shares.

The Annual General Meeting of MWFS AG on 16 November 2016 resolved to conduct an ordinary capital decrease, which became effective upon being recorded in the commercial registry on 23 November 2016. This resulted in a decrease of the post-transformation share capital from €204,517,000.00 to €32,678,752.00. The resultant income of €171,838,248.00 increased the net earnings accordingly. The capital decrease did not change the number of ordinary and preference shares.

By resolution of the Annual General Meeting on 10 February 2017 and recording in the commercial registry on 12 July 2017, the share capital of MWFS AG was increased for the purpose of completing the merger and spin off by the amount of €330,418,501.00 to €363,097,253.00 by way of issuing 3,601,217 and 324,109,563 new ordinary shares and 29,755 and 2,677,966 new preference shares against non-cash contributions. MWFS AG changed its name to METRO AG on 18 August 2017.

The subscribed capital of METRO AG as of 30 September 2017 amounted to €363,097,253 and is divided as follows:

Each ordinary share entitles the bearer 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 stipulated in §21 of the Articles of Association of METRO AG, which state:

- “(1) Holders of non-voting preference shares will receive a preliminary dividend from the annual balance sheet profit in the amount of €0.17 for each preference share.
- (2) Should the net earnings available for distribution not suffice in any 1 financial year to pay the preliminary dividend, the arrears (excluding any interest) shall be paid from the net earnings of subsequent financial years in an order based on age, meaning in such manner that any older arrears are paid off prior to any more recent ones and that the preference dividends payable from the profit of a financial year are not distributed until all accrued arrears have been paid.
- (3) Following distribution of the preliminary dividends, the holders of ordinary shares will be paid a dividend of €0.17 for each ordinary share. Subsequently, a non-cumulative extra dividends per share will be

paid to the holders of non-voting preference shares. The extra dividend shall amount to 10% of the dividends paid to the holders of ordinary shares under observation of Section 4, provided such dividend equals or exceeds €1.02 per ordinary share.

- (4) The holders of non-voting preference shares and those holding ordinary shares will equally share in any additional profit distribution in the proportion corresponding to the number of shares held by them in the share capital.”

#### **Authorised capital**

The Annual General Meeting on 11 April 2017 authorised the Management Board to increase the share capital, subject to the consent of the Supervisory Board, by issuing new ordinary bearer shares against cash or non-cash contributions in one or several tranches for a total maximum of €181,000,000 by 28 February 2022 (authorised capital). The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, the authorised capital has not been utilised.

#### **Contingent capital**

The Annual General Meeting held on 11 April 2017 resolved a contingent increase in the share capital by up to €16,339,376, divided into a maximum of 16,339,376 ordinary bearer shares (contingent capital). This contingent capital increase is related to the establishment of an authority of the Management Board to issue, subject to the consent of the Supervisory Board, one or several tranches of warrant or convertible bearer bonds (collectively “bonds”) with an aggregate par value of €1,500,000,000 prior to 28 February 2022, and to grant the holders of warrant or convertible bearer bonds warrant or conversion rights or to impose warrant or conversion obligations upon them for ordinary bearer shares in METRO AG representing up to €16,339,376 of the share capital in accordance with the terms of the warrant or convertible bearer bonds, or to provide for the company’s right to deliver ordinary shares in the company as full or partial payment in lieu of a cash redemption of the bonds. The Management Board is, subject to the consent of the Supervisory Board, authorised to exclude shareholder subscription rights in certain cases. To date, no warrant and/or convertible bearer bonds have been issued under the aforementioned authority.

#### **Repurchase of own shares**

On the basis of § 71 Section 1 No. 8 of the German Stock Corporation Act, the Annual General Meeting on 11 April 2017 authorised the company to acquire own

shares of any share class representing a maximum of 10% of the share capital issued at the time the authority became effective, or – if this figure is lower – at the time the authority is exercised. The authority expires on 28 February 2022. To date, neither the company nor any company controlled or majority-owned by it, or any other company acting on behalf of the company or of any company controlled or majority-owned by that company has exercised this authority.

- **For more information about the company’s authorised capital and contingent capital, the authority to issue warrant and/or convertible bearer bonds as well as share repurchasing, see chapter 7 notes pursuant to § 315 Section 4 and § 289 Section 4 of the German Commercial Code and explanatory report of the Management Board in the combined management report.**

#### **Capital reserve and reserves retained from earnings**

Prior to the effective date of the hive-down 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 the MWFS GROUP were prepared for the IPO prospectus of METRO AG. Equity in the combined financial statements was the residual amount from the combined assets and liabilities of the 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 in the amount of €363 million and the capital reserve in the amount 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 reclassification 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 the MWFS GROUP. The remaining negative amount of this equity item was reclassified to reserves retained from earnings. It cannot be traced back to a history of loss. In addition, the measurement of a put option, which became effective in the demerger, in the amount of €53 million was recognised in reserves retained from earnings as part of the division of net assets in accordance with the legal structure.

Other components of reserves retained from earnings are the profit or loss for the period attributable to the shareholders of METRO AG and the components of other comprehensive income, which are composed as follows:



€ million	30/9/2016	30/9/2017
Effective portion of gains/losses from cash flow hedges	68	66
Gains/losses from the revaluation of financial instruments in the category "available for sale"	0	0
Currency translation differences from translating the financial statements of foreign operations	-513	-549
Remeasurement of defined benefit pension plans	-503	-427
Income tax on components of other comprehensive income	88	68
	<b>-860</b>	<b>-842</b>

Changes in the financial instruments presented above consist of the following components:

€ million	2015/16	2016/17
Initial or subsequent measurement of derivative financial instruments	-2	-5
Derecognition of cash flow hedges	4	2
thereof in inventories	(4)	(0)
thereof in net financial result	(0)	(2)
Effective portion of gains/losses from cash flow hedges	1	-3
Gains/losses from the revaluation of financial instruments in the category "available for sale"	0	0
	<b>1</b>	<b>-2</b>

— **An overview of the tax effect on components of other results – see no. 24 – deferred tax assets / deferred tax liabilities.**

In addition, currency translation differences changed by €-36 million (2015/16: €44 million). They can be broken down as follows:

The translation of the local balance sheets to the group currency resulted in a decrease of €-12 million in equity outside of profit or loss. In addition, the effective derecognition of cumulative currency differences of companies that were deconsolidated or discontinued operation within financial year 2016/17 had an effect of €-24 million.

The remeasurement of defined benefit pension plans resulted in effects outside of profit or loss before deferred taxes in the amount of €76 million. The related deferred taxes amount to €-21 million.

Other reserves retained from earnings as of 30 September are at €-2,478 million. The profit or loss for the period attributable to the shareholders of METRO AG in the amount of €325 million has an opposite effect on the negative adjustment of the residual amount from the distribution of net assets.

#### Non-controlling interests

Non-controlling interests comprise the shares held by third parties in the share capital of the consolidated subsidiaries. They amounted to €46 million at the end of financial year (30/9/2016: €36 million).

— **An overview of major subsidiaries with non-controlling interests is published in the notes to the group accounting principles and methods.**

#### Appropriation of the balance sheet profit, dividends

Dividend distribution of METRO AG is based on METRO AG's annual financial statements prepared under German commercial law.

Regarding the appropriation of the balance sheet profit for 2016/17, the Management Board of METRO AG proposes to the Annual General Meeting to distribute a dividend in the amount of €0.70 per ordinary share and €0.70 per preference share – that is, a total of €254 million – from the reported balance sheet profit of €302 million and to carry forward the remaining amount to new account.

#### 32. Provisions for post-employment benefits plans and similar obligations

€ million	30/9/2016	30/9/2017
Provisions for post-employment benefits plans (employer's commitments)	448	383
Provisions for indirect commitments	54	34
Provisions for voluntary pension benefits	0	0
Provisions for company pension plans	88	87
Provisions for obligations similar to pensions	55	52
	<b>646</b>	<b>557</b>

Provisions for post-employment benefits plans are recognised in accordance with IAS 19 (Employee Benefits).

Provisions for post-employment benefits plans consist of commitments primarily related to benefits defined by the provisions of company pension plans. These take the form of defined benefit plans directly from the employer (employer's commitments) and defined benefit plans from external providers (benevolent funds in Germany and international pension funds). The external providers' assets serve exclusively to finance the pension entitlements and qualify as plan assets. The benefits under the different plans are based on performance and length of service.

The most important performance-based pension plans are described in the following.

### Germany

METRO grants many employees in Germany retirement, disability and surviving dependant's benefits. New commitments are granted in the form of "defined benefit" commitments in the meaning of IAS 19 (contribution-oriented commitments pursuant to German company pension law), which comprise a payment contribution component and an employer-matching component. Contributions are paid to a pension reinsurance from which benefits are paid out when the insured event occurs. A provision is recognised for entitlements not covered by reinsurance.

In addition, various pension funds exist that are closed for new contributions. In general, these provide for lifelong pensions starting with the start of retirement or recognised invalidity. Benefits are largely defined as fixed payments or on the basis of set annual increases. In special cases, benefits are calculated in consideration of accrued statutory pension entitlements. These commitments provide for a widow's or widower's pension of varying size depending on the benefits the former employee received or would have received in case of invalidity. Legacy commitments are partially covered by assets held in benevolent funds. Provisions are recognised for those commitments not covered. The benevolent funds' decision-making bodies (management board and general assembly of members) comprise both employer and employee representatives. The management board decides on the deployment of funds and financial investments. It may commission third parties to manage fund assets. No statutory minimum endowment obligations exist. Insofar as pledged benefits cannot be paid out of the benevolent fund assets, the employer is obliged to directly assume these payments.

There are also deferred compensation contracts with the Hamburger Pensionskasse (Hamburg Pension Fund).

### Netherlands

A defined benefit pension plan exists in the Netherlands and foresees pension payments in addition to invalidity and death benefits. The amount of the benefits depends on the pensionable salary per year of service. Benefits are funded through a pension fund whose decision-making bodies (management board, as well as administration, finance and investment committee) include employer and employee representatives. The fund's executive committee has responsibility for asset management. The pension fund's investment committee exists for this purpose. In line with statutory minimum funding requirements, the pension fund's executive committee must ensure that commitments are covered by assets at all times. In case of underfunding, the pension fund's executive committee may take different measures to compensate for deficient cover. These measures include the requirement for additional contributions by the employer and curtailments in employee benefits.

### United Kingdom

In July 2012, the former METRO GROUP sold its cash-and-carry business in the United Kingdom to Booker Group PLC. Pension commitments were not part of the sale. Since the date of the sale, only vested benefits and current pensions from service years at the former METRO GROUP have existed. In accordance with legal stipulations, the vested interests must be adjusted for inflation effects. The commitments are covered by assets which are managed and invested by a corporate trustee. A major share of these commitments was fully funded through a buy-in. The executive committee of this corporate trustee consists of employer and employee representatives. In any case, the trustee must ensure that benefits can be paid at all times in the future. This is regulated on the basis of statutory minimum financing requirements. In case of underfunding, the trustee may require additional employer contributions to close the funding gap.

### Belgium

There are both retirement pensions and capital commitments; the amount depends on the pensionable length of service and pensionable income. In addition, groups of employees are granted interim allowances. In principle, benefits are funded through group insurance contracts that are subject to Belgian regulatory law.

Additional retirement plans are shown cumulatively under other countries.

The following table provides an overview of the present value of defined benefit obligations by METRO countries as well as material obligations:

%	30/9/2016	30/9/2017
Germany	32	31
Netherlands	36	36
United Kingdom	16	17
Belgium	6	8
Other countries	10	8
	<b>100</b>	<b>100</b>

The plan assets of METRO are distributed proportionally to the following countries:

%	30/9/2016	30/9/2017
Germany	7	8
Netherlands	63	60
United Kingdom	26	25
Belgium	2	6
Other countries	2	1
	<b>100</b>	<b>100</b>

The above commitments are valued on the basis of actuarial calculations in accordance with IAS 19. The basis for the valuation are the legal, economic and tax circumstances prevailing in each country.

The following average assumptions regarding the material parameters were used in the actuarial valuation:

%	30/9/2016					30/9/2017				
	Germany	Netherlands	United Kingdom	Belgium	Other countries	Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	1.40	1.70	2.40	1.40	1.61	2.10	2.30	2.60	2.10	2.35
Inflation rate	1.50	0.90	2.00	2.00	0.03	1.50	0.90	2.40	2.00	0.04

As in previous years, METRO used generally recognised methods to determine the actuarial rate of interest. With these, the respective actuarial rate of interest 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 rate of interest for the Eurozone and the UK is based on the results of a method applied in a uniform manner across the group. The interest rate for this is set on the basis of the returns of high-quality corporate bonds and the duration of commitments. In countries without a liquid market of suitable corporate bonds, the actuarial interest rate was determined on the basis of government bond yields.

Aside from the actuarial interest rate, the inflation rate represents another key actuarial parameter. In the process, the nominal rate of wage and salary increases was determined on the basis of expected inflation and a real rate of increase. 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 extent of other, non-essential parameters used to determine pension commitments corresponds to the long-term expectations of METRO. The impact of changes in fluctuation and mortality assumptions was analysed for major plans. Calculations of the mortality rate for the German group companies are based on the 2005 G tables from Prof. Dr Klaus Heubeck. Modified mortality tables were used in connection with the settlement of future pension claims in Germany in financial year 2015/16. For beneficiaries who did not make use of the option to settle their benefit entitlements through a lump sum capital payment, the mortality rates in table 2005 G have been reduced for the next 4 years, with a linear decline in the reduction from an initial value of 80% to 0% in year 5. The actuarial valuations outside of Germany are based on country-specific mortality tables. The resulting effects of fluctuation and mortality assumptions have been deemed immaterial and are not listed as a separate component.

The following is a sensitivity analysis for the key valuation parameters with respect to the present value of pension entitlements. The actuarial rate of interest and the inflation rate were identified as key parameters with an impact on the present value of pension entitlements. In the context of the sensitivity analysis, the same methods were applied as in the previous year. The analysis considered changes in parameters that are considered possible within reason. Stress tests or worst-case scenarios, in contrast, are not part of the

sensitivity analysis. The selection of the respective spectrum of possible changes in parameters is based on historical multi-year observations. This almost exclusive reliance on historical data to derive possible future developments represents a methodical constraint.

The following illustrates the impact of an increase/decrease in the actuarial rate of interest by 100 basis points or an increase/decrease in the inflation rate by 25 basis points:

		30/9/2016					30/9/2017				
€ million		Germany	Netherlands	United Kingdom	Belgium	Other countries	Germany	Netherlands	United Kingdom	Belgium	Other countries
Actuarial interest rate	Increase by 100 basis points	-64.30	-104.28	-38.79	-3.75	-14.96	<b>-52.57</b>	<b>-90.70</b>	<b>-36.96</b>	<b>-3.50</b>	<b>-12.23</b>
	Decrease by 100 basis points	84.41	145.62	50.38	4.05	18.42	<b>67.02</b>	<b>124.64</b>	<b>48.42</b>	<b>5.80</b>	<b>14.87</b>
Inflation rate	Increase by 25 basis points	12.69	16.84	4.22	0.00	0.95	<b>10.43</b>	<b>13.25</b>	<b>4.66</b>	<b>0.00</b>	<b>0.89</b>
	Decrease by 25 basis points	-12.12	-16.10	-4.13	0.00	-0.89	<b>-9.98</b>	<b>-12.71</b>	<b>-4.45</b>	<b>0.00</b>	<b>-0.85</b>

The granting of defined benefit pension entitlements exposes METRO to various risks. These include general actuarial risks resulting from the valuation of pension commitments (for example, interest rate risks) as well as capital and investment risks related to plan assets.

With a view to the funding of future pension payments from indirect commitments and a stable actuarial reserve, METRO primarily invests plan assets in low-risk investment forms. The funding of direct pension commitments is secured through operating cash flow at METRO.

The fair value of plan assets by asset category can be broken down as follows:

	30/9/2016		30/9/2017	
	%	€ million	%	€ million
Fixed-interest securities	42	361	<b>38</b>	<b>340</b>
Shares, funds	24	203	<b>24</b>	<b>217</b>
Real estate	3	29	<b>4</b>	<b>32</b>
Other assets	31	271	<b>34</b>	<b>316</b>
	<b>100</b>	<b>864</b>	<b>100</b>	<b>905</b>

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 (Pfandbriefe). Risk within the category "shares, funds" is minimised through geographic diversification.

The majority of real estate assets are invested in real estate funds, meaning they are also traded on markets.

Other assets essentially comprise receivables from insurance companies in Germany, Belgium and the United Kingdom. All of these are first-rate insurance companies.

The actual return on plan assets amounted to €16 million in the reporting period (2015/16: €129 million).

For financial year 2017/18, the company expects employer payments to external pension providers totalling approximately €17 million and employee contributions of €10 million in plan assets, with contributions in the Netherlands, Belgium and Germany accounting for the major share of this total. Expected contributions from payment contribution commitments in Germany are not included in expected payments.

Changes in the present value have developed as follows:

€ million	2015/16	2016/17
<b>Present value of defined benefit obligations</b>		
As of the beginning of the period	1,206	<b>1,424</b>
<b>Recognised under pension expenses through profit or loss</b>	<b>75</b>	<b>38</b>
Interest expenses	33	<b>24</b>
Current service cost	22	<b>28</b>
Past service cost (incl. curtailments and changes)	27	<b>-14</b>
Settlement income	-7	<b>0</b>
<b>Recognised outside of profit or loss under "remeasurement of defined benefit pension plans" in other comprehensive income</b>	<b>231</b>	<b>-114</b>
Actuarial gains/losses from changes in		
demographic assumptions (-/+)	-1	<b>-10</b>
financial assumptions (-/+)	229	<b>-127</b>
experience-based correction (-/+)	3	<b>23</b>
<b>Other effects</b>	<b>-88</b>	<b>-6</b>
Benefit payments (incl. tax payments)	-62	<b>-46</b>
Contributions from plan participants	10	<b>10</b>
Change in consolidation group/transfers	0	<b>38</b>
Currency effects	-36	<b>-8</b>
<b>As of end of period</b>	<b>1,424</b>	<b>1,342</b>

In Germany, a change in the measurement of surviving dependent benefits led to a reduction in the present value of defined benefit obligations of approximately €4 million. For unmarried pensioners, the pension obligations are assessed excluding surviving dependent benefits. This applies if there is a "late marriage" clause in the underlying pension scheme. The income is recognised as (negative) past service cost.

Further reductions in the present value of defined benefit obligations result from restructuring measures in Belgium (€7 million), changes to the plan due to changes in the law in the Netherlands (€2 million) and restructuring measures in Switzerland (€1 million). All of the above amounts are recognised as (negative) past service cost.

The obligation increased by €5 million due to the acquisition of Pro à Pro in France. Additional €33 million resulted from the first-time inclusion of defined contribution pension plans in Belgium.

Changes in actuarial assumptions led to a total decrease in the present value of defined benefit obligations of €137 million (2015/16: increase of €228 million).

The weighted average term of defined benefit commitments for the countries with material pension obligations amounts to:

Years	30/9/2016	30/9/2017
Germany	17	<b>16</b>
Netherlands	24	<b>22</b>
United Kingdom	19	<b>18</b>
Belgium	4	<b>4</b>
Other countries	13	<b>12</b>

The present value of defined benefit obligations can be broken down as follows based on individual groups of eligible employees:

%	30/9/2016	30/9/2017
Active members	35	<b>34</b>
Former claimants	37	<b>36</b>
Pensioners	28	<b>30</b>

The fair value of plan assets developed as follows:

€ million	2015/16	2016/17
<b>Change in plan assets</b>		
Fair value of plan assets as of beginning of period	768	<b>864</b>
<b>Recognised under pension expenses through profit or loss</b>	<b>22</b>	<b>16</b>
Interest income	22	<b>16</b>
<b>Recognised outside of profit or loss under remeasurement of defined benefit pension plans in other comprehensive income</b>	<b>106</b>	<b>0</b>
Gains/losses from plan assets excl. interest income (+/-)	106	<b>0</b>
<b>Other effects</b>	<b>-32</b>	<b>25</b>
Benefit payments (incl. tax payments)	-25	<b>-26</b>
Settlement payments	0	<b>-2</b>
Employer contributions	17	<b>16</b>
Contributions from plan participants	10	<b>10</b>
Change in consolidation group/transfers	0	<b>33</b>
Currency effects	-34	<b>-6</b>
<b>Fair value of plan assets as of end of period</b>	<b>864</b>	<b>905</b>

The addition of the Belgian defined contribution plans raises plan assets by €33 million.

€ million	30/9/2016	30/9/2017
<b>Financing status</b>		
Present value of defined benefit obligations	1,424	<b>1,342</b>
Fair value of plan assets	864	<b>905</b>
Asset adjustment (asset ceiling)	31	<b>67</b>
<b>Net liability/assets</b>	<b>591</b>	<b>504</b>
thereof recognised under provisions	591	<b>504</b>
thereof recognised under net assets	0	<b>0</b>

At one Dutch company, plan assets exceeded the value of commitments as of the closing date. Since the company cannot draw any economic benefits from this overfunding, the balance sheet amount was reduced to €0 in line with IAS 19.64 (b).

The change in the effect of the asset ceiling in the amount of €36 million (2015/16: €31 million revenue) was recognised in other comprehensive income as a loss from remeasuring.

The pension expenses of the direct and indirect company pension plan commitments can be broken down as follows:

€ million	2015/16	2016/17
Current service cost <sup>1</sup>	22	<b>28</b>
Net interest expenses	12	<b>9</b>
Past service cost (incl. curtailments and changes)	27	<b>-14</b>
Settlements	-7	<b>0</b>
Other pension expenses	1	<b>1</b>
<b>Pension expenses</b>	<b>54</b>	<b>24</b>

<sup>1</sup> Netted against employees' contributions.

In addition to expenses from defined benefit pension commitments, expenses for payments to external pension providers relating to defined contribution pension commitments of €158 million (2015/16: €167 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 €52 million (30/9/2016: €55 million) were formed for these commitments. The commitments are valued on the basis of actuarial expert opinions. In principle, the parameters used are identical to those employed in the company pension plan.

### 33. Other provisions (non-current)/ provisions (current)

In the reporting period, other provisions (non-current)/provisions (current) changed as follows:

€ million	Real estate-related obligations	Obligations from trade transactions	Restructuring	Taxes	Miscellaneous	Total
As of 1/10/2016	180	64	265	20	328	856
Currency translation	-4	-1	0	0	-5	-11
Addition	59	76	79	1	130	345
Reversal	-10	-1	-28	-3	-36	-78
Utilisation	-27	-75	-116	-3	-150	-372
Change in consolidation group	2	1	1	0	-9	-5
Interest portion of the addition/change in interest rate	-1	0	0	0	0	0
Transfer	3	-2	-1	0	3	3
<b>As of 30/9/2017</b>	<b>202</b>	<b>62</b>	<b>200</b>	<b>15</b>	<b>260</b>	<b>739</b>
Non-current	105	0	56	7	114	283
Current	96	62	144	7	146	456
<b>As of 30/9/2017</b>	<b>202</b>	<b>62</b>	<b>200</b>	<b>15</b>	<b>260</b>	<b>739</b>

Provisions for real estate-related obligations affected rental shortfalls in the amount of €48 million (30/9/2016: €48 million), store-related risks totalling €43 million (30/9/2016: €47 million), rental commitments amounting to €40 million (30/9/2016: €33 million) and reinstatement obligations amounting to €39 million (30/9/2016: €22 million).

Other real estate obligations in the amount of €30 million (30/9/2016: €29 million) stemmed essentially from dismantling and removing obligations.

At €105 million (30/9/2016: €108 million), provisions for real estate are disclosed as non-current provisions.

Significant components of the obligations from trade transactions are provisions for rebates from customer loyalty programmes in the amount of €38 million (30/9/2016: €35 million), provisions for rights of return of €5 million (30/9/2016: €4 million) as well as provisions for warranty services in the amount of €2 million (30/9/2016: €2 million).

Provisions from trade transactions do not contain any non-current components.

Restructuring provisions totalling €200 million (30/9/2016: €265 million) essentially relate to METRO Wholesale in the amount of €53 million (30/9/2016: €126 million), Real in the amount of €54 million

(30/9/2016: €15 million) and other companies in the amount of €93 million (30/9/2016: €125 million). The long-term portion of provisions for restructuring amounts to €56 million (30/9/2016: €60 million).

Other provisions primarily relate to provisions for litigation costs/risks in the amount of €58 million (30/9/2016: €66 million), provisions for guarantee and warranty risks in the amount of €30 million (30/9/2016: €29 million) and provisions for share-based payments amounting to €28 million (30/9/2016: €34 million). In addition, they include provisions for severance obligations in the amount of €8 million (30/9/2016: €9 million) and for interest on tax provisions in the amount of €9 million (30/9/2016: €4 million).

The long-term portion of other provisions amounts to €114 million (30/9/2016: €122 million).

— **For more information about share-based payments, see no. 49 – long-term incentive for executives.**

Transfers essentially concern reclassifications within other provisions.

Depending on the respective term and country, interest rates for non-interest-bearing, non-current provisions range from 0.00% to 4.83%.

**34. Liabilities**

€ million	Remaining term				Remaining term			
	30/9/2016 Total	up to 1 year	1 to 5 years	over 5 years	30/9/2017 Total	up to 1 year	1 to 5 years	over 5 years
<b>Trade liabilities</b>	<b>4,892</b>	<b>4,892</b>	<b>0</b>	<b>0</b>	<b>4,782</b>	<b>4,782</b>	<b>0</b>	<b>0</b>
Bonds	3,164	722	1,172	1,269	<b>3,229</b>	<b>1,335</b>	<b>1,196</b>	<b>698</b>
Liabilities to banks	275	130	127	17	<b>281</b>	<b>174</b>	<b>102</b>	<b>5</b>
Promissory note loans	68	2	12	54	<b>64</b>	<b>10</b>	<b>54</b>	<b>0</b>
Liabilities from finance leases	1,234	90	380	764	<b>1,132</b>	<b>92</b>	<b>378</b>	<b>661</b>
<b>Financial liabilities</b>	<b>4,740</b>	<b>944</b>	<b>1,691</b>	<b>2,104</b>	<b>4,706</b>	<b>1,611</b>	<b>1,730</b>	<b>1,364</b>
Other tax liabilities	161	161	0	0	<b>170</b>	<b>170</b>	<b>0</b>	<b>0</b>
Prepayments received on orders	15	15	0	0	<b>24</b>	<b>24</b>	<b>0</b>	<b>0</b>
Payroll liabilities	554	553	0	0	<b>549</b>	<b>549</b>	<b>0</b>	<b>0</b>
Liabilities from other financial transactions	16	16	0	0	<b>16</b>	<b>16</b>	<b>0</b>	<b>0</b>
Deferred income	222	134	54	34	<b>219</b>	<b>140</b>	<b>47</b>	<b>32</b>
Miscellaneous liabilities	752	713	22	17	<b>529</b>	<b>445</b>	<b>14</b>	<b>70</b>
<b>Other financial and non-financial liabilities</b>	<b>1,718</b>	<b>1,591</b>	<b>76</b>	<b>51</b>	<b>1,507</b>	<b>1,345</b>	<b>61</b>	<b>102</b>
<b>Income tax liabilities</b>	<b>128</b>	<b>127</b>	<b>0</b>	<b>0</b>	<b>167</b>	<b>167</b>	<b>0</b>	<b>0</b>
	<b>11,478</b>	<b>7,554</b>	<b>1,768</b>	<b>2,155</b>	<b>11,162</b>	<b>7,905</b>	<b>1,791</b>	<b>1,466</b>

**35. Trade liabilities**

Trade liabilities declined by €110 million, from €4,892 million to €4,782 million.

In the METRO Wholesale segment, a national legislative change in Russia caused a decline of €159 million. In addition, currency effects reduced trade payables by a further €51 million, with the Turkish lira and Chinese renminbi accounting for the largest share. The acquisition of Pro à Pro had a counteracting effect of €99 million.

**36. Financial liabilities**

The company's medium-term and long-term financing needs are covered by an ongoing capital market bond programme with a maximum volume of €6 billion. On 22 February 2017, the remaining due amount of a maturing bond in the amount of €622 million with a coupon of 4.25% was repaid on time followed by a maturing bond of €50 million with variable interest on 27 July 2017, also on time. By 30 September 2017, the bond issuance programme had been utilised up to €2.451 billion.

Moreover, the remaining amount of €3 million from a promissory note loan, originally in the amount of €26 million, was repaid on 14 March 2017. Short-term financing requirements are covered through the Euro

Commercial Paper Programme and a commercial paper programme geared especially to French investors. Both programmes have a maximum volume of €2 billion each. In financial year 2016/17, only the Euro Commercial Paper Programme was used. On average, the programme was used at €658 million during the reporting period. As of 30 September 2017, the utilisation amounted to €754 million (30/9/2016: €0 million). The commercial paper programme aimed at French investors was not extended due to lower demand.

In addition, METRO has access to syndicated credit facilities totalling €1,750 million (30/9/2016: €2,525 million) with terms ending between 2021 and 2022. If the credit facilities are used, the interest rates range between EURIBOR +50.0 basis points (bps) and EURIBOR +55.0 bps. The average amount drawn on the credit facilities in financial year 2016/17 was €0 million (2015/16: €0 million), the average amount drawn as of the closing date was €0 million (30/9/2016: €0 million).

The contract terms for the syndicated credit facilities provide for a decrease of 10 bps in the spread if METRO's credit rating is raised by one grade. In the event of a downgrade in METRO's rating, the margins increase by 25 bps.



As of 30 September 2017, METRO had access to additional bilateral bank credit facilities totalling €531 million (30/9/2016: €679 million), of which €174 million (30/9/2016: €435 million) had a remaining term of up to one year. As of the closing date, €281 million (30/9/2016: €275 million) of the bilateral

credit facilities had been utilised. Of this amount, €174 million (30/9/2016: €130 million) had a remaining term of up to one year. As of the closing date, there were €250 million of free multi-year bilateral credit facilities available.

#### UNDRAWN CREDIT FACILITIES AVAILABLE TO METRO

€ million	30/9/2016			30/9/2017		
	Total	Remaining term		Total	Remaining term	
		up to 1 year	over 1 year		up to 1 year	over 1 year
Bilateral credit facilities	679	435	244	531	174	357
Utilisation	-275	-130	-144	-281	-174	-107
Undrawn bilateral credit facilities	404	305	100	250	0	250
Syndicated credit facilities	2,525	0	2,525	1,750	0	1,750
Utilisation	0	0	0	0	0	0
Undrawn syndicated credit facilities	2,525	0	2,525	1,750	0	1,750
Total credit facilities	3,204	435	2,769	2,281	174	2,107
Total utilisation	-275	-130	-144	-281	-174	-107
<b>Total undrawn credit facilities</b>	<b>2,929</b>	<b>305</b>	<b>2,625</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>

Default by a lender can be covered at any time by the existing undrawn credit facilities or the available money and capital market programmes. METRO therefore does not bear any creditor default risk.

METRO principally does not provide collateral for financial liabilities. One exception concerns the first-time consolidation of METRO PROPERTIES GmbH & Co. KG as well as its subsidiaries in 2003.

As of 30 September 2017, collateral in the amount of €28 million (30/9/2016: €35 million) was provided for financial liabilities.

The following tables show the maturity structure of the financial liabilities. The carrying amounts and fair values indicated include the interest accrued when the maturity is less than 1 year.

#### BONDS

Currency	Remaining term	30/9/2016				30/9/2017			
		Nominal values	Nominal values	Carrying amounts	Fair values	Nominal values	Nominal values	Carrying amounts	Fair values
		in million currency	€ million	€ million	€ million	in million currency	€ million	€ million	€ million
EUR	up to 1 year	672	672	722	-	1,304	1,304	1,335	-
	1 to 5 years	1,175	1,175	1,172	-	1,200	1,200	1,196	-
	over 5 years	1,276	1,276	1,269	-	701	701	698	-
		<b>3,123</b>	<b>3,123</b>	<b>3,164</b>	<b>3,299</b>	<b>3,205</b>	<b>3,205</b>	<b>3,229</b>	<b>3,297</b>

**LIABILITIES TO BANKS****(excl. current account)**

		30/9/2016				30/9/2017			
		Nominal values	Nominal values	Carrying amounts	Fair values	Nominal values	Nominal values	Carrying amounts	Fair values
Currency	Remaining term	in million currency	€ million	€ million	€ million	in million currency	€ million	€ million	€ million
EUR	up to 1 year	8	8	10	-	6	6	7	-
	1 to 5 years	57	57	57	-	68	68	68	-
	over 5 years	17	17	17	-	5	5	5	-
		<b>82</b>	<b>82</b>	<b>84</b>	<b>86</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>84</b>
INR	up to 1 year	1,510	20	20	-	2,771	36	36	-
	1 to 5 years	2,457	33	33	-	2,200	29	29	-
	over 5 years	0	0	0	-	0	0	0	-
		<b>3,967</b>	<b>53</b>	<b>53</b>	<b>55</b>	<b>4,971</b>	<b>65</b>	<b>65</b>	<b>65</b>
JPY	up to 1 year	1,370	12	12	-	3,370	25	25	-
	1 to 5 years	4,165	37	37	-	795	6	6	-
	over 5 years	0	0	0	-	0	0	0	-
		<b>5,535</b>	<b>49</b>	<b>49</b>	<b>51</b>	<b>4,165</b>	<b>31</b>	<b>31</b>	<b>31</b>

**PROMISSORY NOTE LOANS**

		30/9/2016				30/9/2017			
		Nominal values	Nominal values	Carrying amounts	Fair values	Nominal values	Nominal values	Carrying amounts	Fair values
Currency	Remaining term	in million currency	€ million	€ million	€ million	in million currency	€ million	€ million	€ million
EUR	up to 1 year	0	0	2	-	9	9	10	-
	1 to 5 years	12	12	12	-	54	54	54	-
	over 5 years	54	54	54	-	0	0	0	-
		<b>66</b>	<b>66</b>	<b>68</b>	<b>77</b>	<b>63</b>	<b>63</b>	<b>64</b>	<b>72</b>

Redeemable loans that are shown under liabilities to banks are listed with the remaining terms corresponding to their redemption date.

The following tables show the interest rate structure of the financial liabilities:

### BONDS

Interest terms	Currency	Remaining term	30/9/2016	30/9/2017
			Nominal values € million	Nominal values € million
Fixed interest	EUR	up to 1 year	622	550
		1 to 5 years	1,175	1,200
		over 5 years	1,276	701
Variable interest	EUR	up to 1 year	50	754
		1 to 5 years	0	0
		over 5 years	0	0

### LIABILITIES TO BANKS

(excl. current account)

Interest terms	Currency	Remaining term	30/9/2016	30/9/2017
			Nominal values € million	Nominal values € million
Fixed interest	EUR	up to 1 year	8	6
		1 to 5 years	57	68
		over 5 years	17	5
	INR	up to 1 year	20	36
		1 to 5 years	33	29
		over 5 years	0	0
Variable interest	JPY	up to 1 year	12	25
		1 to 5 years	37	6
		over 5 years	0	0

### PROMISSORY NOTE LOANS

Interest terms	Currency	Remaining term	30/9/2016	30/9/2017
			Nominal values € million	Nominal values € million
Fixed interest	EUR	up to 1 year	0	9
		1 to 5 years	9	54
		over 5 years	54	0
Variable interest	EUR	up to 1 year	0	0
		1 to 5 years	3	0
		over 5 years	0	0

The fixed interest rate on short- and medium-term financial liabilities and the interest rate adjustment dates of all fixed-interest financial liabilities are essentially the same as those shown. The repricing dates for variable interest rates are less than 1 year.

- **The effects of interest rate changes in the variable share of financial liabilities on profit or loss for the period and the equity of METRO are described in detail in no. 43 - management of financial risks.**

### 37. Other financial and non-financial liabilities

Key items in miscellaneous financial liabilities concern liabilities from the purchase of other fixed assets in the amount of €215 million (30/9/2016: €253 million), liabilities to customers in the amount of €47 million (30/9/2016: €49 million), liabilities from put options of non-controlling shareholders in the amount of

€56 million (30/9/2016: €22 million) as well as liabilities from real estate totalling €11 million (30/9/2016: €12 million). In the previous year, this item included a liability in connection with the initial liquidity conditions of CECONOMY amounting to €221 million, which was settled in the financial year.

In addition, miscellaneous financial liabilities also include numerous other individual items.

Other tax liabilities include sales tax, land tax, wage and church tax as well as other taxes. Deferred income includes accrued rental, leasing and interest income as well as accrued sales from customer loyalty programmes, the sale of vouchers and other accruals.

Material items in miscellaneous non-financial liabilities include prepayments received on orders of €24 million (30/9/2016: €15 million) as well as liabilities from leases (no finance leases) totalling €17 million (30/9/2016: €13 million).

€ million	30/9/2016			30/9/2017		
	Total	Remaining term		Total	Remaining term	
		up to 1 year	over 1 year		up to 1 year	over 1 year
Payroll liabilities	554	553	0	549	549	0
Miscellaneous financial liabilities	703	677	26	465	398	67
<b>Other financial liabilities</b>	<b>1,256</b>	<b>1,230</b>	<b>26</b>	<b>1,014</b>	<b>947</b>	<b>67</b>
Other tax liabilities	161	161	0	170	170	0
Deferred income	222	134	88	219	140	79
Miscellaneous non-financial liabilities	79	67	13	104	88	16
<b>Other non-financial liabilities</b>	<b>462</b>	<b>361</b>	<b>101</b>	<b>493</b>	<b>398</b>	<b>95</b>
<b>Other financial and non-financial liabilities</b>	<b>1,718</b>	<b>1,591</b>	<b>127</b>	<b>1,507</b>	<b>1,345</b>	<b>162</b>

### 38. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities that are subject to offsetting agreements, enforceable master netting arrangements and similar agreements, were as follows:

	30/9/2016					
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)	
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/assets that are netted in the balance sheet	Net amounts of financial assets/liabilities that are shown in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
€ million				Financial instruments	Received/provided collateral	Net amount
<b>Financial assets</b>						
Loans and advance credit granted	44	0	44	0	0	44
Receivables due from suppliers	905	343	562	77	0	485
Trade receivables	494	1	493	0	0	493
Investments	22	0	22	0	0	22
Miscellaneous financial assets	377	1	376	0	0	376
Derivative financial instruments	9	0	9	1	0	8
Cash and cash equivalents	1,599	0	1,599	0	0	1,599
Receivables from finance leases	32	0	32	0	0	32
	<b>3,481</b>	<b>345</b>	<b>3,136</b>	<b>78</b>	<b>0</b>	<b>3,058</b>
<b>Financial liabilities</b>						
Financial liabilities (excl. finance leases)	3,506	0	3,506	0	0	3,506
Trade liabilities	5,235	343	4,892	77	0	4,815
Miscellaneous financial liabilities	1,244	2	1,241	0	0	1,241
Derivative financial instruments	15	0	15	1	0	14
Liabilities from finance leases	1,234	0	1,234	0	0	1,234
	<b>11,233</b>	<b>345</b>	<b>10,888</b>	<b>78</b>	<b>0</b>	<b>10,810</b>

<b>30/9/2017</b>						
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) - (d)	
	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial liabilities/ assets that are netted in the balance sheet	Net amounts of financial assets/ liabilities that are shown in the balance sheet	Corresponding amounts that are not netted in the balance sheet		
				Financial instruments	Received/ provided collateral	Net amount
<b>€ million</b>						
<b>Financial assets</b>						
Loans and advance credit granted	46	0	46	0	0	46
Receivables due from suppliers	719	215	504	14	0	490
Trade receivables	575	0	575	0	0	575
Investments	39	0	39	0	0	39
Miscellaneous financial assets	344	1	343	0	0	343
Derivative financial instruments	6	0	6	1	0	5
Cash and cash equivalents	1,559	0	1,559	0	0	1,559
Receivables from finance leases	31	0	31	0	0	31
	<b>3,318</b>	<b>216</b>	<b>3,102</b>	<b>15</b>	<b>0</b>	<b>3,087</b>
<b>Financial liabilities</b>						
Financial liabilities (excl. finance leases)	3,575	0	3,575	0	0	3,575
Trade liabilities	4,997	215	4,782	14	0	4,767
Miscellaneous financial liabilities	1,000	1	999	0	0	999
Derivative financial instruments	15	0	15	1	0	14
Liabilities from finance leases	1,132	0	1,132	0	0	1,132
	<b>10,718</b>	<b>216</b>	<b>10,502</b>	<b>15</b>	<b>0</b>	<b>10,487</b>

The corresponding amounts that are not netted in the balance sheet include both financial instruments and collateral. The financial instruments that have not been netted could be netted based on the underlying framework agreements, but do not fulfil the netting criteria of IAS 32 (Financial Instruments: Presentation).

Collateral may include both financial assets provided as collateral for liabilities to third parties and financial liabilities which METRO has received from a third party as collateral for assets.

— Further information on collateral can be found in no. 43 - management of financial risk.

**39. Undiscounted cash flows of financial liabilities**

The undiscounted cash flows of financial liabilities, trade liabilities and derivative liabilities are as follows:

€ million	Carrying amount 30/9/2016	Cash flows up to 1 year		Cash flows of 1 to 5 years		Cash flows over 5 years	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
<b>Financial liabilities</b>							
Bonds	3,164	50	672	150	1,175	78	1,276
Liabilities to banks	275	4	129	10	127	1	17
Promissory note loans	68	3	0	9	12	2	54
Bills of exchange liabilities	0	0	0	0	0	0	0
Finance leases	1,234	81	90	269	380	296	764
Trade liabilities	4,892	0	4,892	0	0	0	0
Interest-based derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	15	0	15	0	0	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

€ million	Carrying amount 30/9/2017	Cash flows up to 1 year		Cash flows of 1 to 5 years		Cash flows over 5 years	
		Interest	Redemption	Interest	Redemption	Interest	Redemption
<b>Financial liabilities</b>							
Bonds	3,229	45	1,304	122	1,200	41	701
Liabilities to banks	281	4	173	7	103	0	5
Promissory note loans	64	3	9	9	54	0	0
Bills of exchange liabilities	0	0	0	0	0	0	0
Finance leases	1,132	74	92	242	378	242	661
Trade liabilities	4,782	0	4,782	0	0	0	0
Interest-based derivatives carried as liabilities	0	0	0	0	0	0	0
Currency derivatives carried as liabilities	15	0	15	0	0	0	0
Commodity derivatives carried as liabilities	0	0	0	0	0	0	0

#### 40. Carrying amounts and fair values according to measurement categories

The carrying amounts and fair values of recognised financial instruments are as follows:

€ million	30/9/2016				
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
<b>Assets</b>	<b>15,992</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Loans and receivables</b>	<b>1,473</b>	<b>1,473</b>	<b>0</b>	<b>0</b>	<b>1,473</b>
Loans and advance credit granted	44	44	0	0	44
Receivables due from suppliers	562	562	0	0	562
Trade receivables	493	493	0	0	493
Miscellaneous financial assets	373	373	0	0	373
<b>Held to maturity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Miscellaneous financial assets	0	0	0	0	0
<b>Held for trading</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>7</b>
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	7
<b>Available for sale</b>	<b>23</b>	<b>22</b>	<b>0</b>	<b>2</b>	<b>N / A</b>
Investments	22	22	0	0	N / A
Securities	2	0	0	2	2
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Cash and cash equivalents</b>	<b>1,599</b>	<b>1,599</b>	<b>0</b>	<b>0</b>	<b>1,599</b>
<b>Receivables from finance leases (amount according to IAS 17)</b>	<b>32</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>46</b>
<b>Assets not classified according to IFRS 7</b>	<b>12,856</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Equity and liabilities</b>	<b>15,992</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Held for trading</b>	<b>11</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>11</b>
Derivative financial instruments not in a hedging relationship according to IAS 39	11	0	11	0	11
<b>Other financial liabilities</b>	<b>9,640</b>	<b>9,639</b>	<b>0</b>	<b>0</b>	<b>9,791</b>
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,506	3,506	0	0	3,657
Trade liabilities	4,892	4,892	0	0	4,892
Miscellaneous financial liabilities <sup>1</sup>	1,241	1,241	0	0	1,242
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>
<b>Liabilities from finance leases (amount according to IAS 17)</b>	<b>1,234</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>1,559</b>
<b>Liabilities not classified according to IFRS 7</b>	<b>5,104</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>

<sup>1</sup> Previous year's figures changed due to revised disclosures of put options and earn-out liabilities.



30/9/2017

€ million	Balance sheet value				
	Carrying amount	(Amortised) cost	Fair value through profit or loss	Fair value outside of profit or loss	Fair value
<b>Assets</b>	<b>15,779</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Loans and receivables</b>	<b>1,466</b>	<b>1,466</b>	<b>0</b>	<b>0</b>	<b>1,470</b>
Loans and advance credit granted	46	46	0	0	47
Receivables due from suppliers	504	504	0	0	504
Trade receivables	575	575	0	0	575
Miscellaneous financial assets	342	342	0	0	344
<b>Held to maturity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Miscellaneous financial assets	0	0	0	0	0
<b>Held for trading</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
Derivative financial instruments not in a hedging relationship according to IAS 39	4	0	4	0	4
<b>Available for sale</b>	<b>41</b>	<b>16</b>	<b>0</b>	<b>24</b>	<b>N / A</b>
Investments	39	16	0	23	N / A
Securities	1	0	0	1	1
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>
<b>Cash and cash equivalents</b>	<b>1,559</b>	<b>1,559</b>	<b>0</b>	<b>0</b>	<b>1,559</b>
<b>Receivables from finance leases (amount according to IAS 17)</b>	<b>31</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>43</b>
<b>Assets not classified according to IFRS 7</b>	<b>12,677</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Equity and liabilities</b>	<b>15,779</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>
<b>Held for trading</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>8</b>
Derivative financial instruments not in a hedging relationship according to IAS 39	8	0	8	0	8
<b>Other financial liabilities</b>	<b>9,355</b>	<b>9,355</b>	<b>0</b>	<b>0</b>	<b>9,437</b>
Financial liabilities excl. finance leases (incl. hedged items in hedging relationships according to IAS 39)	3,575	3,575	0	0	3,656
Trade liabilities	4,782	4,782	0	0	4,782
Miscellaneous financial liabilities	999	999	0	0	999
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>
<b>Liabilities from finance leases (amount according to IAS 17)</b>	<b>1,132</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>1,411</b>
<b>Liabilities not classified according to IFRS 7</b>	<b>5,277</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>	<b>N / A</b>

Classes were formed based on similar risks for the respective financial instruments and correspond to the categories of IAS 39. Derivative financial instruments in a hedging relationship under IAS 39 and other financial liabilities are classified in each case to a separate class.

The fair value hierarchy comprises 3 levels which reflect the degree of closeness to the market of the input parameters used in the determination of the fair values. In cases in which the valuation is based on different input parameters, the fair value is attributed to the hierarchy level corresponding to the input parameter of the lowest level that is significant for the valuation.

Input parameters for level 1: quoted prices (that are adopted unchanged) in active markets for identical assets or liabilities which the company can access at the valuation date.

Input parameters for level 2: other input parameters than the quoted prices included in level 1 which are either directly or indirectly observable for the asset or liability.

Input parameters for level 3: input parameters that are not observable for the asset or liability.

Of the total carrying amount of investments of €39 million (30/9/2016: €22 million), €16 million (30/9/2016: €22 million) are recognised at historical cost as a fair value cannot be reliably determined. These concern off-exchange financial instruments without an active market. The company currently does not plan to dispose of the investments recognised at historical cost. The remaining investments amounting to €23 million (30/9/2016: €0 million) are at fair value recognised in equity.

In addition, securities totalling €1 million (30/9/2016: €2 million) are recognised outside of profit or loss. These primarily concern highly liquid exchange-listed money market funds.

The following table depicts the financial instruments that are recognised at fair value in the balance sheet. These are classified into a 3-level fair value hierarchy whose levels reflect the degree of closeness to the market of the data used in the determination of the fair values:

€ million	30/9/2016				30/9/2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets</b>	<b>10</b>	<b>2</b>	<b>9</b>	<b>0</b>	<b>30</b>	<b>1</b>	<b>29</b>	<b>0</b>
<b>Held for trading</b>								
Derivative financial instruments not in a hedging relationship according to IAS 39	7	0	7	0	4	0	4	0
<b>Available for sale</b>								
Investments	0	0	0	0	23	0	23	0
Securities	2	2	0	0	1	1	0	0
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Equity and liabilities</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>0</b>
<b>Held for trading</b>								
Derivative financial instruments not in a hedging relationship according to IAS 39	11	0	11	0	8	0	8	0
Miscellaneous financial liabilities	0	0	0	0	0	0	0	0
<b>Other financial liabilities</b>								
Miscellaneous financial liabilities <sup>1</sup>	0	0	0	0	0	0	0	0
<b>Derivative financial instruments in a hedging relationship according to IAS 39</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>0</b>
	<b>-4</b>	<b>2</b>	<b>-6</b>	<b>0</b>	<b>15</b>	<b>1</b>	<b>14</b>	<b>0</b>

<sup>1</sup> Previous year's value changed; put options and earn-out liabilities are measured at (amortised) costs.

The measurement of securities (level 1) is carried out based on quoted market prices in active markets.

Interest rate swaps and currency transactions (all level 2) are measured using the mark-to-market method based on quoted exchange rates and market yield curves.

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 zero-coupon method in consideration of credit spreads (level 2). The amounts comprise the interest prorated to the closing date.

The fair values of all other financial assets and liabilities that are not listed on an exchange correspond to the present value of payments underlying these balance sheet items. The calculation was based on the applicable country-specific yield curve (level 2) as of the closing date.

## OTHER NOTES

### 41. Notes to the cash flow statement

In accordance with IAS 7 (Statement of Cash Flows), the consolidated cash flow statement describes changes in the group's cash and cash equivalents through cash inflows and outflows during the reporting period.

The item cash and cash equivalents includes cheques and cash on hand as well as cash in transit and bank deposits with a remaining term of up to 3 months.

The cash flow statement distinguishes between changes in cash levels from operating, investing and financing activities. Cash flows from discontinued operations are reported separately where they concern discontinued business operations.

During the reporting period, cash flows from operating activities amounted to €1,027 million (2015/16: €1,173 million). Depreciation/amortisation/impairment losses are attributable to property, plant and equipment at €643 million (2015/16: €605 million), other intangible assets at €89 million (2015/16: €88 million), goodwill at €19 million (2015/16: €0 million) and investment properties at €11 million (2015/16: €16 million). This is contrasted by reversals of impairment losses in the amount of €3 million (2015/16: €11 million).

The change in net working capital amounts to €-44 million (2015/16: €-77 million) and includes changes in inventories, trade receivables and receivables due from suppliers, included in the item "other financial and non-financial assets". Furthermore, it includes changes in trade liabilities.

Other operating activities resulted in a total cash outflow of €65 million (2015/16: cash outflow of €368 million). This item includes changes in other assets and liabilities as well as deferred income and prepaid expenses. In addition, it includes changes in the assets and liabilities held for sale, adjustments of unrealised currency effects and the elimination of deconsolidation results recognised in EBIT. The most important item is the reclassification of deconsolidation earnings under EBIT into disposals of subsidiaries. These relate to the deconsolidation of 2 Chinese property companies and real Hyper Magazine in a total amount of €35 million.

In 2015/16, "other" items included the reclassification of the deconsolidation earnings from the sale of the wholesale activities of METRO Cash & Carry in Vietnam amounting to €451 million.

In the reporting period, investing activities led to cash outflow in the amount of €601 million (2015/16: cash inflow of €512 million).

The acquisitions of subsidiaries mainly relate to the acquisition of Pro à Pro (2015/16: mainly Rungis Express). The divestments include outgoing cash from the disposals of subsidiaries Real Hyper Magazine and the 2 Chinese property companies. In the previous year, this included net payments from the disposal of METRO Cash & Carry's wholesale business in Vietnam in the amount of €357 million.

The amount of investments in property, plant and equipment shown as cash outflows differs from the additions shown in the asset reconciliation in the amount of non-cash transactions. These essentially concern additions from finance leases, currency effects and changes in liabilities from the acquisition of miscellaneous other assets.

The financial investments comprise bank deposits with a residual term of more than 3 months to 1 year, as well as near money market investments that are not classified as cash and cash equivalents, such as short-term, liquid debt instruments and shares in money market funds. The capital expenditure for financial investments includes the purchase of money market funds in the first quarter of the reporting period. These were disposed in the 2nd quarter of the reporting period and recognised in the item disposal of financial investments. The balance of capital expenditure in financial investments and the disposal of financial investments amounts to €102 million, which is €593 million lower than in the previous year. This results predominately from money market funds purchased in financial year 2014/15 and disposed in the previous year.

In the reporting period, cash outflow from financing activities totalled €438 million (2015/16: cash outflow of €3,513 million). The transactions with the former METRO GROUP include payments in connection with the initial liquidity condition. In the previous year, cash flow from financing activities was primarily impacted by the redemption of borrowings.

Cash and cash equivalents were subject to restrictions on title in the amount of €33 million (2015/16: €0 million).

### 42. Segment reporting

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

#### METRO Wholesale

The METRO Wholesale segment is primarily geared towards business customers. It is active in the self-service wholesale trade with its METRO and MAKRO brands as well as in the food service distribution (FSD) with the METRO Delivery Service and, among others, with the supply specialists Classic Fine Foods, Pro à Pro and Rungis Express.

The business customers in focus are divided into 3 groups: HoReCa (focus on hotels, restaurants, bars, cafés, catering companies and canteen operators), Trader (focus on grocers, kiosks, street food vendors as well as gas stations and wholesalers) as well as service companies and offices (SCO, professional service companies and organisations). METRO Wholesale is active in 35 countries in Europe and Asia. In 25 of these countries, METRO Wholesale operates store-based wholesaling, while in the remaining 10 countries only delivery services are offered.

As the 3 customer groups currently display sufficient similarities with respect to their business model, their products and services as well as their customer structure – especially compared with the other legal entities of METRO – they will be bundled into one reporting segment in spite of their divergent strategic focus.

### Real

Real focuses on the retail business, turning its concept to end consumers. Real is a hypermarket operator in Germany, where it operates both physical stores and an online store. All stores offer a broad food assortment with a large proportion of fresh produce that is complemented by a non-food assortment. Real represents a separate operating and reporting segment as internal management with respect to the allocation of in-house resources and performance measurement by the Chief Operating Decision-Maker (member of the Management Board of METRO AG) is separately applied to Real.

### Others

All other business activities do not constitute reportable segments and are summarised under “Other”.

Other business activities include the HoReCa Digital business unit, which bundles the group’s digitisation initiatives. Other service companies, such as METRO PROPERTIES, METRO LOGISTICS, METRO SYSTEMS, METRO ADVERTISING and METRO SOURCING and others, provide group-wide services in the areas of real estate, logistics, information technology, advertising and procurement.

Aside from the information on the operating segments listed above, equivalent information is provided on the METRO regions. Here, a distinction is made between the regions Germany, Western Europe (excluding Germany), Eastern Europe and Asia.

The key components of segment reporting are as follows:

- External sales represent sales of the operating segments to third parties outside the group.
- Internal sales represent sales between the group’s operating segments.

- Segment EBITDA comprises EBIT before depreciation and reversals of goodwill, impairment losses of property, plant and equipment, other intangible assets and investment properties.
- EBIT is the key ratio for segment reporting and describes operating earnings for the period before net financial result and income taxes. Intra-group rental contracts are shown as operating leases in the segments. The rental takes place at normal market conditions. The properties are leased at market terms. In principle, store-related risks and impairment risks related to non-current assets are only shown in the segments where they represent group risks. In analogy, this also applies to deferred assets and liabilities, which are only shown at segment level if this was also required in the consolidated balance sheet.
- Business transactions or a number of uniform business transactions that do not recur regularly, that are reflected in the income statement and that have a significant impact on business activities are classified as special items. The EBITDA before special items and EBIT before special items is adjusted for all transactions falling under this definition, such as restructuring measures or changes in the group’s portfolio.

The reconciliation from EBITDA before special items to reported EBITDA and the reconciliation from EBIT before special items to reported EBIT are shown in the following table:

€ million	30/9/2016	30/9/2017
<b>EBITDA before special items</b>	<b>1,791</b>	<b>1,810</b>
Portfolio measures	454	-6
Restructuring and efficiency-enhancing measures	-283	-88
Risk provisions and impairment losses on goodwill	0	0
Other special items	-45	-105
<b>Reported EBITDA</b>	<b>1,918</b>	<b>1,611</b>

€ million	30/9/2016	30/9/2017
<b>EBIT before special items</b>	<b>1,106</b>	<b>1,106</b>
Portfolio measures	454	-6
Restructuring and efficiency-enhancing measures	-296	-124
Risk provisions and impairment losses on goodwill	0	-19
Other special items	-45	-104
<b>Reported EBIT</b>	<b>1,219</b>	<b>852</b>

- Segment investments include additions (including additions to the consolidation groups) to goodwill, other intangible assets and property, plant and equipment and investment properties. Exceptions to this are additions due to the reclassification of “assets held for sale” as non-current assets.
- The non-current segment assets include non-current assets. They do not include mostly financial assets, investments accounted for using the equity method, tax items, cash and cash equivalents and assets allocable to discontinued operations.

The reconciliation from segment assets to group assets is shown in the following table:

€ million	30/9/2016	30/9/2017
<b>Segment assets (long-term)</b>	<b>8,652</b>	<b>8,512</b>
Non-current and current financial assets	89	93
Investments accounted for using the equity method	183	183
Cash and cash equivalents	1,599	1,559
Deferred tax assets	509	439
Entitlements to income tax refunds	123	148
Other entitlements to tax refunds <sup>1</sup>	281	287
Inventories	3,063	3,046
Trade receivables	493	575
Receivables due from suppliers <sup>1</sup>	562	504
Real estate-related receivables <sup>1</sup>	23	37
Receivables from credit cards <sup>1</sup>	75	88
Prepaid expenses and deferred charges <sup>1</sup>	71	73
Receivables from other financial transactions <sup>2</sup>	102	12
Assets held for sale	0	11
Other	168	215
<b>Group assets</b>	<b>15,992</b>	<b>15,779</b>

<sup>1</sup> Included in the balance sheet item other financial and non-financial assets (current).

<sup>2</sup> Included in the balance sheet items other financial and non-financial assets (non-current and current).

- In principle, transfers between segments are made based on the costs incurred from the group’s perspective.

#### 43. Management of financial risks

The treasury of METRO manages the financial risks of METRO. Specifically, these include:

- Price risks
- Liquidity risks
- Credit risks
- Cash flow risks

- **For more information about the risk management system, see – 3 combined management report in the economic report – 3.2 asset, financial and earnings position – financial and asset position – financial management.**

#### Price risks

For METRO, price risks result from the impact of changes in market interest rates, foreign currency exchange rates, share price fluctuations or changes in commodity prices on the value of financial instruments.

Interest rate risks are caused by changes in interest rate levels. Interest rate derivatives are used to cap these risks.

METRO’s remaining interest rate risk is assessed in accordance with IFRS 7 using a sensitivity analysis. In the process, the following assumptions are applied in the consideration of changes in interest rates:

- The total impact determined by the sensitivity analysis relates to the actual balance as of the closing date and reflects the impact for 1 year.
- Primary floating-rate financial instruments whose interest payments are not designated as the underlying transaction in a cash flow hedge against changes in interest rates are recognised in the interest result in the sensitivity analysis. The sensitivity for a change of 10 basis points is determined due to the currently low level of interest rates.
- Primary fixed-interest financial instruments are generally not recognised in the interest result. They are only recognised in other financial result if they are designated as the underlying transaction within a fair value hedge and measured at fair value. In this case, however, the interest-related change in

the value of the underlying transaction is offset by the change in the value of the hedging transaction upon full effectiveness of the hedging transaction. The variable interest flows within the group that result from a fair value hedge are recognised in the interest result.

- Financial instruments designated as the hedging transaction within a cash flow hedge to hedge against variable interest flows will only be recognised in the interest result when the payment flows have actually been initiated. However, the measurement of the hedging transaction at fair value is recognised in reserves retained from earnings outside of profit or loss.
- Interest rate derivatives that are not part of a qualified hedging transaction under IAS 39 are recognised at fair value in profit or loss in other financial result and, through resulting interest flows, in the interest result.

As of the closing date, METRO's remaining interest rate risk is primarily the result of variable interest rate receivables and liabilities to banks as well as other short-term liquid financial assets (shown under cash and cash equivalents) with an aggregate debit balance after consideration of hedging transactions of €608 million (30/9/2016: €1,339 million).

Given this total balance, an interest rate rise of 10 basis points would result in €1 million (2015/16: €1 million) higher earnings in the interest result per year. An interest rate decrease of 10 basis points would have the opposite effect of €-1 million (2015/16: €-1 million).

METRO faces currency risks in its international procurement of merchandise and because of costs and financings that are incurred in a currency other than the relevant local currency or are pegged to the development of another currency. In accordance with the group guideline "Foreign Currency Transactions", resulting foreign currency positions must be hedged. Exceptions from this hedging requirement exist where hedging is not economically reasonable and in the case of legal and regulatory restrictions in the respective countries. Forward currency contracts are used in the hedging.

In line with IFRS 7, the presentation of the currency risk resulting from the exceptions is also based on a sensitivity analysis. In the process, the following assumptions are made in the consideration of a devaluation or revaluation of the euro vis-à-vis other currencies:

In terms of its amount and result characteristic, the total effect presented by the sensitivity analysis

relates to the amounts of foreign currency held within the consolidated subsidiaries of METRO and states the effect of a devaluation or revaluation of the euro.

A devaluation of the euro will result in a positive effect if a receivable in the foreign currency exists at a subsidiary which uses the euro as its functional currency and if a liability in euros exists at a subsidiary which does not use the euro as its functional currency. The following table shows the nominal volumes of currency pairs in this category with a positive sign.

A devaluation of the euro will result in a negative effect if a receivable in euros exists at a subsidiary which does not use the euro as its functional currency and if a liability in the foreign currency exists at a subsidiary which uses the euro as its functional currency. Correspondingly, the following table shows the nominal volumes of currency pairs in this category with a negative sign.

By contrast, an appreciation of the euro will have the opposite effect for all currency pairs shown above.

In the sensitivity analysis, the effects of the measurement of non-equity foreign currency positions that are calculated based on the closing date price in line with IAS 21 are recognised in the income statement. In the case of net investments in a foreign operation, the effects of the closing date measurement are recognised in equity (other comprehensive income) outside of profit or loss.

Foreign currency futures/options and interest rate and currency swaps that are not part of a qualified hedge under IAS 39 are recognised through the fair value measurement in the income statement. In fully effective hedging transactions, this effect is offset by the effect from the measurement of the underlying foreign currency transaction.

In the consolidated financial statements, foreign currency future transactions are designated as hedging transactions within a cash flow hedge to hedge merchandise procurement and sales. Changes in the fair value of these hedging instruments are recognised in other comprehensive income until the underlying transaction is recognised through profit or loss.

Effects from the currency translation of financial statements whose functional currency is not the reporting currency of METRO do not affect cash flows in local currency and are therefore not part of the sensitivity analysis.

As of the closing date, the remaining currency risk of METRO, which is essentially due to an inability to hedge certain currencies for legal reasons or due to insufficient market depth, was as follows:

		Impact of devaluation/revaluation of euro by 10%			
€ million	Currency pair	Volume	30/9/2016	Volume	30/9/2017
<b>Profit or loss for the period</b>			+/-		+/-
	CHF / €	+25	2	+15	2
	CNY / €	+38	4	+66	7
	CZK / €	-7	-1	+8	1
	EGP / €	+31	3	+22	2
	GBP / €	-9	-1	-7	-1
	HKD / €	-13	-1	-16	-2
	HUF / €	-1	0	+2	0
	JPY / €	-10	-1	+1	0
	KZT / €	+13	1	+4	0
	MDL / €	+38	4	+7	1
	PLN / €	+8	1	+5	1
	PKR / €	0	0	+16	2
	RON / €	+35	4	0	0
	RSD / €	+14	1	+7	1
	RUB / €	-8	-1	+93	9
	TRY / €	+4	0	+12	1
	UAH / €	+34	3	+38	4
	USD / €	-11	-1	-30	-3
<b>Equity</b>			+/-		+/-
	CNY / €	+18	2	+99	10
	CZK / €	+5	1	-5	-1
	HUF / €	0	0	-5	-1
	KZT / €	+237	24	+111	11
	PLN / €	+75	8	+65	7
	RON / €	+7	1	-6	-1
	RSD / €	+16	2	+16	2
	RUB / €	+198	20	-20	-2
	UAH / €	+242	24	+242	24
	USD / €	+38	4	+138	14

Currency risks existing in addition to these are mainly the result of USD currency holdings in various subsidiaries in which the functional currency is not the US dollar or the euro. At a nominal US dollar volume of €6 million (30/9/2016: €+20 million), a devaluation of the US dollar by 10% would result in positive effects of €1 million in profit or loss for the period (2015/16: €2 million); conversely, a revaluation of the US dollar would have negative effects of €1 million (2015/16: €2 million).

At a nominal volume of €6 million (30/9/2016: €+20 million), the currency pair TRY/USD accounts for the main share of this effect, while in the previous year the currency pair CNY/USD accounted for the largest share of this effect.

Interest rate and currency risks are substantially reduced and limited by the principles laid down in the internal treasury guidelines of METRO. These include a regulation that is applicable throughout the group whereby all hedging operations must adhere to predefined limits and must not lead to increased risk exposure under any circumstances. METRO is aware that this severely limits the opportunities to exploit current or expected interest rate and exchange rate movements to optimise results.

In addition, hedging may be carried out only with standard financial derivative instruments whose correct actuarial and accounting mapping and valuation in the treasury system are guaranteed.



As of the closing date, the following derivative financial instruments were being used for risk reduction:

€ million	30/9/2016			30/9/2017		
	Nominal volume	Fair values		Nominal volume	Fair values	
		Financial assets	Financial liabilities		Financial assets	Financial liabilities
<b>Currency transactions</b>						
Currency futures/options	71	9	15	<b>314</b>	<b>6</b>	<b>15</b>
thereof within fair value hedges	(0)	(0)	(0)	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
thereof within cash flow hedges	(107)	(2)	(4)	<b>(194)</b>	<b>(2)</b>	<b>(7)</b>
thereof not part of hedges	(-36)	(7)	(11)	<b>(120)</b>	<b>(4)</b>	<b>(8)</b>
Interest rate/currency swaps	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
thereof within fair value hedges	(0)	(0)	(0)	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
thereof within cash flow hedges	(0)	(0)	(0)	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
thereof not part of hedges	(0)	(0)	(0)	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
	<b>71</b>	<b>9</b>	<b>15</b>	<b>314</b>	<b>6</b>	<b>15</b>

The nominal volume of forex futures/options and interest limitation agreements results from the net position of the buying and selling values in foreign currency underlying the individual transactions translated at the relevant exchange rate on the closing date. The nominal volume of interest rate swaps or interest rate/currency swaps and interest rate hedging agreements is shown on a gross basis.

All fair values represent the theoretical value of these instruments upon dissolution of the transaction on the closing date. Under the premise that instruments are held until the end of their term, these are unrealised gains and losses that, by the end of the term, will be fully set off by gains and losses from the underlying transactions in the case of fully effective hedging transactions.

In order to appropriately show this reconciliation for the period, relationships are created between hedging transactions and underlying transactions and recognised as follows:

- Within a fair value hedge, both the hedging transaction and the hedged risk of the underlying transaction are recognised at their fair value. The value fluctuations of both transactions are shown in the

income statement, where they will be fully set off against each other in the case of full effectiveness.

- Within a cash flow hedge, the hedging transactions are also principally recognised at their fair value. In the case of full effectiveness of the hedging transaction, the value changes will be recognised in equity until the hedged payment flows or expected transactions impact the earnings. Only then will they be recognised in the income statement.
- Hedging transactions that, according to IAS 39, are not part of a hedge are recognised at their fair value. Value changes are recognised directly in the income statement. Even if no formal hedging relationship was created, these are hedging transaction that are closely connected to the underlying transactions and whose impact on earnings will be netted by the underlying transaction (natural hedge).

Currency derivatives are used primarily for Chinese renminbi, Hong Kong dollar, Japanese yen, Polish złoty, Romanian leu, Russian rouble, Swiss franc, Czech koruna, Hungarian forint and US dollar.

The derivative financial instruments have the following maturities:

€ million	30/9/2016			30/9/2017		
	Fair Values			Fair Values		
	Maturities			Maturities		
	up to 1 year	1 to 5 years	over 5 years	up to 1 year	1 to 5 years	over 5 years
<b>Currency transactions</b>						
Currency futures/options	-6	0	0	-9	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(-1)	(0)	(0)	(-5)	(0)	(0)
thereof not part of hedges	(-4)	(0)	(0)	(-4)	(0)	(0)
Interest rate/currency swaps	0	0	0	0	0	0
thereof within fair value hedges	(0)	(0)	(0)	(0)	(0)	(0)
thereof within cash flow hedges	(0)	(0)	(0)	(0)	(0)	(0)
thereof not part of hedges	(0)	(0)	(0)	(0)	(0)	(0)
	<b>-6</b>	<b>0</b>	<b>0</b>	<b>-9</b>	<b>0</b>	<b>0</b>

Listed below the maturities are the fair values of the financial assets and liabilities that fall due during these periods.

The repricing dates for variable interest rates are less than 1 year.

### Liquidity risks

Liquidity risk describes the risk of being unable to procure or provide funding or being able to only procure or provide funding at a higher cost. Liquidity risks may arise, for example, as a result of temporary capital market disruptions, creditor defaults, insufficient credit facilities or the absence of budgeted incoming payments. METRO AG acts as financial coordinator for METRO companies to ensure that they are provided with the necessary financing to fund their operating and investing activities at all times and in the most cost-efficient manner possible. The necessary information is provided by means of a group financial plan, which is updated monthly and checked monthly for deviations. This financial plan is complemented by a weekly rolling 14-day liquidity plan.

Instruments used for financing purposes include money and capital market products (time deposits, call money, promissory note loans, commercial papers and listed bonds sold as part of ongoing capital market programmes) as well as bilateral and syndicated loans. METRO has a sufficient liquidity reserve so that there is no danger of liquidity risks even if an unexpected event has a negative financial impact on the company's liquidity situation. For more information

about the instruments used for financing purposes and credit facilities, see the explanatory notes to the respective balance sheet items.

— Further details are provided in no. 29 - cash and cash equivalents as well as in no. 36 - financial liabilities.

Intra-group cash pooling allows the surplus liquidity of individual group companies to be used for providing internal financing for to other group companies. This reduces the group's debt financing volume and thus its interest expenses. In addition, METRO AG draws on the financial expertise pooled in the treasury of METRO AG to advise the group companies in all relevant financial matters and provide support. This ranges from the elaboration of investment financing concepts to supporting the responsible financial officers of the individual group companies in their discussions with local banks and financial service providers. This ensures, on the one hand, that the financial resources of METRO are optimally employed, and, on the other, that all group companies benefit from the strength and credit standing of METRO in negotiating their financing terms.

### Credit risks

Credit risks arise from the total or partial default by a counterparty, for example, through bankruptcy or in connection with monetary investments and derivative financial instruments with positive market values. METRO's maximum default exposure as of the closing

date is reflected by the carrying amount of financial assets totalling €3,102 million (30/9/2016: €3,135 million).

— **For more information about the amount of the respective carrying amounts, see no. 40 - carrying amounts and fair values according to measurement categories.**

Cash on hand considered in cash and cash equivalents totalling €55 million (30/9/2016: €65 million) is not exposed to any default risk.

In the course of the risk management of monetary investments totalling €1,407 million (30/9/2016: €1,550 million) and derivative financial instruments totalling €6 million (30/9/2016: €9 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 creditworthiness risks. This is based on a system of limits laid down in the treasury guidelines, which are based mainly on the ratings of international rating agencies, developments of credit default swaps or internal credit assessments. An individual limit is allocated to every counterparty of METRO; compliance is constantly monitored by the treasury systems.

The following table shows a breakdown of counterparties by rating class:

Rating classes			Volume in %					
Grade	Standard & Poor's	Moody's	Financial investments					Total
			Germany	Western Europe excl. Germany	Eastern Europe	Asia and others	Derivatives with positive market values	
Investment grade	AAA	Aaa	0.0	0.0	0.0	0.0	0.0	
	AA+ to AA-	Aa1 to Aa3	0.2	0.1	3.1	1.3	0.0	
	A+ to A-	A1 to A3	1.1	14.1	13.1	24.3	0.2	
	BBB+ to BBB-	Baa1 to Baa3	25.3	3.9	6.4	3.5	0.1	<b>96.7</b>
Non-investment grade	BB+ to BB-	Ba1 to Ba3	0.1	0.0	2.6	0.1	0.0	
	B+ to B-	B1 to B3	0.0	0.0	0.0	0.1	0.0	
	CCC to C	Caa to C	0.0	0.0	0.0	0.0	0.0	<b>2.9</b>
No rating			0.0	0.2	0.1	0.1	0.0	<b>0.4</b>
			<b>26.7</b>	<b>18.3</b>	<b>25.3</b>	<b>29.4</b>	<b>0.3</b>	<b>100.0</b>

The table shows that, as of the closing date, about 97% of the capital investment volume, including the positive market value of derivatives, had been placed with investment-grade counterparties, in other words, those with good or very good credit ratings. Most of the counterparties that do not yet have an internationally accepted rating are respected financial institutions whose creditworthiness can be considered flawless based on analyses. METRO also operates in countries where local financial institutions do not have investment-grade ratings due to the rating of their country. For country-specific reasons as well as cost and efficiency considerations, cooperation with these insti-

tutions is unavoidable. These institutions account for about 0.4% of the total volume.

METRO's level of exposure to creditworthiness risks is thus very low.

#### Cash flow risks

A future change in interest rates may cause cash flow from variable interest rate asset and liability items to fluctuate. Stress tests are used to determine the potential impact interest rate changes may have on cash flow and how they can be capped through hedging transactions in accordance with the group's internal treasury guidelines.

#### 44. Contingent liabilities

€ million	30/9/2016	30/9/2017
Liabilities from suretyships and guarantees	17	11
Liabilities from guarantee and warranty contracts	52	18
	69	28

Liabilities from guarantee and warranty contracts are primarily rent guarantees with terms of up to 10 years if utilisation is not considered entirely unlikely. The main reason for the decline is lower obligations from rent guarantees due to reduced rental periods and the termination of leases.

#### 45. Other financial liabilities

As of 30 September 2017, the nominal value of other financial liabilities amounted to €307 million (30/9/2016: €309 million) and primarily concerned purchasing commitments from service agreements.

- **For more information about contractual commitments for the acquisition of other intangible assets and property, plant and equipment, obligations from finance and operating leases as well as investment properties, see notes no. 19 – other intangible assets, no. 20 – property, plant and equipment and no. 21 – investment properties.**

#### 46. Remaining legal issues

##### Successful completion of the demerger

On 6 February 2017, the Annual General Meeting of the former METRO AG (registered in the commercial registry at the Düsseldorf Local Court under HRB 39473) resolved to demerge the former METRO GROUP into 2 independent listed companies that are specialists in their respective market segment; the former METRO AG has changed its name and is now trading as CECONOMY AG. A number of shareholders took legal action against the planned demerger of the group by seeking various legal remedies, such as action for annulment, rescission and/or declaratory action, including against the resolution passed by the Annual General Meeting of CECONOMY AG on 6 February 2017 concerning the Meeting's approval of the demerger agreement as well as against the agreement itself. All of these legal challenges against CECONOMY AG are pending before the Düsseldorf District Court; pursuant to the provisions of the demerger agreement, METRO AG (registered in the commercial registry at the Düsseldorf Local Court under HRB 79055, formerly trading under METRO Wholesale & Food Specialist AG) must bear the costs of the litigation and proceedings relating to the demerger. On 15 November 2017, oral proceedings regarding these claims were held before the District Court of Düsseldorf. METRO AG maintains its position that all of these legal challenges are inadmissible

and/or unfounded and has therefore not recognised corresponding risk positions in its accounts. While the legal challenges against the demerger resolution passed by the Annual General Meeting prevented registration of the resolution in the commercial registry of CECONOMY AG, the Düsseldorf Higher Regional Court ruled, following a hearing in the special proceedings (Freigabeverfahren) pursuant to the German Transformation Act instigated by CECONOMY AG on the grounds of the aforementioned legal challenges on 22 June 2017, in favour of the petitioner, holding that the legal challenges mounted against the resolution passed by the Annual General Meeting do not preclude registration of a demerger and spin off in the commercial registry and that the prerequisites for such registration have in fact been met. The demerger became effective upon registration in the commercial registry of CECONOMY AG on 12 July 2017. All shares in METRO AG have been trading on the Frankfurt Stock Exchange and Luxembourg Stock Exchange since 13 July 2017.

##### Further remaining legal issues

Companies of the METRO group form a party to judicial or arbitration and antitrust law proceedings in various European countries. Insofar as the liability has been sufficiently specified, appropriate risk provisions have been formed for these proceedings.

In addition, the group companies are increasingly exposed to regulatory changes related to procurement and changed sales tax regulations in some countries. Regarding procurement, in some countries, such as Russia and the Czech Republic, this led to adaptation of the procurement model of the respective group company to align with the modified regulatory framework conditions in complex change processes.

Group companies claim damages against companies that are in violation of antitrust laws and have caused damage to the METRO group, for example, certain credit card companies or sugar manufacturers.

##### 47. Events after the balance sheet date

No events to be reported occurred between the balance sheet date (30 September 2017) and the date of presentation of the accounts (30 November 2017).

**48. Notes on related parties**

In financial year 2016/17, METRO maintained the following business relations to related companies:

€ million	2015/16	2016/17
Services provided	92	<b>86</b>
CECONOMY	92	<b>83</b>
Associates	0	<b>0</b>
Joint ventures	0	<b>0</b>
Miscellaneous related parties	0	<b>3</b>
Services received	105	<b>107</b>
CECONOMY	16	<b>17</b>
Associates	74	<b>78</b>
Joint ventures	0	<b>0</b>
Miscellaneous related parties	15	<b>12</b>
Receivables from services provided as of 30/9	5	<b>11</b>
CECONOMY	5	<b>11</b>
Associates	0	<b>0</b>
Joint ventures	0	<b>0</b>
Miscellaneous related parties	0	<b>0</b>
Liabilities from goods/services received as of 30/9	225	<b>3</b>
CECONOMY	224	<b>3</b>
Associates	0	<b>0</b>
Joint ventures	0	<b>0</b>
Miscellaneous related parties	1	<b>0</b>

**Transactions with companies of CECONOMY**

METRO had business relations with companies of CECONOMY. For the purposes of the consolidated financial statements, the CECONOMY companies are considered related parties of METRO until the demerger effective date on 12 July 2017, as METRO AG was controlled by the current CECONOMY AG until that date. Accordingly, services received and benefits received from CECONOMY are included pro rata in the 2016/17 financial disclosures until 12 July 2017.

The services provided to related parties of CECONOMY mainly comprise income from procurement synergies, rental income and income under the Transitional Service Agreement (TSA), which regulated the offsetting of the services provided in the transition phase to the other operating unit as of 1 October 2016. In financial year 2016/17, income from procurement synergies totalled €44 million (2015/16: €63 million). In financial year 2016/17, rental income totalled €14 million (2015/16: €19 million). Income from the TSA amounted to €8 million in financial year 2016/17 (2015/16: €0 million). In addition, the provided benefits include income from services in the amount of €4 million (2015/16: €9 million).

The services received by CECONOMY companies were mainly related to procurement logistics expenses. The liability to CECONOMY reported as of 30 September 2016, which resulted from the initial injection of liquid funds agreed in the demerger agreement, was settled in financial year 2016/17.

**Transactions with associated companies and other related parties**

The services totalling €90 million (2015/16: €89 million) that METRO companies received from associates and related parties in financial year 2016/17 consisted mainly of real estate leases in the amount of €80 million (2015/16: €80 million, thereof €78 million from associates; 2015/16: €74 million) and the rendering of services in the amount of €10 million (2015/16: €9 million).

Other future financial obligations in the amount of €756 million (2015/16: €597 million) consist of tenancy agreements with the following associated companies, OPCI FWP France, OPCI FWS France, METRO Habib Pakistan and the Mayfair Group.

In financial year 2016/17, METRO companies provided services to companies, included in the group of associates and related parties, in the amount of €3 million (2015/16: €0 million).

Business relations with related parties are based on contractual agreements providing for arm's length prices. As in financial year 2015/16, there were no business relations with related natural persons and companies of management in key positions in financial year 2016/17.

**Related persons (compensation for management in key positions)**

METRO management in key positions consists of members of the Management Board and the Supervisory Board of METRO AG.

Unlike in the previous year's financial statements as of 30 September 2016, the expenses for the Management Board of the former METRO AG until the day of the demerger on 12 July 2017 attributable to METRO were not calculated on the basis of an employee-related allocation key. Rather, the financial data for the presented economic activities of METRO were taken from the separate company code set up within the former METRO AG for METRO starting in the first quarter of 2016/17, which comply with the regulations of the Transitional Service Agreement (TSA).

Thus, the determined expenses plus the expenses for the period after the demerger (13 July 2017 to 30 September 2017) for members of the Management Board of the new METRO AG amounted to € 5.5 million for short-term benefits (2015/16: €6.8 million) and €0.8 million for post-employment benefits (2015/16: €0.5 million). The expenses for existing compensation programmes with long-term incentive effect in financial year 2016/17 amounted to €5.1 million (2015/16: €4.9 million).

The short-term compensation for the members of the the former METRO AG Supervisory Board, calculated

on the basis of the employee-related allocation key up to the date of the demerger on 12 July 2017 plus the compensation for the period after the demerger (13 July 2017 to 30 September 2017) amounted to €1.5 million (2015/16: €1.5 million).

The total compensation for members of the Management Board in key positions in financial year 2016/17 amounted to €12.9 million (2015/16: €13.7 million).

- **For more information about the basic principles of the remuneration system and the amount of Management and Supervisory Board compensation, see no. 50 - Management Board and Supervisory Board.**

#### **49. Long-term incentive for executives (wholesale and retail sector)**

##### **Permissions for the wholesale business unit (MCC LTI)**

The long-term incentive (MCC LTI) developed for the METRO Cash & Carry sales line in the past financial year was tailored specifically to the operating model. It was issued to senior executives and the management bodies of METRO Cash & Carry companies for the first time in financial year 2015/16. This is a cyclical plan that is issued every 3 years. The respective performance targets focus on value creation in the individual national subsidiaries and/or the wholesale segment as a whole, as well as their sustained development and prospects. The performance period of the MCC LTI extends from 1 April 2016 to 31 March 2019. The individual target amounts are accumulated proportionally during this period. The final target amount that has been accumulated at the end of the performance period is based on the period of eligibility for the MCC LTI as well as the individual's position. According to the plan conditions, executives can be newly admitted to the circle of beneficiaries on a pro rata basis or removed from the plan.

Additionally, the senior executives of METRO AG were entitled to participate in the MCC LTI pro rata temporis in the reporting period. This entitlement replaces tranche 2016/17 of the sustainable performance plan 2.0 and subsequent tranches that can no longer be issued due to the demerger.

##### **Permissions for the retail business unit (Real LTI)**

In the reporting period, the Real long-term incentive (Real LTI) was developed for the retail business segment. The authorised executives and senior executives of the retail business segment were eligible. The performance period started on 1 April 2017 and ends on 31 March 2020. It also replaces the other permissions to the sustainable performance plan 2.0. The operating principles are based on the MCC LTI and are shown in the following.

##### **OPERATING PRINCIPLES OF THE MCC AND REAL LTI**

After the end of each performance period, the payout amount is determined by multiplying the respectively

accumulated individual target amount with a total goal achievement factor. The goal achievement rate of this factor for the past performance and future value components accounts for 45% each; the remaining 10% is accounted for by the goal achievement rate of the sustainability component. The payout amount is capped and the total goal achievement factor cannot drop below 0. The relevant measure for the past performance and future value components for eligible executives at the national METRO Cash & Carry subsidiaries is the performance/value creation of the respective national subsidiary of METRO Cash & Carry. The relevant measure for the other eligible executives is METRO Cash & Carry's or Real's respective sales line's overall performance.

The **past performance component** rewards the achievement of internal economic target values and is determined on the basis of the EBITDA after special items generated cumulatively over financial years 2015/16 to 2017/18 for METRO Cash & Carry and 2016/17 to 2018/19 for Real. Separate target values for a goal achievement factor of 1.0 and 0.0, respectively, have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the past performance component cannot drop below 0 and is capped.

The **future value component** mirrors METRO Cash & Carry's and Real's external valuation with respect to the expected future performance of the respective national subsidiary and each sales line as a whole from an analyst's perspective. For the purpose of target setting, the enterprise value of the respective sales line was determined on the basis of analyst valuations before the start of the performance period. It is determined again at the end of each performance period. The enterprise value of METRO Cash & Carry national subsidiaries is derived from the enterprise values of the METRO Cash & Carry sales line. Separate target values for a goal achievement factor of 1.0 and 0.0, respectively, have been defined. In the case of intermediate values and values above 1.0, the factor for goal achievement is calculated using linear interpolation to 2 decimal points. The goal achievement factor for the future value component cannot drop below 0 and is capped.

Performance achievement for the **sustainability component** is determined on the basis of the average rating which METRO AG is awarded in an external corporate sustainability assessment during each performance period. In each year of the performance period, METRO AG participates in the Corporate Sustainability Assessment conducted by the independent service provider RobecoSAM. RobecoSAM AG uses this assessment to determine METRO AG's ranking within the industry group Food & Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). RobecoSAM AG will inform METRO AG of any changes in its sector classification. In case of material changes in the composition

of companies or the ranking method, RobecoSAM AG can determine adequate comparable values.

The company's average ranking – rounded to whole numbers – is determined on the basis of the rankings communicated during each performance period. The factor for the sustainability component is determined in the following manner on the basis of the average of the performance period:

Average ranking (rounded)	Sustainability factor
1	3.00
2	2.50
3	2.00
4	1.50
5	1.25
6	1.00
7	0.75
8	0.50
9	0.25
Below rank 9	0.00

As of 30 September 2017, the target amount for the eligible group of persons was €34.6 million.

#### **Sustainable performance plan version 2014 (2014/15–2017/18)**

After the first tranche of the sustainable performance plan was issued in financial year 2013/14, it was decided to adjust the sustainable performance plan from financial year 2014/15 onwards by adopting the so-called sustainable performance plan version 2014, with a planned duration of 4 tranches up to financial year 2017/18. A 3-year performance period applies to the 2014/15 tranche of the sustainable performance plan version 2014; from the 2015/16 tranche onwards, a 4-year performance period will apply.

A target value in euros is set for the eligible managers. The payout amount is calculated by multiplying the target value by the factor of overall goal achievement. This, in turn, is calculated by determining the goal achievement factors, each of which is rounded to 2 decimal points, for each of the 3 performance targets. The arithmetic mean of the factors, also rounded to 2 decimal points, gives the overall goal achievement factor. The payout amount is limited to a maximum of 250% of the target value (payout cap). In case that the employment relationship comes to an end, separate rules for the payout of the tranches have been agreed upon.

The sustainable performance plan version 2014 is based on the following 3 performance targets:

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

The **TSR component** is measured according to the development of the total shareholder return of the METRO ordinary share in the performance period compared to a defined benchmark index. To calculate the goal achievement factor of the TSR component, the Xetra closing prices of the METRO ordinary share are determined over a period of 40 consecutive trading days immediately following the Annual General Meeting of METRO AG in the year of the awarding. This is used to calculate the arithmetic mean, which is known as the starting share price. The performance period for the respective tranche will begin on the 41st trading day following the Annual General Meeting. Once again, the Xetra closing prices of the METRO ordinary share are determined over a period of 40 consecutive trading days immediately following the Annual General Meeting 3 years, or, from financial year 2015/16 onwards, 4 years after calculating the starting share price and issuing the applicable tranche. This is used again to calculate the arithmetic mean, which is known as the ending share price. The TSR percentage value will be determined on the basis of the change in the METRO share price and the total amount of hypothetically reinvested dividends throughout the performance period in relation to the starting and ending share prices.

The METRO TSR calculated in this manner will be compared with the TSR of the STOXX Europe 600 Retail index (index TSR) during the performance period and the factor for computing the TSR component will be determined as follows:

- If METRO's TSR is identical to the index TSR, the factor for the TSR component is 1.0;
- if METRO's TSR is 30% points or more below the index TSR, the factor for the TSR component is 0.0;
- if METRO's TSR is 30% points above the index TSR, the factor for the TSR component is 2.0.
- In the case of goal achievement with intermediate values and more than 30% points, the TSR factor for the sustainable performance plan version 2014 is calculated using linear interpolation to 2 decimal points.

To determine the goal achievement factor of the **sustainability component**, METRO AG takes part in the Corporate Sustainability Assessment conducted by the external independent agency RobecoSAM during each year of the 3- or 4-year performance period of the sustainable performance plan version 2014. RobecoSAM AG uses this assessment to determine the ranking of METRO AG within the industry

group Food and Staples Retailing that is defined in accordance with the Global Industry Classification Standard (GICS). S&P Dow Jones Indices uses this ranking as the basis for decisions regarding a company's inclusion in the Dow Jones Sustainability Indices (DJSI). METRO AG is informed each year by RobecoSAM AG about its new ranking. The company's average ranking - rounded to whole numbers - is determined on the basis of the 3, or, from financial year 2015/16 onwards, 4 rankings per tranche communicated by RobecoSAM AG during the performance period. The factor for the sustainability component is determined on the basis of the average ranking during the performance period.

The goal achievement factor for the **EPS component**, which was introduced in the sustainable performance plan version 2014, is calculated as follows: generally, an EPS target value (before special items) for the third or fourth year of the EPS performance period, a lower threshold/entry barrier as well as an upper threshold for 200% goal achievement are decided at the beginning of the financial year. The EPS value that has actually been achieved during the performance period is compared to the approved values and the factor for calculating the EPS component is determined as follows:

- If the EPS target value is achieved, the factor for the EPS component is 1.0
- If only the lower entry barrier or a value lower than it is achieved, the factor for the EPS component is 0.0
- In the event of 200% goal achievement, the factor for the EPS component is 2.0.
- In the case of goal achievement with intermediate values and more than 200%, the EPS factor for the sustainable performance plan version 2014 is calculated using linear interpolation to 2 decimal points.

Due to the demerger on 12 July 2017, the final performance measurement of the tranches from the sustainable performance plan 2.0 based on the preset success targets is no longer possible. An external appraiser determined the present value of the respective tranches on the day of the demerger according to a recognised financial mathematical procedure and paid them out to the beneficiaries accordingly. The portion of the respective target value, which has not yet been earned on a pro rata basis, was transferred to a so-called roll-over LTI. A RoCE performance target was set for the 2014/15 tranche, which will be payable at the end of the original performance period in April 2019. An EPS performance target became effective for the tranche 2015/16. The payment will be due for payment in April 2019 after the end of the performance period, which was reduced by 1 year.

The issuance of tranches 2016/17 and 2017/18 will be replaced by the issuance of the MCC or Real LTI.

#### **Sustainable performance plan (2013/14)**

After the last tranche of the performance share plan was paid in the short financial year 2013, the sustainable performance plan was issued in financial year 2013/14.

A target value in euros was set for the eligible managers. This is 75% dependent on the TSR component and 25% on the sustainability component.

The calculation of the **TSR component** follows the method described for the sustainable performance plan version 2014; however, the factor for the TSR component is a maximum of 3.0 (cap). Furthermore, the following additional condition applies if the TSR factor is positive: a payment of 75% of the target amount multiplied by the TSR factor will be made only if the calculated ending price of the METRO share does not fall below the starting share price. Should this condition not be met, the calculated amount will not initially be paid. In this case, an entitlement to payment will exist only if the Xetra closing price of the METRO ordinary share is higher than or equivalent to the starting share price for 40 consecutive trading days within a 3-year period after the completion of the performance period. Should this condition not be met within the 3 years after the performance period ends, no payment of the TSR component of the tranche will be made.

Similarly, the method described for the sustainable performance plan version 2014 also applies to the calculation of the factor for the **sustainability component**, while the factor for the sustainability component depends on the average ranking during the performance period.

The following additional condition will also apply: a payment of 25% of the target amount multiplied by the sustainability factor will only be made if the ranking of METRO AG does not fall by more than 2 places below the last announced ranking before the issuance of the tranche in any year of the performance period. Otherwise, the factor for the sustainability component will be 0. The payment cap for the sustainability component amounts to 3 times the target amount.

The sustainability component was paid to the beneficiaries on 3 April 2017, according to the plan conditions after the end of the performance period. Since the additional payout condition for the TSR component was not met, this part was initially not due for payment. Due to the demerger on 12 July 2017, however, the final performance measurement of the TSR component based on the set criteria is no longer possible. The cash value of the TSR component on the demerger day was determined by an external appraiser according to a recognised financial-mathematical procedure and paid out to the beneficiaries accordingly.



### Performance share plan (2009–2013)

In 2009, METRO AG introduced a performance share plan for a period of 5 years for which the last tranche was issued in the short financial year 2013. Under this scheme, eligible managers were given an individual target amount for the performance share plan (target value) in accordance with the significance of their responsibilities. The target number of performance shares was calculated by dividing this target value by the share price upon issuance, based on the average price of the METRO share during the 3 months up to the issuance date. The key metric in this calculation was the 3-month average price of the METRO share before the issuance date. A performance share entitles its holder to a cash payment in euros matching the price of the METRO share on the payment date. The key metric in this calculation is also the 3-month average price of the METRO share before the payment date.

Based on the relative performance of the METRO share compared with the median of the DAX 30 and EURO STOXX Retail indices – total return – the final number of payable performance shares is determined after the end of a performance period of at least 3 and at most 4.25 years. This corresponds to the target number of shares when an equal performance with said stock indices is achieved. Up to an outperformance of 60%, the number increases linearly to a maximum of 200% of the target amount. Up to an underperformance of 30%, the number is accordingly reduced to a minimum of 50%. In the case of an underperformance of more than 30%, the number is reduced to 0.

Payment can be made at 6 possible times that are set in advance. The earliest payment date is 3 years after issuing the performance shares. From this time, payment can be made every 3 months. The eligible managers can choose the date upon which they want to exercise performance shares. A distribution over several payment dates is not permitted. The payment cap amounts to 5 times the target value.

METRO introduced so-called share ownership guidelines along with its performance share plan: as a precondition for payments of performance shares, eligible executives are obliged to undertake and maintain a continuous self-financed investment in METRO shares up to the end of the 3-year vesting period. This ensures that, as shareholders, they will directly participate in share price gains as well as potential losses of the METRO share. The required investment volume generally amounts to approximately 50% of the individual target value.

The vesting period of the 2013 tranche ended in July 2017. It was exercised by 21 persons with 42,688 performance shares in financial year 2016/17. The performance share plan ended on 1 July 2017 and there are no other claims from the plan.

The mentioned tranches of share-based payment programmes resulted in total expenses of €25 million (2015/16: €26 million). The programme-related provisions as of 30 September 2017 amount to €19 million (30/9/2016: €34 million).

## 50. Management Board and Supervisory Board

### Remuneration of members of the Management Board in financial year 2016/17

The remuneration of the active members of the Management Board essentially consists of a fixed salary, a short-term performance-based remuneration component (short-term incentive and special bonuses), as well as the performance-based remuneration component with a long-term incentive effect (long-term incentive) granted in financial year 2016/17.

The short-term incentive for members of the Management Board is essentially determined by the development of financial performance targets related to that financial year and also considers the attainment of individually set targets.

The remuneration of the active members of the Management Board in financial year 2016/17 amounted to €5.9 million. This includes €1.1 million in fixed salaries, €1.1 million in short-term performance-based remuneration, €3.7 million in share and performance-based remuneration with a long-term incentive effect and €0.02 million in non-cash benefits.

The share and performance-based remuneration component with long-term incentive effect granted in financial year 2016/17 (performance share plan) was recognised at the fair value as of the date granted. The number of conditionally allocated performance shares amounts to a total of 266,629 units.

In financial year 2016/17, value adjustments resulted from the current tranches of performance-based payment programmes with a long-term incentive effect. The company's expenses amounted to €0.27 million for Mr Koch, €0.14 million for Mr Baier, €0.16 million for Mr Boone and €0.2 million for Mr Hutmacher.

As of 30 September 2017, the provisions for the members of the Management Board totalled €0.77 million. Of this amount, €0.27 million was attributable to Mr Koch, €0.14 million to Mr Baier, €0.16 million to Mr Boone and €0.2 million to Mr Hutmacher.

Expenses and provisions were determined by external experts using a recognised financial mathematical procedure.

— **For §314 Section 1 No. 6a sentence 5–8 of the German Commercial Code (HGB), see chapter 6 remuneration report in the combined management report.**

### Remuneration to members of the Supervisory Board

The total remuneration paid to all members of the Supervisory Board in financial year 2016/17 amounts to €0.8 million.

— **For more information about the compensation of the members of the Supervisory Board, see chapter 6 remuneration report in the combined management report.**

**51. Auditor's fees for the financial year pursuant to § 314 Section 1 No. 9 of the German Commercial Code (HGB)**

KPMG AG Wirtschaftsprüfungsgesellschaft invoiced total professional fees in the amount of €9.0 million for services rendered. Of this amount, €4.3 million was attributable to professional fees for the audit of the financial statements, €3.3 million to other assurance services, €0.5 million to tax consultation services and €0.9 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 relates to the audit of the consolidated financial statements, the annual financial statements and the dependent company report of METRO AG as well as various annual audits and audits of IFRS reporting packages for inclusion in the METRO consolidated financial statements of its subsidiaries, including statutory order extensions. In addition, the audit-integrated reviews of interim financial statements as well as project-related IT audits took place.

Other confirmation services include services provided within the framework of the demerger of the former METRO GROUP (issuing of a comfort letter, review of the combined financial statements of the MWFS Group as of 30 September 2016, founding audit, post-establishment audit, non-cash contribution assessment and impairment certificates). In addition, the other assurance services include contracted audit activities (e.g. Sales Lease Agreements, Compliance Certificates, Comfort Letter), an ICS audit

of selected ISAE 3000 operational processes and the voluntary business review of the CSR report. The tax consultation services include assistance in the preparation of tax returns and VAT activity statements and advisory services related to the settlement processes for the transfer pricing system, value added tax and in relation to the secondment of employees to foreign countries.

The other services include fees for project management support in the context of the demerger as well as in other change management processes (each without a management function), for financial due diligences and support in the area of sustainability.

**52. Declaration of compliance with the German Corporate Governance Code**

In September 2017, the Management Board and the Supervisory Board issued the annual declaration of compliance pursuant to §161 of the German Stock Corporation Act (AktG) concerning the recommendations of the Government Commission on the German Corporate Governance Code and updated it in November 2017. Both statements are published permanently on the homepage of METRO AG ([www.metroag.de](http://www.metroag.de)).

**53. Election to be exempt from §§ 264 Section 3 and 264 b of the German Commercial Code**

The following domestic subsidiaries in the legal form of stock corporations or partnerships will use the exemption provisions according to § 264 Section 3 and § 264b of the German Commercial Code, and will thus refrain from preparing their annual financial statements for 2016 as well as mostly from preparing their notes to the financial statements and management report (according to the German Commercial Code).

<b>a) Operating companies and service entities</b>	
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf
N & NF Trading GmbH	Düsseldorf
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf
real,- Handels GmbH	Düsseldorf
HoReCa Digital GmbH	Düsseldorf
METRO GROUP Accounting Center GmbH	Wörrstadt
METRO Innovations Holding GmbH	Düsseldorf
METRO LOGISTICS Services GmbH	Düsseldorf
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf
METRO LOGISTICS Germany GmbH	Düsseldorf
real,- Group Holding GmbH	Düsseldorf
MGC METRO Group Clearing GmbH	Düsseldorf
Metro Finanzdienstleistungs Pensionen GmbH	Düsseldorf
real,- Digital Services GmbH	Düsseldorf
DAYCONOMY GmbH	Düsseldorf
Fulltrade International GmbH	Düsseldorf
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf
METRO Dienstleistungs-Holding GmbH	Düsseldorf
MGP METRO Group Account Processing GmbH	Kehl
METRO Re AG	Düsseldorf
METRO Advertising GmbH	Düsseldorf
real,- Holding GmbH	Düsseldorf
real,- Digital Fulfillment GmbH	Düsseldorf
METRO Travel Services GmbH	Düsseldorf
METRO Insurance Broker GmbH	Düsseldorf
METRO SYSTEMS GmbH	Düsseldorf
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden
NordRhein Trading GmbH	Düsseldorf
METRO Großhandelsgesellschaft mbH	Düsseldorf
Metro International Beteiligungs GmbH	Düsseldorf
MGE Warenhandelsgesellschaft mbH	Düsseldorf
MGL METRO Group Logistics GmbH	Düsseldorf
real,- SB-Warenhaus GmbH	Düsseldorf
MCC Trading International GmbH	Düsseldorf
METRO Cash & Carry International GmbH	Düsseldorf
Meister feines Fleisch – feine Wurst GmbH	Gäufelden
Multi-Center Warenvertriebs GmbH	Düsseldorf
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf
MCC Trading Deutschland GmbH	Düsseldorf
Goldhand Lebensmittel- u. Verbrauchsgüter- Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf
Liqueur & Wine Trade GmbH	Düsseldorf
Johannes Berg GmbH, Weinkellerei	Düsseldorf
Weinkellerei Thomas Rath GmbH	Düsseldorf
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf
METRO FSD Holding GmbH	Düsseldorf
RUNGIS express GmbH	Meckenheim
Petit RUNGIS express GmbH	Meckenheim
CCG DE GmbH	Kelsterbach
cc delivery gmbh	Meckenheim
HoReCa Investment Management GmbH	Düsseldorf
HoReCa Services GmbH	Düsseldorf
HoReCa Komplementär GmbH	Düsseldorf
HoReCa Innovation I GmbH & Co. KG	Düsseldorf
HoReCa Investment I GmbH & Co. KG	Düsseldorf

HoReCa Strategic I GmbH & Co. KG	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf
MIP METRO Holding Management GmbH	Düsseldorf
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf
Markthalle GmbH	Düsseldorf
METRO Erste Verwaltungs GmbH	Düsseldorf
METRO Zweite Verwaltungs GmbH	Düsseldorf
METRO Dritte Verwaltungs GmbH	Düsseldorf
METRO Vierte Verwaltungs GmbH	Düsseldorf
METRO Fünfte Verwaltungs GmbH	Düsseldorf
METRO Sechste Verwaltungs GmbH	Düsseldorf
METRO Siebte Verwaltungs GmbH	Düsseldorf
HoReCa Digital Services Germany GmbH	Düsseldorf
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf
Hospitality.systems GmbH	Düsseldorf
<b>b) Real estate companies</b>	
METRO Leasing GmbH	Düsseldorf
METRO Group Asset Management Services GmbH	Düsseldorf
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
ARKON Grundbesitzverwaltung GmbH	Düsseldorf
METRO PROPERTIES Holding GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn „Südring Center“ KG	Düsseldorf
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Neuwiedenthal KG	Düsseldorf
Pro. FS GmbH	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhausen KG	Düsseldorf
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf
RUDU Verwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf
AIB Verwaltungs GmbH	Düsseldorf
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hörselgau KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf
DFI Verwaltungs GmbH	Düsseldorf
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
METRO Retail Real Estate GmbH	Düsseldorf
METRO Wholesale Real Estate GmbH	Düsseldorf
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf

ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekt Osnabrück KG	Düsseldorf
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wiesbaden-Nordenstadt KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt - KG	Düsseldorf
METRO PROPERTIES GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Finowfurt KG	Düsseldorf
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Düsseldorf
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs-Kommanditgesellschaft	Düsseldorf
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf
Wolfgang Wirichs GmbH	Düsseldorf
Wirichs Immobilien GmbH	Düsseldorf
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewerbegrundstücke KG	Düsseldorf
BAUGRU Immobilien-Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf
STW Grundstücksverwaltung GmbH	Düsseldorf
PIL Grundstücksverwaltung GmbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf
MDH Secundus GmbH & Co. KG	Düsseldorf
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf
Kaufhof Warenhaus Neubrandenburg GmbH	Düsseldorf
Kaufhalle GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf
ASSET Immobilienbeteiligungen GmbH	Düsseldorf
ASSET Köln-Kalk GmbH	Düsseldorf
Horten Nürnberg GmbH	Düsseldorf
Metro International Beteiligungs GmbH	Düsseldorf
METRO Services GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf

GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Münster-Kinderhaus KG	Düsseldorf
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf
TIMUG Verwaltung GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf
METRO Leasing Objekt Schwerin GmbH	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf

#### 54. Overview of the major fully consolidated group companies

Name	Registered office	Group stake in %	Sales <sup>1</sup> in € million
<b>Holding companies</b>			
METRO AG	Düsseldorf, Germany		0
METRO Cash & Carry International GmbH	Düsseldorf, Germany	100.00	0
<b>METRO Wholesale</b>			
METRO Cash & Carry Deutschland GmbH	Düsseldorf, Germany	100.00	4,442
METRO Cash & Carry France S.A.S.	Nanterre, France	100.00	4,165
METRO Cash & Carry OOO	Moscow, Russia	100.00	3,411
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai, China	90.00	2,672
METRO Italia Cash and Carry S. p. A	San Donato Milanese, Italy	100.00	1,760
Makro Cash and Carry Polska S.A.	Warsaw, Poland	100.00	1,415
Makro Autoservicio Mayorista S. A. U.	Madrid, Spain	100.00	1,242
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul, Turkey	100.00	1,122
MAKRO Cash & Carry CR s.r.o.	Prague, Czech Republic	100.00	1,048
METRO CASH & CARRY ROMANIA SRL	Bucharest, Romania	100.00	974
MAKRO Cash & Carry Belgium NV	Wommelgem, Belgium	100.00	846
METRO Distributie Nederland B. V.	Amsterdam, Netherlands	100.00	814
METRO Cash & Carry India Private Limited	Bangalore, India	100.00	798
<b>Real</b>			
real,- SB-Warenhaus GmbH	Düsseldorf, Germany	100.00	7,256
<b>Other companies</b>			
METRO Sourcing International Limited	Hong Kong, China	100.00	28
METRO LOGISTICS Germany GmbH	Düsseldorf, Germany	100.00	0
METRO PROPERTIES GmbH & Co. KG	Düsseldorf, Germany	92.90	0
METRO SYSTEMS GmbH	Düsseldorf, Germany	100.00	0
MIAG Commanditaire Vennootschap	Amsterdam, Netherlands	100.00	0

<sup>1</sup> Including consolidated national subsidiaries.

## 55. Corporate Boards of METRO AG and their mandates

### Members of the Supervisory Board<sup>1</sup>

**Jürgen B. Steinemann** (Chairman, from 2 March to 23 August 2017 and since 29 August 2017)  
Member of the Supervisory Board since 21 February 2017  
CEO of JBS Holding GmbH

- a) Big Dutchman AG (Vice Chairman)  
Ewald Dörken AG, until 7 August 2017
- b) Bankiva B.V., Wezep, Netherlands – Supervisory Board (Chairman), since 16 February 2017  
Barry Callebaut AG, Zurich, Switzerland – Board of Directors  
Lonza Group AG, Basle, Switzerland – Board of Directors

**Werner Klockhaus** (Vice Chairman, from 2 March to 23 August 2017 and again since 29 August 2017)  
Member of the Supervisory Board since 21 February 2017  
Chairman of the Group Works Council of METRO AG  
Chairman of the General Works Council of Real SB-Warenhaus GmbH

- a) Hamburger Pensionskasse von 1905  
Versicherungsverein auf Gegenseitigkeit  
(a German pension fund)  
Real SB-Warenhaus GmbH (Vice Chairman)
- b) None

### Michael Bouscheljong

Member and Vice Chairman of the Supervisory Board from 8 November 2016 to 21 February 2017  
Global Director Corporate Controlling & Finance of METRO AG

- a) METRO SYSTEMS GmbH  
Real SB-Warenhaus GmbH
- b) None

### Gwyn Burr

Member of the Supervisory Board since 21 February 2017  
Member of the Board of Directors of Hammerson plc, London, United Kingdom

- a) None
- b) DFS Furniture plc, Doncaster, South Yorkshire, United Kingdom – Board of Directors  
Hammerson plc, London, United Kingdom – Board of Directors  
Ingleby Farms & Forests ApS, Køge, Denmark – Board of Directors, since 8 December 2016  
Just Eat plc, London, United Kingdom – Board of Directors  
Sainsbury's Bank plc, London, United Kingdom – Board of Directors

### Thomas Dommel

Member of the Supervisory Board since 21 February 2017  
Chairman of the General Works Council of METRO LOGISTICS Germany GmbH

- a) METRO LOGISTICS Germany GmbH (Vice Chairman)
- b) None

### Prof. Dr Edgar Ernst

Member of the Supervisory Board since 21 February 2017  
President of the German Financial Reporting Enforcement Panel (DPR)

- a) Deutsche Postbank AG  
TUI AG  
Vonovia SE (Chairman, since 7 September 2017)
- b) None

<sup>1</sup> Mandates as of: 30 November 2017

a) Membership of other supervisory boards to be legally disclosed within the meaning of § 125 Section 1 sentence 5, 1. AktG (superseded version)

b) Membership of other comparable German and international controlling bodies and economic enterprises

**Dr Florian Funck**

Member of the Supervisory Board since  
21 February 2017

Member of the Management Board of  
Franz Haniel & Cie. GmbH

a) CECONOMY AG

TAKKT AG

Vonovia SE

c) None

**Michael Heider**

Member of the Supervisory Board since  
21 February 2017

Vice Chairman of the General Works Council of  
METRO Cash & Carry Deutschland GmbH

Chairman of the Works Council of the METRO  
Cash & Carry store in Schwelm

a) Metro Großhandelsgesellschaft mbH

b) None

**Andreas Herwarth**

Member of the Supervisory Board since  
21 February 2017

Vice Chairman of the Works Council of METRO AG

a) None

b) None

**Hans-Dieter Hinker**

Member of the Supervisory Board from 8 November  
2016 to 21 February 2017

Global Director Corporate Treasury of METRO AG

a) Metro Großhandelsgesellschaft mbH,  
since 1 October 2017

b) METRO Finance B.V., Venlo, Netherlands -  
Supervisory Board, since 1 April 2017

**Peter Küpfer**

Member of the Supervisory Board since  
21 February 2017

Self-employed business consultant

a) CECONOMY AG

b) AHRB AG, Zurich, Switzerland -

Board of Directors (President)

ARH Resort Holding AG, Zurich, Switzerland -

Board of Directors (President)

Breda Consulting AG, Zurich, Switzerland -

Board of Directors (President)

Cambiata Ltd, Road Town, Tortola,

British Virgin Islands - Board of Directors

Cambiata Schweiz AG, Zurich, Switzerland -

Board of Directors

Gebr. Schmidt GmbH & Co. KG - Advisory Council

Lake Zurich Fund Exempt Company, George Town,

Grand Cayman, Cayman Islands - Board of Directors

Supra Holding AG, Zug, Switzerland - Board of

Directors

Travel Charme Hotels & Resorts Holding AG,

Zurich, Switzerland - Board of Directors (President)

**Susanne Meister**

Member of the Supervisory Board since  
21 February 2017

Member of the General Works Council of Real SB-  
Warenhaus GmbH

a) None

b) None

**Dr Angela Pilkmann**

Member of the Supervisory Board since  
21 February 2017

Category Manager Food at Real SB-Warenhaus GmbH

a) None

b) None



**Mattheus P. M. (Theo) de Raad**

Member of the Supervisory Board since  
21 February 2017  
Member of the Supervisory Board of HAL Holding N.V.,  
Willemstad, Curaçao, Netherlands Antilles

- a) None
- b) HAL Holding N.V., Willemstad, Curaçao,  
Netherlands Antilles – Supervisory Board

**Dr Fredy Raas**

Member of the Supervisory Board since  
21 February 2017  
Managing Director of Beisheim Holding GmbH,  
Baar, Switzerland,  
and Beisheim Group GmbH & Co. KG

- a) CECONOMY AG
- b) ARISCO Holding AG, Baar, Switzerland –  
Board of Directors  
Montana Capital Partners AG, Baar, Switzerland –  
Board of Directors

**Harald Sachs**

Member and Chairman of the Supervisory Board  
from 8 November 2016 to 21 February 2017  
Global Director Corporate Accounting of METRO AG

- a) Real SB-Warenhaus GmbH
- b) METRO Finance B.V., Venlo, Netherlands –  
Supervisory Board  
METRO International AG, Baar, Switzerland –  
Supervisory Board

**Xaver Schiller**

Member of the Supervisory Board since  
21 February 2017  
Vice Chairman of the General Works Council of  
METRO Cash & Carry Deutschland GmbH  
Chairman of the Works Council of the METRO  
Cash & Carry store in Munich-Brunthal

- a) Metro Großhandelsgesellschaft mbH  
(Vice Chairman)
- b) None

**Eva-Lotta Sjöstedt**

Member of the Supervisory Board since  
21 February 2017  
Independent Business Consultant

- a) None
- b) None

**Dr Liliana Solomon**

Member of the Supervisory Board since  
21 February 2017  
Chief Financial Officer of Arqiva Group Ltd.,  
London, United Kingdom

- a) Scout24 AG
- b) None

**Alexandra Soto**

Member of the Supervisory Board since  
21 February 2017  
Managing Director of Lazard & Co., Limited,  
London, United Kingdom  
Chief Operating Officer of Lazard Europe

- a) None
- b) None

**Angelika Will**

Member of the Supervisory Board since  
21 February 2017  
Honorary Judge at the Federal Labour Court  
Secretary of the Regional Association Board North  
Rhine-Westphalia of DHV – Die Berufsgewerkschaft e.V.  
(federal specialist group on trade)

- a) CECONOMY AG
- b) None

**Manfred Wirsch**

Member of the Supervisory Board since  
21 February 2017  
Secretary of the National Executive Board of  
the ver.di trade union  
Vereinte Dienstleistungsgewerkschaft e.V.

- a) Metro Großhandelsgesellschaft mbH
- b) None

**Silke Zimmer**

Member of the Supervisory Board since  
21 February 2017  
Secretary of the National Executive Board of  
the ver.di trade union  
Vereinte Dienstleistungsgewerkschaft e.V.

- a) None
- b) None

## **Committees of the Supervisory Board and their mandates**

### **Presidential Committee**

Jürgen B. Steinemann (Chairman)  
Werner Klockhaus (Vice Chairman)  
Xaver Schiller  
Dr Liliana Solomon

### **Audit Committee**

Prof. Dr Edgar Ernst (Chairman)  
Werner Klockhaus (Vice Chairman)  
Dr Florian Funck  
Andreas Herwarth  
Dr Fredy Raas  
Xaver Schiller

### **Nomination Committee**

Jürgen B. Steinemann (Chairman)  
Gwyn Burr  
Professor Dr Edgar Ernst

### **Mediation Committee pursuant to § 27 Section 3 of the German Co-determination Act**

Jürgen B. Steinemann (Chairman)  
Werner Klockhaus (Vice Chairman)  
Prof. Dr Edgar Ernst  
Xaver Schiller

## Members of the Management Board<sup>1</sup>

**Olaf Koch** (Chairman, since 2 March 2017)  
Member of the Management Board since 2 March 2017  
Corporate Communications and Public Policy,  
Investor Relations and Corporate M&A,  
Corporate Legal Affairs & Compliance, Corporate Office,  
Corporate Strategy, HoReCa Digital, Real  
a) Real SB-Warenhaus GmbH (Chairman)  
b) HoReCa Digital GmbH - Advisory Board (Chairman)

**Christian Baier** (Chief Financial Officer)  
Member of the Management Board since  
11 November 2016  
Corporate Accounting, Corporate Controlling & Finance,  
Corporate Risk Management, Corporate Tax,  
Corporate Treasury, METRO Insurance Broker,  
MIAG, METRO LOGISTICS, METRO PROPERTIES  
a) Metro Großhandelsgesellschaft mbH  
b) HoReCa Digital GmbH - Advisory Board  
METRO Cash & Carry International Holding GmbH,  
Vösendorf, Austria - Supervisory Board  
(Chairman, since 9 September 2017)  
METRO RE AG, Supervisory Board, since 6 June 2017  
(Chairman since 23 June 2017)

**Pieter C. Boone** (Chief Operating Officer)  
Member of the Management Board since 2 March 2017  
METRO Cash & Carry (MCC) Operating Board (Opera-  
tions, Expansion & Investment MCC, Food Service  
Distribution MCC, Global Food & Non-Food Sourcing,  
Global Business & Supplier Management, Marketing  
MCC, Quality Assurance MCC, Supply Chain / Logistics,  
Trader Franchise MCC), METRO ADVERTISING, METRO  
SOURCING International, Classic Fine Foods, Pro à Pro,  
Rungis Express  
a) None  
b) None

**Heiko Hutmacher** (Chief Human Resources Officer,  
since 31 August 2017)  
Member of the Management Board since 2 March 2017  
Human Resources (HR Campus, Compensation & HR  
Processes, Global Talent Management & Recruitment,  
HR Operations & Leadership, Labour Relations Germany  
& Labour Law), Corporate  
Responsibility, Global Business Services, Group Internal  
Audit, Information & Technologies, METRO SYSTEMS,  
METRO SERVICES  
a) Metro Großhandelsgesellschaft mbH  
Real SB-Warenhaus GmbH  
METRO SYSTEMS GmbH (Chairman)  
b) None

**Dr Christoph Kämper**  
Member of the Management Board from  
8 November 2016 to 2 March 2017  
a) Metro Großhandelsgesellschaft mbH,  
Real SB-Warenhaus GmbH, since 26 January 2017  
b) HoReCa Digital GmbH - Advisory Board  
METRO Cash & Carry International Holding GmbH,  
Vösendorf, Austria - Supervisory Board,  
since 1 September 2017

**Christian Ziggel**  
Member of the Management Board from  
8 November 2016 to 2 March 2017  
a) None  
b) None

<sup>1</sup> Mandates as of: 30 November 2017

a) Membership of other supervisory boards to be legally disclosed within the meaning of § 125 Section 1 sentence 5, 1. AktG (superseded version)

b) Membership of other comparable German and international controlling bodies and economic enterprises

## 56. Affiliated companies of METRO AG as of 30 September 2017 pursuant to § 313 of the German Commercial Code

Name	Registered office	Country	Share in capital in %
<b>Consolidated subsidiaries</b>			
2. Schaper Objekt GmbH & Co. Kiel KG	Düsseldorf	Germany	100.00
ADAGIO 2. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO 3. Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
ADAGIO Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Adolf Schaper GmbH & Co. Grundbesitz-KG	Düsseldorf	Germany	100.00
AIB Verwaltungs GmbH	Düsseldorf	Germany	100.00
Alberto Polo Distribuciones S.A.	Zaragoza	Spain	100.00
ARKON Grundbesitzverwaltung GmbH	Düsseldorf	Germany	100.00
ASH Grundstücksverwaltung XXX GmbH	Düsseldorf	Germany	100.00
ASSET Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
ASSET Köln-Kalk GmbH	Düsseldorf	Germany	100.00
ASSET Zweite Immobilienbeteiligungen GmbH	Düsseldorf	Germany	100.00
Assevermag AG	Baar	Switzerland	79.20
Aubepine SARL	Chalette sur Loing	France	100.00
Avilo Marketing Gesellschaft m. b. H.	Vösendorf	Austria	100.00
BAUGRU Immobilien – Beteiligungsgesellschaft mit beschränkter Haftung & Co. Grundstücksverwaltung KG	Düsseldorf	Germany	100.00
Beijing Weifa Trading & Commerce Co. Ltd.	Beijing	China	100.00
Blabert Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	94.00
Carns Vila S.L.	Cornellà del Terri	Spain	70.00
cc delivery gmbh	Meckenheim	Germany	100.00
CCG DE GmbH	Kelsterbach	Germany	100.00
CJSC METRO Management Ukraine	Kiev	Ukraine	100.00
Classic Alimentos (Macau) Limitada	Macao	China	99.00
Classic Coffee & Beverage Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods (Hong Kong) Limited	Hong Kong	China	100.00
Classic Fine Foods (Macau) Ltd	Macao	China	99.80
Classic Fine Foods (Singapore) Private Limited	Singapore	Singapore	100.00
Classic Fine Foods (Thailand) Company Limited	Bangkok	Thailand	100.00
Classic Fine Foods (Thailand) Holding Company Limited	Bangkok	Thailand	49.00
Classic Fine Foods (Vietnam) Limited	Ho Chi Minh City	Vietnam	100.00
Classic Fine Foods China Holdings Limited	Hong Kong	China	100.00
Classic Fine Foods China Trading Limited	Hong Kong	China	100.00
Classic Fine Foods EM LLC	Abu Dhabi	United Arab Emirates	50.00
Classic Fine Foods group Limited	London	United Kingdom	100.00
Classic Fine Foods Holdings Limited	London	United Kingdom	100.00
Classic Fine Foods Japan Holdings	Tokyo	Japan	100.00
Classic Fine Foods Macau Holding Limited	Hong Kong	China	100.00
Classic Fine Foods Netherlands BV	Schiphol	Netherlands	100.00
Classic Fine Foods Philippines Inc.	Makati	Philippines	100.00
Classic Fine Foods Rungis SAS	Rungis	France	100.00
Classic Fine Foods Sdn Bhd	Kuala Lumpur	Malaysia	100.00
Classic Fine Foods UK Limited	London	United Kingdom	100.00
Classic Fine Foodstuff Trading LLC	Abu Dhabi	United Arab Emirates	49.00
Comercial Ulzama S.L.	Abanto	Spain	100.00
Concarneau Trading Office SAS	Concarneau	France	100.00
Congelados Romero S.A.	Reus	Spain	90.00
COOL CHAIN GROUP PL Sp. z o.o.	Cracow	Poland	100.00
Culinary Agents Italia s.r.l.	San Donato Milanese	Italy	100.00
Dalian Metro Warehouse Management Co., Ltd.	Dalian	China	100.00
DAYCONOMY GmbH	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
Deelnemingsmaatschappij Arodema B.V.	Amsterdam	Netherlands	100.00
Deutsche SB-Kauf GmbH & Co. KG	Düsseldorf	Germany	100.00
DFI Verwaltungs GmbH	Düsseldorf	Germany	100.00
Dinghao Foods (Shanghai) Co. Ltd.	Shanghai	China	100.00
Distribución de Alimentación Horeca S.L.	Sant Boi de Llobregat	Spain	80.00
Distribuciones d'Aliments JG S.L.	Reus	Spain	100.00
Doxa Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach KG	Mainz	Germany	0.00 <sup>1</sup>
Etablissements Blin SAS	Saint Gilles	France	100.00
Fideco AG	Courgevaux	Switzerland	100.00
French F&B (Japan) Co., Ltd.	Tokyo	Japan	93.83
Freshly CR s.r.o.	Prague	Czech Republic	100.00
Fulltrade International GmbH	Düsseldorf	Germany	100.00
FZB Fachmarktzentrum Bous Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH	Düsseldorf	Germany	50.00
FZG Fachmarktzentrum Guben Verwaltungsgesellschaft mbH & Co. Vermietungs-Kommanditgesellschaft	Düsseldorf	Germany	50.00
GBS Gesellschaft für Unternehmensbeteiligungen mbH	Düsseldorf	Germany	100.00
GKF 6. Objekt Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Donaueschingen KG	Düsseldorf	Germany	100.00
GKF Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Köln-Porz KG	Düsseldorf	Germany	100.00
GKF Grundstücksverwaltung GmbH & Co. Objekt Bremen-Vahr KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Emden KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Groß-Zimmern KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltung GmbH & Co. Objekt Norden KG	Düsseldorf	Germany	94.90
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schaper Bremen-Habenhäuser KG	Düsseldorf	Germany	94.00
GKF Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Wolfenbüttel KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 10. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 25. Objekt-KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. 8. Objekt - KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Arrondierungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Entwicklungsgrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Gewergrundstücke KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bannewitz KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Bochum Otto Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Braunschweig Hamburger Straße KG	Düsseldorf	Germany	94.90
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Brühl KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Duisburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Edingen-Neckarhausen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Emden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Espelkamp KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Finowfurt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Frankenthal-Studernheim KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Gäufelden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Göttingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Neuwiedenthal KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hamm KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover / Davenstedter Straße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover Fössestraße KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hannover-Linden KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Heinsberg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Herten KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hildesheim-Senking KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Hürth KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kassel KG	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Kulmbach KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV I KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach ZV II KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Mönchengladbach-Rheydt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Münster-Kinderhaus KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Oldenburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Paderborn „Südring Center“ KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Pfarrkirchen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Rastatt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Ratingen KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Regensburg KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Saar-Grund KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wiesbaden-Nordenstadt KG	Düsseldorf	Germany	100.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekt Wülfrath KG	Düsseldorf	Germany	94.00
GKF Vermögensverwaltungsgesellschaft mbH & Co. Objekte Amberg und Landshut KG	Düsseldorf	Germany	94.90
Goldhand Lebensmittel- u. Verbrauchsgüter- Vertriebsgesellschaft mit beschränkter Haftung	Düsseldorf	Germany	100.00
GrandPari Limited Liability Company	Moscow	Russia	100.00
HoReCa Digital France S.A.S.	Nanterre Cedex	France	100.00
HoReCa Digital GmbH	Düsseldorf	Germany	100.00
HoReCa Digital Services Austria GmbH	Vienna	Austria	100.00
HoReCa Digital Services Germany GmbH	Düsseldorf	Germany	100.00
HoReCa Innovation I Carry GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Innovation I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Innovation I Team GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I Carry GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment I Team GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Investment Management GmbH	Düsseldorf	Germany	100.00
HoReCa Komplementär GmbH	Düsseldorf	Germany	100.00
HoReCa Services GmbH	Düsseldorf	Germany	100.00
HoReCa Strategic I Carry GmbH & Co. KG	Düsseldorf	Germany	100.00
HoReCa Strategic I GmbH & Co. KG	Düsseldorf	Germany	100.00
Horten Nürnberg GmbH	Düsseldorf	Germany	100.00
Hospitality.systems GmbH	Düsseldorf	Germany	100.00
ICS METRO Cash & Carry Moldova S.R.L.	Chisinau	Moldova	100.00
Immobilien-Vermietungsgesellschaft von Quistorp GmbH & Co. Objekt Altlandsberg KG	Düsseldorf	Germany	90.24
Inpakcentrale ICN B.V.	Duiven	Netherlands	100.00
Johannes Berg GmbH, Weinkellerei	Düsseldorf	Germany	100.00
Kaufhalle GmbH	Düsseldorf	Germany	100.00
Kaufhalle GmbH & Co. Objekt Lager Apfelstädt KG	Düsseldorf	Germany	100.00
Kaufhof Warenhaus Neubrandenburg GmbH	Düsseldorf	Germany	100.00
Klassisk Group (S) Pte. Ltd.	Singapore	Singapore	100.00
Klassisk Investment Limited	Hong Kong	China	97.07
KUPINA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Düsseldorf	Germany	100.00
Liqueur & Wine Trade GmbH	Düsseldorf	Germany	100.00
LLC Ukrainian Wholesale Trade Company	Kiev	Ukraine	100.00
Makro Autoservicio Mayorista S. A. U.	Madrid	Spain	100.00
MAKRO Cash & Carry Belgium NV	Wommelgem	Belgium	100.00
MAKRO Cash & Carry CR s.r.o.	Prague	Czech Republic	100.00
Makro Cash & Carry Egypt LLC	Cairo	Egypt	100.00
Makro Cash & Carry Portugal S.A.	Lisbon	Portugal	100.00
Makro Cash & Carry UK Holding Limited	Manchester	United Kingdom	100.00
Makro Cash and Carry Polska S.A.	Warsaw	Poland	100.00
Makro Ltd.	Manchester	United Kingdom	100.00
Makro Pension Trustees Ltd.	Manchester	United Kingdom	100.00
MAR MENOR DISTRIBUCIONES ALIMENTARIAS, S.L.	San Pedro del Pinatar	Spain	80.00

Name	Registered office	Country	Share in capital in %
Markthalle GmbH	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Berlin-Friedrichshain KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Hamburg-Altona KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt München-Pasing KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Porta-Westfalica KG	Düsseldorf	Germany	100.00
MCC Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Schwelm KG	Düsseldorf	Germany	100.00
MCC Trading Deutschland GmbH	Düsseldorf	Germany	100.00
MCC Trading International GmbH	Düsseldorf	Germany	100.00
MCCI Asia Pte. Ltd.	Singapore	Singapore	100.00
MDH Secundus GmbH & Co. KG	Düsseldorf	Germany	100.00
Meister feines Fleisch – feine Wurst GmbH	Gäufelden	Germany	100.00
METRO (Changchun) Property Service Co. Ltd.	Changchun	China	100.00
METRO Advertising GmbH	Düsseldorf	Germany	100.00
METRO Beteiligungsmanagement Düsseldorf GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Cash & Carry Asia Pacific Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Cash & Carry Central Asia Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry d.o.o.	Zagreb	Croatia	100.00
METRO Cash & Carry d.o.o.	Belgrade	Serbia	100.00
Metro Cash & Carry Danmark ApS	Glostrup	Denmark	100.00
METRO Cash & Carry Deutschland GmbH	Düsseldorf	Germany	100.00
Metro Cash & Carry France et Cie	Monaco	Monaco	100.00
METRO Cash & Carry France S.A.S.	Nanterre	France	100.00
Metro Cash & Carry Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO Cash & Carry Import Limited Liability Company	Noginsk	Russia	100.00
METRO Cash & Carry India Private Limited	Bangalore	India	100.00
METRO Cash & Carry International GmbH	Düsseldorf	Germany	100.00
METRO Cash & Carry International Holding B. V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry International Holding GmbH	Vienna	Austria	100.00
METRO Cash & Carry Japan KK	Tokyo	Japan	100.00
METRO Cash & Carry Myanmar Holding GmbH	Vienna	Austria	100.00
Metro Cash & Carry Nederland B.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry OOO	Moscow	Russia	100.00
METRO Cash & Carry Österreich GmbH	Vösendorf	Austria	73.00
METRO CASH & CARRY ROMANIA SRL	Bucharest	Romania	100.00
METRO Cash & Carry Russia N.V.	Amsterdam	Netherlands	100.00
METRO Cash & Carry SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
METRO Cash & Carry TOO	Almaty	Kazakhstan	100.00
METRO Cash & Carry Ukraine Ltd.	Kiev	Ukraine	100.00
Metro Cash & Carry Wines	Hyderabad	India	99.99
METRO Central East Europe GmbH	Vienna	Austria	100.00
METRO Delivery service NV	Puurs	Belgium	100.00
METRO Dienstleistungs-Holding GmbH	Düsseldorf	Germany	100.00
METRO Distributie Nederland B. V.	Amsterdam	Netherlands	100.00
METRO DOLOMITI S.p.A.	San Donato Milanese	Italy	100.00
METRO Dritte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Erste Erwerbsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO Erste Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO FIM S.p.A.	Cinisello Balsamo	Italy	100.00
METRO Finance B. V.	Venlo	Netherlands	100.00
Metro Finanzdienstleistungs Pensionen GmbH	Düsseldorf	Germany	100.00
Metro France Immobiliere S. a. r. l.	Nanterre	France	100.00
METRO FSD France S.A.S.	Rungis	France	100.00
METRO FSD Holding GmbH	Düsseldorf	Germany	100.00
METRO Fünfte Verwaltungs GmbH	Düsseldorf	Germany	100.00
Metro Global Business Services Private Limited	Pune	India	100.00

Name	Registered office	Country	Share in capital in %
Metro Grosmarket Bakirköy Alisveris Hizmetleri Ticaret Ltd. Sirketi	Istanbul	Turkey	100.00
METRO Groß- und Lebensmitteleinzelhandel Holding GmbH	Düsseldorf	Germany	100.00
METRO Großhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
METRO GROUP Accounting Center GmbH	Wörrstadt	Germany	100.00
METRO Group Asset Management B.V.	Amsterdam	Netherlands	100.00
METRO Group Asset Management Ingatlan Kft.	Budaörs	Hungary	100.00
METRO Group Asset Management Services GmbH	Düsseldorf	Germany	100.00
METRO Group Asset Management Ukraine, Limited Liability Company	Kiev	Ukraine	100.00
METRO Group Commerce (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO GROUP COMMERCE LIMITED	Hong Kong	China	100.00
METRO Group Properties SR s.r.o.	Ivanka pri Dunaji	Slovakia	100.00
Metro Group Real Estate Private Limited Company	Karachi	Pakistan	99.75
METRO Group Retail Real Estate Romania S.R.L.	Voluntari	Romania	100.00
METRO Group Wholesale Real Estate Bulgaria EOOD	Sofia	Bulgaria	100.00
METRO Habib Cash & Carry Pakistan (Private) Limited	Karachi	Pakistan	100.00
Metro Holding France S. A.	Vitry-sur-Seine	France	100.00
METRO Innovations Holding GmbH	Düsseldorf	Germany	100.00
METRO Insurance Broker GmbH	Düsseldorf	Germany	100.00
METRO International AG	Baar	Switzerland	100.00
Metro International Beteiligungs GmbH	Düsseldorf	Germany	100.00
METRO INTERNATIONAL SUPPLY GmbH	Düsseldorf	Germany	100.00
METRO Italia Cash and Carry S. p. A	San Donato Milanese	Italy	100.00
METRO Jinjiang Cash & Carry Co., Ltd.	Shanghai	China	90.00
METRO Kereskedelmi Kft.	Budaörs	Hungary	100.00
METRO Leasing GmbH	Düsseldorf	Germany	100.00
METRO Leasing Objekt Schwerin GmbH	Düsseldorf	Germany	100.00
METRO LOGISTICS Germany GmbH	Düsseldorf	Germany	100.00
METRO LOGISTICS Services GmbH	Düsseldorf	Germany	100.00
METRO Management EOOD	Sofia	Bulgaria	100.00
METRO North Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
Metro Properties B.V.	Amsterdam	Netherlands	100.00
METRO Properties CR s.r.o.	Prague	Czech Republic	100.00
METRO Properties Enterprise Management Consulting (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO PROPERTIES France SAS	Nanterre	France	100.00
Metro Properties Gayrimenkul Yatirim A.Ş.	Istanbul	Turkey	100.00
METRO PROPERTIES GmbH & Co. KG	Düsseldorf	Germany	92.90
METRO PROPERTIES Holding GmbH	Düsseldorf	Germany	100.00
METRO PROPERTIES Management GmbH	Düsseldorf	Germany	66.67
METRO Properties Real Estate Management Spółka z ograniczoną odpowiedzialnością	Warsaw	Poland	100.00
METRO PROPERTIES Sp. z o.o.	Warsaw	Poland	100.00
Metro Property Management (Changsha) Co., Ltd.	Changsha	China	100.00
METRO Property Management (Changshu) Co. Ltd.	Changshu	China	100.00
Metro Property Management (Changzhou) Co. Ltd.	Changzhou	China	100.00
METRO Property Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
Metro Property Management (Cixi) Co., Limited	Cixi	China	100.00
Metro Property Management (Dongguan) Co. Ltd.	Dongguan	China	100.00
Metro Property Management (Hangzhou) Company Limited	Hangzhou	China	100.00
METRO Property Management (Harbin) Co. Ltd.	Harbin	China	100.00
METRO Property Management (Huai'an) Co., Ltd.	Huai'an	China	100.00
Metro Property Management (Jiangyin) Company Limited	Jiangyin	China	100.00
Metro Property Management (Jiaxing) Co. Ltd.	Jiaxing	China	100.00
Metro Property Management (Kunshan) Co. Ltd.	Suzhou	China	100.00
METRO Property Management (Nanchang Qingshanhu) Co. Ltd.	Nanchang	China	100.00
Metro Property Management (Nantong) Co. Ltd.	Nantong	China	100.00
Metro Property Management (Qingdao) Company Limited	Qingdao	China	100.00
METRO Property Management (Shenyang) Co. Ltd.	Shenyang	China	100.00



Name	Registered office	Country	Share in capital in %
METRO Property Management (Shenzhen) Co. Ltd.	Shenzhen	China	100.00
Metro Property Management (Suzhou) Co., Ltd.	Suzhou	China	100.00
METRO Property Management (Tianjin Hongqiao) Co., Ltd.	Tianjin	China	100.00
METRO Property Management (Weifang) Co. Ltd.	Weifang	China	100.00
METRO Property Management (Wuhu) Co. Ltd.	Wuhu	China	100.00
METRO Property Management (Xi'an) Co., Ltd.	Xi'an	China	100.00
METRO Property Management (Xiamen) Co., Ltd.	Xiamen	China	100.00
METRO Property Management (Xiangyang) Co. Ltd.	Xiangyang	China	100.00
METRO Property Management (Zhangjiagang) Co. Ltd.	Zhangjiagang	China	100.00
Metro Property Management (Zhengzhou) Co., Ltd.	Zhengzhou	China	100.00
METRO Property Management (Zhongshan) Co. Limited	Zhongshan	China	100.00
METRO Property Management Wuxi Co. Ltd.	Wuxi	China	100.00
METRO Re AG	Düsseldorf	Germany	100.00
METRO Real Estate Ltd.	Zagreb	Croatia	100.00
METRO Retail Real Estate GmbH	Düsseldorf	Germany	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Esslingen am Neckar	Germany	100.00
Metro SB-Großmärkte GmbH & Co. Kommanditgesellschaft	Linden	Germany	100.00
METRO Sechste Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Services GmbH	Düsseldorf	Germany	100.00
METRO Services PL spółka z ograniczoną odpowiedzialnością	Szczecin	Poland	100.00
METRO Siebte Gesellschaft für Vermögensverwaltung mbH	Düsseldorf	Germany	100.00
METRO Siebte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Sourcing (Shanghai) Co., Ltd.	Shanghai	China	100.00
METRO Sourcing International Limited	Hong Kong	China	100.00
METRO South East Asia Holding GmbH	Vienna	Austria	100.00
METRO SYSTEMS GmbH	Düsseldorf	Germany	100.00
Metro Systems Romania S.R.L.	Bucharest	Romania	100.00
METRO Systems Ukraine LLC	Kiev	Ukraine	100.00
METRO Travel Services GmbH	Düsseldorf	Germany	100.00
METRO Vierte Verwaltungs GmbH	Düsseldorf	Germany	100.00
METRO Warehouse Management (Chongqing) Co. Ltd.	Chongqing	China	100.00
Metro Warehouse Management (Hangzhou) Co. Ltd.	Hangzhou	China	100.00
METRO Warehouse Management (Suzhou) Co. Ltd.	Suzhou	China	100.00
Metro Warehouse Management (Taizhou) Co. Ltd	Taizhou	China	100.00
Metro Warehouse Management (Wuhan) Co. Ltd.	Wuhan	China	100.00
Metro Warehouse Management (Yantai) Co., Limited	Yantai	China	100.00
METRO Warehouse Management (Zibo) Co., Ltd.	Zibo	China	100.00
Metro Warehouse Noginsk Limited Liability Company	Noginsk	Russia	100.00
METRO Wholesale & Food Services Vermögensverwaltung GmbH & Co. KG	Düsseldorf	Germany	100.00
METRO Wholesale & Food Services Vermögensverwaltung Management GmbH	Düsseldorf	Germany	100.00
Metro Wholesale Myanmar Ltd.	Yangon	Myanmar	100.00
METRO Wholesale Real Estate GmbH	Düsseldorf	Germany	100.00
METRO Zweite Verwaltungs GmbH	Düsseldorf	Germany	100.00
MGA METRO Group Advertising Spolka z ograniczona odpowiedzialnoscia	Warsaw	Poland	100.00
MGB Metro Group Buying Romania SRL	Bucharest	Romania	100.00
MGB METRO Group Buying RUS OOO	Moscow	Russia	100.00
MGB METRO Group Buying TR Satinalma Ticaret Limited Sirketi	Istanbul	Turkey	100.00
MGC METRO Group Clearing GmbH	Düsseldorf	Germany	100.00
MGE Warenhandelsgesellschaft mbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Bulgaria LTD	Sofia	Bulgaria	100.00
MGL METRO Group Logistics GmbH	Düsseldorf	Germany	100.00
MGL METRO Group Logistics Limited Liability Company	Noginsk	Russia	100.00
MGL METRO Group Logistics Polska Sp. z o.o.	Warsaw	Poland	100.00
MGL METRO Group Logistics Polska Sp. z o.o. i Spółka Sp.k.	Warsaw	Poland	99.83
MGL METRO GROUP LOGISTICS UKRAINE LLC	Kiev	Ukraine	100.00
MGL METRO Group Logistics Warehousing Beteiligungs GmbH	Düsseldorf	Germany	100.00

Name	Registered office	Country	Share in capital in %
MGP METRO Group Account Processing GmbH	Kehl	Germany	100.00
MGP METRO Group Account Processing International AG	Baar	Switzerland	100.00
MIAG Asia Co. Ltd.	Hong Kong	China	100.00
MIAG Commanditaire Vennootschap	Amsterdam	Netherlands	100.00
MIDBAN ESOLUTIONS S.L.	Barcelona	Spain	100.00
MIP METRO Group Intellectual Property GmbH & Co. KG	Düsseldorf	Germany	100.00
MIP METRO Group Intellectual Property Management GmbH	Düsseldorf	Germany	100.00
MIP METRO Holding Management GmbH	Düsseldorf	Germany	100.00
MP Gayrimenkul Yönetim Hizmetleri Anonim Şirketi	Istanbul	Turkey	100.00
MTE Grundstücksverwaltung GmbH & Co. Objekt Duisburg oHG	Düsseldorf	Germany	100.00
Multi-Center Warenvertriebs GmbH	Düsseldorf	Germany	100.00
My Mart (China) Trading Co., Ltd.	Guangzhou	China	100.00
My Mart (Shanghai) Trading Co. Ltd.	Shanghai	China	100.00
N & NF Trading GmbH	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Detmold KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Eschweiler KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Germersheim KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Langendreer KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Ludwigshafen KG	Pullach im Isartal	Germany	49.00 <sup>1</sup>
NIGRA Verwaltung GmbH & Co. Objekt Moers KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Neunkirchen KG	Düsseldorf	Germany	100.00
NIGRA Verwaltung GmbH & Co. Objekt Rendsburg KG	Düsseldorf	Germany	100.00
NordRhein Trading GmbH	Düsseldorf	Germany	100.00
OSKUS Verwaltung GmbH & Co. Objekt Aachen SB-Warenhaus KG	Pullach im Isartal	Germany	0.00 <sup>1</sup>
OSKUS Verwaltung GmbH & Co. Objekt Krefeld KG	Pullach im Isartal	Germany	0.00 <sup>1</sup>
OSKUS Verwaltung GmbH & Co. Objekt Nettetal KG	Pullach im Isartal	Germany	0.00 <sup>1</sup>
PAROS Verwaltung GmbH & Co. Objekt Bitterfeld KG	Pullach im Isartal	Germany	10.00 <sup>1</sup>
PAROS Verwaltung GmbH & Co. Objekt Stralsund KG	Pullach im Isartal	Germany	10.00 <sup>1</sup>
Petit RUNGIS express GmbH	Meckenheim	Germany	100.00
PIL Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
Pro à Pro Distribution Export SAS	Montauban	France	100.00
Pro à Pro Distribution Nord SAS	Chalette sur Loing	France	100.00
Pro à Pro Distribution SAS	Montauban	France	100.00
Pro à Pro Distribution Sud SAS	Montauban	France	100.00
Pro. FS GmbH	Düsseldorf	Germany	100.00
PT Classic Fine Foods Indonesia	North Jakarta	Indonesia	100.00
PT Paserda Indonesia	Jakarta	Indonesia	100.00
Qingdao Metro Warehouse Management Co. Ltd.	Qingdao	China	100.00
Real Estate Management Misr Limited Liability Company	Cairo	Egypt	100.00
real,- Digital Fulfillment GmbH	Düsseldorf	Germany	100.00
real,- Digital Services GmbH	Düsseldorf	Germany	100.00
real,- Group Holding GmbH	Düsseldorf	Germany	100.00
real,- Handels GmbH	Düsseldorf	Germany	100.00
real,- Holding GmbH	Düsseldorf	Germany	100.00
real,- SB-Warenhaus GmbH	Düsseldorf	Germany	100.00
Remo Zaandam B.V.	Zaandam	Netherlands	100.00
Renate Grundstücksverwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Retail Property 5 Limited Liability Company	Moscow	Russia	100.00
Retail Property 6 Limited Liability Company	Moscow	Russia	100.00
Retail Real Estate Limited Liability Company	Moscow	Russia	100.00
R'express Alimentos Unipersonal LDA	Lisbon	Portugal	100.00
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gerlingen KG	Düsseldorf	Germany	94.00 <sup>1</sup>
Rotterdam Trading Office B.V.	Amsterdam	Netherlands	100.00
RUDU Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
RUNGIS express GmbH	Meckenheim	Germany	100.00
RUNGIS express Gourmet Service Ges.m.b.H.	Salzburg	Austria	100.00

Name	Registered office	Country	Share in capital in %
RUNGIS express SPAIN SL	Palma de Mallorca	Spain	100.00
RUNGIS express Suisse Holding AG	Courgevaux	Switzerland	100.00
RUTIL Verwaltung GmbH & Co. SB-Warenhaus Bielefeld KG	Düsseldorf	Germany	100.00
Schaper Grundbesitz-Verwaltungsgesellschaft mbH	Düsseldorf	Germany	100.00
Sentinel GCC Holdings Limited	Tortola	British Virgin Islands	100.00
Sezam XVI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Warsaw	Poland	100.00
Shenzhen Hemaijia Trading Co. Ltd.	Shenzhen	China	100.00
SIL Verwaltung GmbH & Co. Objekt Haidach KG	Düsseldorf	Germany	92.00
Sinco Großhandelsgesellschaft m. b. H.	Vösendorf	Austria	73.00
Sociedad Ibérica Restaurantes de Tecnología Avanzada S. A. U.	Madrid	Spain	100.00
Sodeger SAS	Chateau-Gontier	France	100.00
Star Farm (Shanghai) Agriculture Information Consulting Company Limited	Shanghai	China	100.00
Star Farm Pakistan Pvt. Ltd.	Lahore	Pakistan	100.00
STW Grundstücksverwaltung GmbH	Düsseldorf	Germany	100.00
TIMUG GmbH & Co. Objekt Homburg KG	Düsseldorf	Germany	0.00 <sup>1</sup>
TIMUG Verwaltung GmbH	Düsseldorf	Germany	100.00
Transpro France SARL	Montauban	France	100.00
Transpro SAS	La Possession	France	100.00
UCGA Unifrais SAS	Montauban	France	98.99
VALENCIA TRADING OFFICE, S.L.	Madrid	Spain	100.00
Vallesmar Peixos S.L.	Reus	Spain	100.00
Weinkellerei Thomas Rath GmbH	Düsseldorf	Germany	100.00
Western United Finance Company Limited	London	United Kingdom	100.00
Wholesale Real Estate Belgium NV.	Wommelgem	Belgium	100.00
Wholesale Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.00
Wirichs Immobilien GmbH	Düsseldorf	Germany	100.00
Wolfgang Wirichs GmbH	Düsseldorf	Germany	100.00
WRE Real Estate Limited Liability Partnership	Almaty	Kazakhstan	100.00
Xi'an METRO Commercial and Trading Company Limited	Xi'an	China	100.00
Yugengaisha MIAG Japan	Tokyo	Japan	100.00
ZARUS Verwaltung GmbH & Co. Objekt Mutterstadt KG	Düsseldorf	Germany	100.00
ZARUS Verwaltung GmbH & Co. Objekt Osnabrück KG	Düsseldorf	Germany	100.00
ZARUS Verwaltung GmbH & Co. Objekte Niedersachsen KG	Düsseldorf	Germany	100.00
<b>Joint ventures</b>			
Intercompra LDA	Lisbon	Portugal	50.00
MAXXAM B.V.	Ede	Netherlands	16.67
MAXXAM C.V.	Ede	Netherlands	16.67
MEC METRO-ECE Centermanagement GmbH & Co. KG	Düsseldorf	Germany	50.00
MEC METRO-ECE Centermanagement Verwaltungs GmbH	Düsseldorf	Germany	50.00
METSPA Beszerzési és Kereskedelmi Kft.	Budaörs	Hungary	33.33
METSPA d.o.o. za trgovinu	Zagreb	Croatia	50.00
<b>Investments accounted for using the equity method</b>			
European EPC Competence Center GmbH	Cologne	Germany	30.00
Fachmarktzentrum Essen GmbH & Co. KG	Pullach im Isartal	Germany	94.00 <sup>2</sup>
Gourmet F&B Korea Ltd.	Seoul	South Korea	28.00
Habib METRO Pakistan (Pvt) Ltd	Karachi	Pakistan	40.00
Helm Wohnpark Lahnblick GmbH	Aßlar	Germany	25.00
HoReCa.digital, Inc.	Wilmington	USA	100.00 <sup>2</sup>
Iniziativa Methab s.r.l.	Bolzano	Italy	50.00
Kato S.à r.l.	Luxembourg	Luxembourg	5.10
Mayfair GP S.à r.l.	Luxembourg	Luxembourg	40.00
Mayfair Holding Company S.C.S.	Luxembourg	Luxembourg	39.99
Napier S.à r.l.	Luxembourg	Luxembourg	5.10
OPCI FRENCH WHOLESALE PROPERTIES - FWP	Paris	France	5.00

Name	Registered office	Country	Share in capital in %
OPCI FRENCH WHOLESALE STORES – FWS	Paris	France	25.00
Peter Glinicke Grundstücks-GmbH & Co. KG	Pullach im Isartal	Germany	50.00
Quadrant S.à r.l.	Luxembourg	Luxembourg	5.10
Sabra S.à r.l.	Luxembourg	Luxembourg	5.10
Tatra S.à r.l.	Luxembourg	Luxembourg	5.10
Upton S.à r.l.	Luxembourg	Luxembourg	5.10
Wilcox S.à r.l.	Luxembourg	Luxembourg	5.10
Xiali S.à r.l.	Luxembourg	Luxembourg	5.10
Zagato S.à r.l.	Luxembourg	Luxembourg	5.10
Zender S.à r.l.	Luxembourg	Luxembourg	5.10
<b>Investments</b>			
Culinary Agents Inc.	Wilmington	USA	18.33
Diehl & Brüser Handelskonzepte GmbH	Düsseldorf	Germany	100.00 <sup>3</sup>
EKS Handelsgesellschaft mbH	Salzburg	Austria	15.00
EKS Handelsgesellschaft mbH & Co. KG	Salzburg	Austria	15.00
eVentures Growth, L.P.	Wilmington	USA	5.00
IFH Institut für Handelsforschung GmbH	Cologne	Germany	14.29 <sup>4</sup>
Metro plus Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	Germany	20.00 <sup>4</sup>
orderbird AG	Berlin	Germany	14.18
Planday A/S	Copenhagen	Denmark	11.74
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Schönefeld	Germany	6.00
QUANTIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Junior Augsburg KG	Schönefeld	Germany	6.00
real,- Digital Payment & Technology Services GmbH	Düsseldorf	Germany	100.0 <sup>3</sup>
RTG Retail Trade Group GmbH	Hamburg	Germany	16.67
Shore GmbH	Munich	Germany	12.41
Verwaltungsgesellschaft Lebensmittelgesellschaft „GLAWA“ mbH & Co. KG	Hamburg	Germany	18.75

<sup>1</sup> Inclusion according to IFRS 10.

<sup>2</sup> No full consolidation due to minor materiality for the asset, financial and earnings position.

<sup>3</sup> No full consolidation and not accounted for using the equity method due to minor materiality for the asset, financial and earnings position.

<sup>4</sup> Not accounted for using the equity method due to minor materiality for the asset, financial and earnings position.

30 November 2017

The Management Board



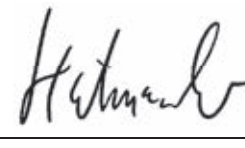
OLAF KOCH



CHRISTIAN BAIER



PIETER C. BOONE



HEIKO HUTMACHER

## RESPONSIBILITY STATEMENT OF THE LEGAL REPRESENTATIVES

We hereby ensure to the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the group, and the combined management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

30 November 2017

The Management Board



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**OLAF KOCH**



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**CHRISTIAN BAIER**



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**PIETER C. BOONE**



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**HEIKO HUTMACHER**

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# INDEPENDENT AUDITOR'S REPORT

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## TO METRO AG

### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT**

#### **Opinion**

We have audited the consolidated financial statements of METRO AG and its subsidiaries ('the Group' or 'METRO') – which comprise the balance sheet as at 30 September 2017, the income statement, the reconciliation from profit or loss to total comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from 1 October 2016 to 30 September 2017, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of METRO for the financial year from 1 October 2016 to 30 September 2017.

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (superseded version) and give a true and fair view of the net assets and financial position of the Group as at 30 September, 2017, and of its results of operations for the financial year from 1 October 2016 to 30 September 2017, in accordance with these requirements, and
- the accompanying combined management report as a whole provides a suitable view the Group's position. In all material respects, the combined management report is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the combined management report.

#### **Basis for opinion**

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter referred to as 'EU Audit Regulation') and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Our responsibilities under those regulations and guidelines are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and combined management report' section of our report. We are independent of the Group companies in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10 (2)(f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and 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 2016 to 30 September 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

### — Impairment testing and reallocation of goodwill in the METRO Wholesale segment

**For the accounting policies applied, we refer to the disclosures in the notes in the section 'Basis of preparation of the consolidated financial statements'. Information on the development of goodwill as well as impairment testing can be found in Note 18 to the consolidated financial statements.**

#### FINANCIAL STATEMENT RISK

Goodwill in the amount of EUR 875 million was reported in the consolidated financial statements of METRO AG as at 30 September 2017. 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 sales line units per country for the METRO Wholesale and Real segments. It was necessary to reallocate goodwill at the METRO Wholesale segment in the 2016/17 financial year, as the reporting structure was reorganised due to the demerger in a manner that changed the composition of the groups of cash-generating units with goodwill. Until that adjustment, the customer group clusters Horeca (focus on hotels, restaurants, caterers), Trader (focus on independent retailers) and Multispecialists (focus on Horeca, Traders and Service Companies and Offices) were relevant for the reporting and monitoring goodwill by the Management Board. Since the reporting structure was changed and reorganised, goodwill for the cash-generating units of the METRO Wholesale Cash & Carry sales line is being monitored per country. Goodwill was reallocated in accordance with IAS 36.87 using the relative fair values less costs to sell as at the date of reorganisation.

Goodwill is tested for impairment annually and as required. Since the change in the reporting structure provides an indication of impairment losses, it was necessary, in addition to annual impairment testing, to carry out an impairment test prior to reallocating goodwill. The starting point for identifying any impairment losses is the recoverable amount, which at METRO generally corresponds to fair value less the costs to sell and is compared to the respective carrying amount of the group of cash-generating units. In doing so, fair value is measured according to the discounted cash flow method.

Impairment testing and reallocation of goodwill are based on cash flow planning, the starting point of which is the three-year plan prepared by METRO.

The three-year plan consists of a detailed budget for the first 2017/18 budget year and a less detailed 'Mid Term Plan' for the second 2018/19 budget year and the third 2019/20 budget year. In individual cases, the detailed planning phase is expanded by up to two additional budget years for units undergoing a significant transformation process in order to reflect conclusion of the transformation phase in the valuation model and use sustainable earnings for measurement of fair value. Future cash flows are discounted using the weighted average cost of capital of the respective cash-generating unit.

The Supervisory Board of METRO approved the budget for the first budget year and took note of the 'Mid Term Plan' for the second 2018/19 and third 2019/20 budget years at its meeting at the end of September 2017.

This measurement is highly dependent upon estimates of future cash flows as well as the cost of capital used and therefore fraught with considerable uncertainty. There is a risk for the financial statements that impairment losses are recognised too late or not at all. In terms of reallocating goodwill due to the change in internal reporting structure, there is the risk for the financial statements that goodwill is not allocated correctly to the countries involved.

In addition, IAS 36 requires extensive disclosures in the notes to the financial statements, particularly also in terms of METRO's consideration of the potential sensitivity of material measurement assumptions and parameters. There is the risk that the disclosures in the notes are not complete or adequate.

#### OUR AUDIT APPROACH

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation model underlying impairment testing, particularly in terms of the valuation standards used as well as formal and computational accuracy.

We confirmed the appropriateness of the future cash flows used in the calculation, among others, by comparing this information to the current budget figures in the three-year plan prepared by METRO as well as through comparison with general and industry-specific market expectations. In this regard, we confirmed the appropriateness of METRO's budget process by assessing the approach used to prepare bottom-up planning by the group companies as well as the adjustment of budgets at group level. In this regard, we used the external valuation reports prepared in accordance with IDW S1 as part of the demerger. Furthermore, we assessed the appropriateness of the long-term growth rates assumed. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO. The explanations from management of the respective entities on the expected impact of measures initiated as part of the transformation process were assessed in terms of verifiability and consistency with the planning assumption.

In view of the very high sensitivity of the calculated fair values to changes in the cost of capital, we rigorously examined – by taking into account country-specific particulars – the underlying assumptions and parameters for the cost of capital, especially the risk-free rate, market risk premium and beta coefficient, and assessed the calculation formula for computational and formal accuracy. Based on the sensitivity analyses carried out by METRO, we examined to what extent a reasonably possible change to the assumptions underlying the calculation could require recognising an impairment loss.

These findings were used in assessing the reallocation of goodwill. In doing so, we examined whether goodwill was properly reallocated according to the relative fair values less costs to sell.

We also audited the completeness and adequacy of the disclosures in the notes to the consolidated financial statements pursuant to IAS 36.

#### OUR CONCLUSIONS

The valuation model used for impairment testing is appropriate and in line with applicable IFRS accounting policies. Moreover, the measurement assumptions and parameters used by METRO are within an appropriate range and are reasonable. The reallocation of goodwill due to reorganisation of the reporting structure is appropriate and consistent with the applicable IFRS regulations. The disclosures made in the notes are complete and adequate.

#### — Impairment of property, plant and equipment

**For the accounting policies applied, we refer to the disclosures in the notes in the section 'Notes on the principles and methods underlying the consolidated financial statements'. Information on movements in property, plant and equipment is provided in Note 20. We also refer to Note 14 on depreciation of property, plant and equipment.**

#### FINANCIAL STATEMENT RISK

As at 30 September 2017, METRO's property, plant and equipment included in particular land and buildings at a carrying amount of EUR 4,932 million as well as other equipment, operating and office equipment at a carrying amount of EUR 1,705 million. EUR 46 million in impairment losses was recognised in the reporting period.

In accordance with IAS 36, real estate, other equipment, operating and office equipment as well as leasehold improvements on rented property have to be impairment tested if there are any indications of potential impairment. Indications of potential impairment especially include portfolio or restructuring measures and the performance of operations and the real estate market.

Pursuant to IAS 36, the carrying amount of the affected cash-generating unit (the respective wholesale or retail market) must be compared to its recoverable amount for impairment testing purposes. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. METRO regularly carries out impairment tests based on fair value less costs to sell. The basis for measurement is the present value of the future cash flows of the cash-generating unit, which is determined using the discounted cash flow method. Impairment testing is based on cash flows from operating activities planned for the cash-generating unit, the starting point for which was the three-year plan. In respect of the three-year plan, please refer to our comments on 'Impairment testing and reallocation of goodwill in the METRO Wholesale segment'.



In addition, fair value is calculated using internal real estate valuations or – if necessary – external expert opinions. In doing so, fair value is generally measured according to the discounted cash flow method, in individual cases the replacement cost and market comparable approach is applied. The most significant inputs are sustainable market rent as well as the discount and capitalisation rate.

This measurement is highly dependent upon the estimates of future cash flows and sustainable market rents as well as the interest rates used and therefore fraught with considerable uncertainty. There is the risk that necessary impairment losses are recognised too late or not at all.

#### OUR AUDIT APPROACH

The starting point for our audit were the indications of impairment of property, plant and equipment identified by METRO. We initially assessed which items of property, plant and equipment indicated impairment using information obtained in the course of our audit.

Our audit, which we carried out with the involvement of our own valuation experts, included, among others, assessing the appropriateness of the valuation models underlying impairment testing, particularly in terms of the valuation standards used as well as formal and computational accuracy. We confirmed the appropriateness of the future cash flows and market rents used in the calculation, among others, by comparing this information with the current budget figures as well as through comparison with general and use-specific market data. In addition, we addressed the cost of capital as well as real-estate-specific discount and capitalisation rates. In addition, we critically analysed previous adherence to the budget on the basis of past target/actual deviations prepared by METRO.

#### OUR CONCLUSIONS

Indications of impairment of property, plant and equipment were appropriately identified. The valuation models used for impairment testing are appropriate and in line with the applicable IFRS accounting policies. Moreover, the measurement assumptions and parameters use are appropriate and reasonable.

#### — Recoverability of deferred tax assets

**For the accounting policies applied, we refer to the disclosures in the notes in the section**

**'Explanatory notes to the basis of preparation of the consolidated financial statements'.**

**Please see Note 24 for information on deferred tax assets and liabilities.**

#### FINANCIAL STATEMENT RISK

EUR 439 million in deferred tax assets after netting are recognised in METRO's consolidated financial statements as at 30 September 2017; EUR 160 million is attributable to loss carryforwards before netting.

For the measurement of deferred tax assets, METRO has to assess to what extent it is probable that current deferred tax assets can be utilised in subsequent reporting periods. Utilising these deferred tax assets requires that sufficient taxable income is generated in future periods. If, on the other hand, there is reasonable doubt about the future usability of the deferred tax assets determined, these are not recognised or if deferred tax assets have already been recognised, they are written down. The recognition of deferred tax assets and liabilities greatly depends on estimates and assumptions about the operating performance of country units and the Group's tax planning and, thus, is subject to significant uncertainties. Moreover, realisation depends on the respective tax environment. The risk for the consolidated financial statements is that deferred tax assets are recognised that then cannot be realised in the future due to insufficient taxable income.

#### OUR AUDIT APPROACH

We involved our own tax specialists in the audit to assess tax matters. In the process, we tested the deferred tax assets for impairment on the basis of internal forecasts prepared by METRO on the future tax income situation, and critically reviewed the underlying assumptions. In this regard, we especially compared the planned future taxable income to the three-year plan prepared by the METRO and checked it for consistency. In respect of the three-year plan, please refer to our comments on 'Impairment testing and reallocation of goodwill in the METRO Wholesale segment'.

In addition, we incorporated our findings from the critical analysis of previous adherence to the budget on the basis of past target/actual deviations prepared by METRO as well as our assessment of further substantial supporting documents to achieve the budgeted taxable income (e.g. the transfer pricing model introduced in the prior year). Furthermore, we critically examined the temporary differences between the carrying amounts for IFRS financial statement and tax purposes.

## OUR CONCLUSIONS

The assumptions for the measurement of deferred tax assets and liabilities are reasonable overall.

**— Impairment of inventories**

**For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the basis of preparation of the consolidated financial statements' under Statement of financial position. In addition, we refer to Note 25 on the impairment of inventories.**

## FINANCIAL STATEMENT RISK

The balance sheet as at 30 September 2017 reports inventories in the amount of EUR 3,046 million, of which EUR 102 million refers to impairment losses.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition due to subsequent compensation) must be reduced in value if the inventories are damaged, fully or partially obsolete or if their expected net realisable value no longer covers cost. The determination of net realisable values as an upper limit is subject to judgement. Net realisable value requires in part forward-looking estimates with regard to the amounts that are expected to be realised when selling the inventories. There is the risk for the consolidated financial statements that inventories are overvalued due to unidentified impairment losses.

## OUR AUDIT APPROACH

Based on our understanding of the process used to test inventories for impairment, we assessed the establishment, design and functionality of the identified internal controls, especially in terms of the calculation of expected net realisable values.

We verified the computational accuracy of the calculations to determine net realisable value and impairment losses for inventory items selected according to risk and size. We assessed the appropriateness of the expected net realisable values and impairment rates applied for inventory obsolescence, damage and turnover using METRO's historical and empirical values, among others.

## OUR CONCLUSIONS

The assumptions underlying the net realisable values as well as judgements exercised are appropriate and reasonable.

**— Recognising compensation from suppliers**

**For the accounting policies applied, we refer to the disclosures in the notes in the section 'Explanatory notes to the basis of preparation of the consolidated financial statements'. In addition, we refer to Note 23 on 'Miscellaneous financial and other assets'.**

## FINANCIAL STATEMENT RISK

The Group's balance sheet at 30 September 2017 presents receivables from suppliers in the amount of EUR 504 million under 'Miscellaneous financial and other assets'.

The companies of METRO conclude agreements with suppliers on purchasing terms and conditions. These include, among others, agreements on subsequent discounts, rebates and other compensation from suppliers to METRO. Presentation of these agreements in the balance sheet and income statement requires some judgements and assumptions such as on achieving calendar year targets, which have a direct influence on the recognition of receivables from suppliers under the aforementioned agreements. There is the risk for the consolidated financial statements that the level of compensation realised from suppliers was estimated inaccurately so that the amount recognised for receivables from suppliers is too high.

## OUR AUDIT APPROACH

We examined the process for recognising and documenting supplier agreements and the establishment and design of the identified internal controls and assessed the effectiveness of the relevant internal controls in terms of the amount and accuracy of supplier compensation.

We confirmed the underlying supplier agreements for a selection of receivables from suppliers based on size and risk, and assessed the recognition of supplier compensation in the statement of financial position and income statement by evaluating the contractual arrangements. To that end, we scrutinised, among others, the underlying assumptions and data used to recognise the receivables from suppliers for realised but not yet invoiced compensation taking into account past experience.

## OUR CONCLUSIONS

The recognition of the realised compensation from suppliers is consistent with the underlying supplier terms and conditions/agreements with the suppliers.

On the whole, the assumptions used to assess the level of realisation of the uninvoiced compensation from suppliers are appropriate.

**— Recognition and measurement of restructuring provisions**

**For the accounting policies applied, we refer to the note in the section 'Explanatory notes to the basis of preparation of the consolidated financial statements'. Disclosures on the restructuring measures can be found under notes 3, 4, 16, 33 and 42. A description of the restructuring expenses is included in the Group management report under net assets, financial position, and results of operations.**

## FINANCIAL STATEMENT RISK

Restructuring provisions equalled EUR 200 million in the consolidated financial statements of METRO as at 30 September 2017.

For restructuring measures, corresponding provisions are to be recognised if the general and specific recognition criteria of the relevant requirements are in place. The measurement of the restructuring expenses that are significant in terms of amount is heavily dependent on the estimates and assumption of management, particularly with regard to the arrangement of social plans, severance payment amounts, release of staff as well as costs involved with closing stores. The risk for the consolidated financial statements is that the restructuring provisions are not complete, the recognition criteria are not in place and/or the measurement is inaccurate.

## OUR AUDIT APPROACH

Based on the knowledge gained from our review of Management and Supervisory Board minutes and interviews, we confirmed that the restructuring measures are fully presented in the consolidated financial statements. In the course of our audit, we also assessed the significant restructuring measures in terms of amount, among other things, in respect of whether each of the recognition criteria had been met. In this regard, we particularly assessed whether, in each case, a detailed formal restructuring plan was in place and the key components of the restructuring measures had been communicated to the staff concerned or the implementation of restructuring measures had commenced.

Furthermore we assessed the consistency of the assumptions underlying the measurement of provisions for restructuring costs with the detailed restructuring plans and the restructuring plans implemented in the past as well as critically evaluating the agreements and arrangements already concluded as at the reporting date.

## OUR CONCLUSIONS

The criteria for the recognition of provisions for restructuring costs are in place. The provisions for restructuring costs reflect the restructuring plans according to the relevant requirements. The assumptions and estimates used for valuation are appropriate.

### **Responsibilities of the Management and Supervisory Boards for the consolidated financial statements and the combined management report**

The Management is responsible for the preparation of the consolidated financial statements, which in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (superseded version), and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the Management is responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern. Furthermore, the Management is responsible for disclosing, as applicable, matters related to going concern. In addition, the Management is responsible for using the going concern basis of accounting unless the intention is liquidation or to cease operations, or there is no realistic alternative to do so.

Moreover, the Management is responsible for preparing the combined management report, which as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the Management is responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of the management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the combined management report

The Supervisory Board is responsible for monitoring the Group's financial reporting process for preparing the consolidated financial statements and the combined management report.

### **Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position, as well as, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the consolidated financial statements and 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, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [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.

As part of our audit we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements and 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements, and of the arrangements and measures 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 of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management'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 our auditor's report to the related disclosures in the consolidated financial statements or the combined management report or, if such disclosures are inadequate, to modify our particular opinion. 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 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 represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position, and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to Section 315a (1) HGB (superseded version).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate consistency of the combined management report with the consolidated financial statements, its legal compliance and presentation of the Group's position.
- Perform audit procedures on the prospective information presented by the Management in the combined management report. Based on sufficient and appropriate audit evidence, we hereby in particular trace the significant assumptions used by the Management as a basis for the prospective information and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information as well as the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### **Other disclosures pursuant to Article 10 of the EU Audit Regulation**

We were appointed as group auditors at the shareholders' meeting held on 30 May 2017 and appointed by the Supervisory Board on the same date. We have audited the listed company METRO AG (operating under the name METRO Wholesale & Food Specialist AG until 18 August 2017) since the 2016/17 financial year.

We declare that the audit opinion in this auditor's report is consistent with the additional report to the audit committee referred to in Article 11 of the EU Audit Regulation (audit report).

### **Statutory auditor responsible for the engagement**

The auditor responsible for the engagement is Gereon Lurweg.

Cologne, 30 November 2017

## **KPMG AG**

Wirtschaftsprüfungsgesellschaft  
[Original German version signed by:]

### **LURWEG**

Wirtschaftsprüfer  
[German  
Public Auditor]

### **KOLL**

Wirtschaftsprüferin  
[German  
Public Auditor]



# SERVICE

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# GLOSSARY

## A

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### **Accelerator**

Initiative that supports start-ups, for example with coaching, thus accelerating the development and implementation of their business ideas. METRO has launched the METRO Accelerator powered by Techstars to support start-ups with innovative technologies for use in the food service, hospitality, catering and retail sectors.

### **After-sales management**

After-sales management refers to all activities of a company that take place after the actual sale of a product or service. This includes, for example, maintenance and repair services, training as well as marketing campaigns to strengthen customer loyalty and increase sales.

### **Aquaculture Stewardship Council (ASC)**

The Aquaculture Stewardship Council is an international, non-profit organisation that promotes responsible aquaculture around the world. In these efforts, it cooperates with aquaculture and processing operations, retail and food companies as well as scientists. The ASC label recognises products that come from sustainable aquaculture operations. The ASC was founded in 2010 by the World Wide Fund For Nature (WWF) and the Sustainable Trade Initiative (IDH).

### **Audit**

A procedure that assesses an organisation's processes and structures according to previously formulated standards and guidelines. Audits shed light on the effectiveness of process optimisation measures. If an audit is conducted by an external auditor, the certificate issued after the review can be used as evidence of adherence to standards

## B

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### **Business Social Compliance Initiative (BSCI)**

Founded in 2003, this alliance of European retailers works to ensure that production in all supplier countries complies with minimum social standards. The initiative aligns its standards with the UN's Universal Declaration of Human Rights and the conventions of the International Labour Organization (ILO).

## C

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### **Carbon Disclosure Project (CDP)**

The unaffiliated organisation was founded in London in 2000 by companies. It aims to disclose companies' CO<sub>2</sub> emissions as well as their climate and reduction risks, thereby contributing to the transparency of their corporate financial reporting on climate-relevant data. Each year, the CDP conducts standardised company surveys on a voluntary basis.

### **Commercial paper programme**

Ongoing capital market programme typical of money markets that covers short-term financing needs. It facilitates the issuance of commercial papers (CP) as discounted, unsecured bearer bonds without standardised terms of maturity.

### **Committee of Sponsoring Organizations of the Treadway Commission (COSO)**

US-based private-sector organisation that developed and published a standard for internal controls in 1992 that is recognised by the US Securities and Exchange Commission. In 2004, this standard was updated and the COSO ERM (Enterprise Risk Management – Integrated Framework), also known as COSO II, was published.

### **Compliance**

All measures specifying a company's and its employees' behaviour in accordance with legislation, established social guidelines and values.

### **Corporate Sector Supervision and Transparency Act (KonTraG)**

The Corporate Sector Supervision and Transparency Act entered into force in May 1998. Its aim is to create organisational structures in companies that allow for sufficient controls and transparency. At the same time, it intends to create the necessary conditions for ensuring that developments which might pose a threat to the company's continued existence can be identified at an early stage. The Management Board is required by KonTraG to implement adequate risk management and an internal audit function that is appropriate for the company's size and organisational structure.

### **Cost of capital**

See: Weighted Average Cost of Capital (WACC).

**Currency effect**

The currency effect is calculated by comparing reported sales of the current financial year in euros with sales of the previous period, converted at the average exchange rate of the current financial year.

**D****Disruption, digital disruption**

Disruption is a fundamental, revolutionary change of an existing condition. The term is often used in the context of digitisation and describes how digital innovations are replacing traditional models (business models, products, technologies and services).

**Diversity management**

A central element of HR policy that harnesses the diversity of employees for corporate success in terms of gender, age, ethnicity, beliefs, sexual identities and potential disabilities.

**E****Earnings per share (basic/diluted)**

Earnings per share (basic) is the indicator that relates profit or loss for the period attributable to the shareholders of METRO AG to the average number of ordinary shares. Earnings per share (diluted) additionally take into account the effect of so-called potential ordinary shares (for example, stock options issued).

**Earn-out**

Conditional purchase price payment as part of a business acquisition.

**EBIT (Earnings Before Interest and Taxes)**

This key figure is used for the international comparison of companies.

**EBITaC (Earnings Before Interest and Taxes after Cost of Capital)**

This indicator shows whether a company successfully uses its business assets and achieves value added that exceeds the cost of capital.

**EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)**

Earnings before deduction of interest, taxes, depreciation/amortisation/impairment losses/reversals of impairment losses on property, plant and equipment, intangible assets and investment property. This measure is used to compare companies that report under different standards.

**EBITDAR (Earnings Before Interest)**

Taxes, Depreciation, Amortisation and Rent) EBITDAR represents EBITDA before rental expenses, less rental income.

**EBT (Earnings Before Taxes)**

This indicator is used to compare companies, although different taxation systems may exist.

**E-commerce**

Short for electronic commerce, the electronic marketing and trading of goods and services over the Internet.

**F****Fair value**

This refers to the price that would be received to sell an asset or paid to transfer a liability as part of a normal transaction between market participants at the measurement date.

**Food, non-food**

Under the global term "food", METRO summarises the following categories of goods: fresh foods, durable foods, nutrients, frozen foods and drinks of all kinds, as well as luxury foods, dietary supplements, pet feed, but also detergents, cleansers and cleaning agents, which are sometimes also labelled as near-food. All other goods are considered non-food items.

**Food Lover concept**

See: hybrid-store concept.

**Franchising**

Also licence sales or franchising system. Contractually regulated form of organisation: the franchisor grants independent franchisees the right to offer certain goods or services using a franchisor's name or trademark.

**Free cash flow**

Free cash flow = EBITDA reported - Investments excluding finance leases renewals and M&A +/- changes in net working capital.

**Free cash flow conversion**

Free cash flow conversion = (EBITDA reported - Investments excluding finance leases renewals and M&A +/- changes in net working capital) reported EBITDA.

## G

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### **German Accounting Law Modernisation Act (BilMoG)**

The German Stock Corporation Act on Modernisation of Accounting Law (BilMoG) was passed in May 2009. It introduced the most comprehensive accounting reform since 1985. The goal of the BilMoG is to bring German accounting law in line with internationally accepted methods of accounting, while at the same time ensuring greater transparency and lower costs for companies.

### **Global Food Safety Initiative (GFSI)**

The initiative was established in 2000 by retail companies. It is the world's largest organisation for the improvement of food safety. The initiative promotes the establishment of international audits that reduce food-related risks and evaluate food suppliers within that context.

### **GLOBALGAP**

A private-sector organisation that certifies agricultural and aquacultural products. The standard for "good agricultural practice" (GAP) resulted from an initiative of European retail companies.

### **Governance**

Principles governing the management and supervision of the different players who have an influence on a company.

## H

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### **HACCP (Hazard Analysis and Critical Control Points)**

A consumer protection system for verifying food safety. It provides a way for companies to monitor critical points and hazards in their production processes. All companies in Germany that manufacture food products are required to apply HACCP. Within the European Union, it is illegal to import and trade products that do not meet the requirements of the HACCP system.

### **HoReCa**

Short for hotel, restaurant and catering businesses. The HoReCa sector is a key customer group for METRO Cash & Carry. Due to their strategic focus on HoReCa customers, France, Germany, Italy, Japan, Portugal, Spain, Turkey and Classic Fine Foods have been attributed to the HoReCa cluster since financial year 2015/16. The new HoReCa, Multispecialist and Trader clusters replace the previous reporting regions of Germany, Western Europe, Eastern Europe and Asia.

### **Hospitality industry sector**

Summary term for hotels, restaurants and catering companies, often referred to as HoReCa industry sector.

### **Hybrid-store concept**

Also referred to as a Food Lover concept. New market concept of the METRO sales line Real, which focuses on the customer and uses the advantages of large-scale supermarkets. This hybrid-store concept considers rational and emotional wishes and needs of different customer groups, such as fresh, home-made pizza, pasta and sushi, as well as product presentation with more service and consulting.

## I

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### **IASB (International Accounting Standards Board)**

An independent international body that developed the International Financial Reporting Standards (IFRS) and continues to revise them.

### **IFRIC (International Financial Reporting Interpretations Committee)**

This group is part of the International Financial Reporting Standards Foundation (IFRSF) and resolves controversial accounting issues.

### **IFRS (International Financial Reporting Standards)**

International rules governing accounting principles. In contrast to the financial statements according to the German Commercial Code, the focus of IFRS is on investor-oriented information.

### **Indoor farming**

Cultivation of fruit, vegetables or herbs in enclosed spaces.

### **ISAE 3402 (International Standard on Assurance Engagements)**

International auditing standard applying to audit reports from service companies that reduces the amount of effort needed to conduct the audit and assists the customers' audit department.

## L

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### **Like-for-like sales growth**

Sales growth adjusted for selling space, reflecting sales growth in local currency on a comparable area or with respect to a comparable group of locations or sales concepts such as online stores and delivery. The figure only includes sales of locations with a comparable history of at least one year. This means that locations affected by openings, closures or material refurbishments during the reporting period or comparable year are excluded.

## M

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**Marine Stewardship Council (MSC)**

The MSC was founded in 1997 by the World Wide Fund For Nature (WWF) and the consumer goods company Unilever. The non-profit, independent organisation promotes sustainable fishing around the world and awards its environmental seal to fisheries with sustainable fishing practices. These are determined on the basis of special certification programmes.

**Market-to-market valuation**

Calculation of the fair value of financial instruments based on market prices at a particular point in time.

**Mobile commerce**

A specific type of e-commerce. In this case, the electronic marketing and retail of merchandise and services are conducted on a mobile device, such as a smartphone.

**Multichannel marketing**

Strategy of the trade to reach customers simultaneously over several interlinked sales channels, for example over outlets and online shops.

**Multispecialist**

METRO Cash & Carry countries with a strategic focus on both customers in the HoReCa segment and customers in the Trader and SCO segments have been attributed to the Multispecialist cluster since financial year 2015/16. These include Austria, Belgium, Bulgaria, China, Croatia, India, Kazakhstan, the Netherlands, Pakistan, Russia, Serbia, Slovakia, the Czech Republic and Hungary. The new HoReCa, Multispecialist and Trader clusters replace the previous reporting regions of Germany, Western Europe, Eastern Europe and Asia.

## N

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**Net debt**

Net debt is calculated by offsetting financial liabilities including finance leases against cash and cash equivalents according to the balance sheet as well as financial investments. Financial investments include short-term bank deposits and short-term liquid debt instruments.

**Net working capital**

The net working capital includes inventories, trade receivables and receivables due from suppliers included in the items other financial and non-financial assets. Trade payables are deducted from these items.

**New Operating Model**

Organisational and management model at METRO Cash & Carry, which was introduced in 2015. It is supposed to foster an entrepreneurial spirit within the organisation by transferring greater responsibility and creative freedom to the national subsidiaries. At the same time, measures geared towards specific customer groups (for example, for hotels, restaurants and catering firms) are cross-nationally coordinated.

## O

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**Omnichannel retail, omnichannel distribution**

A development in multichannel marketing. Combination of traditional store-based retail with e-commerce, social media and applications for smartphones and tablets. Integrating all channels offers consumers a flexible and seamless shopping experience as the channels are holistically linked in all purchasing phases.

**Own brands**

Developed by a retail company and trademark protected brand products with an attractive best price/performance ratio.

## P

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### **Performance share**

Performance-based investment. A performance share entitles its owner to a cash payment matching the share price.

### **Portfolio effect**

Adjustments to group structures are called portfolio measures or portfolio effects.

### **Previous year**

Period of 12 months, usually cited as reference for statements in the annual report.

## R

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### **Rating**

In the financial sector, ratings represent the systematic, qualitative assessment of creditworthiness. Ratings are expressed in various grades of creditworthiness. Well-known agencies that issue ratings are Standard & Poor's, Moody's and Fitch.

### **Retail**

The Real sales line of METRO AG operates in the food retail sector and, with 282 stores, it is a leading hyper-market operator in Germany.

### **Retail brand**

A company with a completely independent market presence. 2 sales brands can be positioned within a sales line with an identical merchandising concept.

### **Return on capital employed (RoCE)**

This metric indicates whether a company makes profitable use of its available capital, less liquid funds and short-term debt capital.

### **Roundtable on Sustainable Palm Oil (RSPO)**

The Swiss-based RSPO was founded in 2004 at the initiative of the World Wide Fund For Nature (WWF). It counts among its members non-governmental organisations as well as companies and institutions within the palm oil value chain, including plantation owners, retailers and industrial palm oil buyers as well as investors and bankers. The partners aim to promote the production and use of sustainable palm oil.

## S

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### **Sales line**

Part of a retail company that operates stores or markets with a specific sales concept.

### **Share unit**

Unit for performance shares.

### **Social compliance**

The adherence to laws, guidelines, standards, codes and/or social conventions by which an organisation ensures socially responsible operations within its value and supply chains. The aim is to protect the safety, health and basic rights of employees in their own company as well as among its suppliers.

### **Special items**

Business transactions or a number of uniform business transactions that do not recur regularly, that are reflected in the income statement and that have a significant impact on business activities are classified as special items. As a result, the presentation of special items better reflects ordinary business performance and contributes to a better understanding of the earnings position.

### **Start-up company**

Newly founded company characterised by an outstanding business idea and a high degree of innovation.

### **Supply chain**

Different processes that contribute to the added value of a company. At METRO, these include logistics, marketing and sales.

### **Sustainable Development Goals (SDG)**

Under the title "Transforming of our world: the 2030 Agenda for Sustainable Development", the United Nations established political goals that apply to the entire international community. The agenda has formulated 17 main objectives that take into account all 3 dimensions of sustainability: economy, society, environment. METRO is also aware of its responsibility and contributes to the achievement of the goals.

**T**

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**Total shareholder return (TSR)**

The total shareholder return is the total return of an investor's share – the investment income plus dividend.

**Trader**

The term "Trader" at METRO Cash & Carry refers to the customer group of independent resellers such as operators of small grocery stores and kiosks, street food vendors, gas stations and wholesalers.

Since financial year 2015/16, the Trader cluster comprises the METRO Cash & Carry countries Moldova, Poland, Romania and Ukraine. The HoReCa, Multi-specialist and Trader clusters replace the previous reporting regions of Germany, Western Europe, Eastern Europe and Asia.

**W**

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**Weighted Average Cost of Capital (WACC)**

This metric describes the average weighted cost that a company must pay for capital. It is composed of average debt capital costs and average equity costs. The WACC facilitates the measurement of a company's value.

**Wholesale, METRO Wholesale**

The METRO Wholesale segment comprises the METRO Cash & Carry sales line of METRO AG with more than 750 wholesale markets across 25 countries worldwide. The delivery business (food service distribution) is also part of this segment, with companies like METRO Delivery Service and the delivery specialists Classic Fine Foods, Pro à Pro and Rungis Express.

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# MULTI-YEAR OVERVIEW

		2013/14	2014/15	2015/16	2016/17
<b>Key financial figures</b>					
Sales (net)	€ million	38,970	37,496	36,549	<b>37,140</b>
EBITDA <sup>1</sup>	€ million	1,957	1,771	1,791	<b>1,810</b>
EBIT <sup>1</sup>	€ million	1,275	1,081	1,106	<b>1,106</b>
EBIT margin <sup>1</sup>	%	3.0	2.6	3.0	<b>3.0</b>
Earnings before taxes <sup>1</sup>	€ million	837	693	808	<b>896</b>
Profit or loss for the period <sup>1</sup>	€ million	402	464	495	<b>583</b>
thereof profit or loss for the period attributable to shareholders of METRO AG <sup>1</sup>	€ million	40	254	506	<b>325</b>
Investments	€ million	757	1,155	1,007	<b>827</b>
Total assets	€ million	17,103	18,725	15,992	<b>15,779</b>
Equity	€ million	826	2,651	2,924	<b>3,207</b>
Equity ratio	%	4.8	14.2	18.3	<b>20.3</b>
Equity return on capital employed after taxes	%	48.7	17.5	16.9	<b>18.2</b>
Earnings per share (basic = diluted) <sup>2</sup>	€	0.11 <sup>4</sup>	0.70 <sup>4</sup>	1.39 <sup>4</sup>	<b>0.89</b>
<b>Dividends</b>					
Dividend per ordinary share <sup>3</sup>	€	0.00	0.00	0.00	<b>0.70</b>
Dividend per preference share <sup>3</sup>	€	0.00	0.00	0.00	<b>0.70</b>
<b>Operational data</b>					
Employee (annual average by headcount)		173,234	165,404	156,852	<b>155,082</b>
Locations		1,077	1,061	1,041	<b>1,041</b>
Selling space (1,000 m <sup>2</sup> )		7,721	7,529	7,377	<b>7,249</b>

<sup>1</sup> Before special items; the special items for 2015/16 and 2016/17 are presented in the combined management report as: 3 economic report - 3.2. asset, financial and earnings position - earnings position - special items.

<sup>2</sup> After non-controlling interests.

<sup>3</sup> Subject to the resolution of the Annual General Meeting.

<sup>4</sup> Pro forma disclosure of combined financial statements.

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Stuttgart/Berlin, Germany

## Editorial support and realisation

Ketchum Pleon GmbH,  
Düsseldorf, Germany

## Printing

Druckstudio GmbH,  
Düsseldorf, Germany

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pp. 8, 10-11  
Sabine Grothues:  
pp. 14-15

## Photo credits

METRO AG

Combined management  
report, consolidated  
financial statements  
and notes are produced  
inhouse with FIRE.sys

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Published on 13 December 2017

# FINANCIAL CALENDAR 2017/18

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